London Borough of Hammersmith & Fulham

Pension Fund Committee

Agenda

Wednesday 21 July 2021 at 7.00 pm
Main Hall (1st Floor) - 3 Shortlands, Hammersmith, W6 8DA

You can watch the meeting live on YouTube:
youtu.be/8-vqfCQ5ado

MEMBERSHIP

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

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: youtu.be/8-vqfCQ5ado

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

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Date Issued: 13 July 2021

Public Attendance

Members of the public and press are welcome to attend or watch the meeting.

You can watch the meeting live on YouTube: youtu.be/8-vqfCQ5ado

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For the safety of attendees, we are ensuring that our meetings take account of any relevant Coronavirus restrictions and public health advice.

Members of the public who are attending a meeting for a specific purpose, rather than general observation, are encouraged to leave the meeting at the end of the item for which they are present.

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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, hand washing, and the wearing of masks (unless you are exempt from doing so) when moving around and in communal spaces. 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 for their item.

London Borough of Hammersmith & Fulham

Pension Fund Committee
Agenda

Item		Pages
1.	**APPOINTMENT OF VICE CHAIR**	
	The Committee is asked to appoint a Vice Chair from its membership for the 2021/22 Municipal Year.	
2.	**APPOINTMENT OF CO-OPTED MEMBERS**	
	The Committee is asked to appoint Michael Adam and Peter Parkin as non-voting co-opted members for the 2021/22 Municipal Year.	
3.	**APOLOGIES FOR ABSENCE**	
4.	**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.	
5.	**MINUTES OF THE PREVIOUS MEETING**	7 - 14
	To approve the minutes of the meeting held on the 3rd March 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

12. PENSION FUND DRAFT ACCOUNTS 2020/21 101 - 126

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

13. GAD REVIEW UPDATE 127 - 131

This report and appendix provide the Pension Fund Committee with the Government Actuary's Department's (GAD) draft report on the 2019 LGPS triennial actuarial valuation.

14. BREACHES POLICY 132 - 151

As part of the independent review of the Pension Fund, a recommendation was made to compile a Breaches of the Law Policy and Guidance document.

This report introduces the Breaches of the Law Policy and Guidance document.

15. QUARTERLY PERFORMANCE UPDATE 152 - 214

This paper provides the Pension Fund Committee with summary of the Pension Fund's overall performance for the quarter ended 31 March 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

16. INVESTMENT STRATEGY UPDATE 215 - 230

This paper provides 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.

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

17. SECTION 113 AGREEMENT REVIEW 231 - 296

This paper presents the Tri-Borough Section 113 (S113) Agreement review of the Tri-Borough Treasury and Pensions and Treasury

Services, as undertaken by an independent consultant during August 2020.

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

18. ACTUARIAL SERVICE PROCUREMENT

The Pension Fund contract for Actuarial Services, currently with Barnett Waddingham, expired at 31 December 2020. Officers have conducted a joint procurement exercise with the City of Westminster and the Royal Borough of Kensington and Chelsea, which has now concluded. This was conducted using the National LGPS framework, a well-established framework, giving the Fund access to the best available providers in the space.

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

19. EXEMPT DISCUSSION (IF REQUIRED)

LOCAL GOVERNMENT ACT 1972 – ACCESS TO INFORMATION

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

London Borough of Hammersmith & Fulham

Pension Fund Sub-Committee

Minutes

Wednesday 3 March 2021

NOTE: This meeting was held remotely. A recording of the meeting can be found at: https://youtu.be/wLREg3DXW3M

PRESENT

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

Co-opted members: Michael Adam

Officers: Rhian Davies (Director of Resources), Dawn Aunger (Assistant Director People and Talent), David Hughes (Director of Audit, Fraud, Risk and Insurance), Eleanor Dennis (Pensions Manager), Phil Triggs (Director of Treasury and Pensions), Matthew Hopson (Strategic Investment Manager), Patrick Rowe (Corporate Finance) and David Abbott (Head of Governance)

External:
John Raisin (LGPS practitioner)
Kevin Humpherson, Andrew Bullman, John Raisin and Richard Slater (Deloitte)
Kenneth Taylor and Philip Pearson (Hymans)

1. APOLOGIES FOR ABSENCE

There were no apologies for absence received.

2. ROLL CALL AND DECLARATIONS OF INTEREST

The Chair carried out a roll call to confirm attendance. Attendance is listed above.

Councillor Jonathan Caleb-Landy declared a pecuniary interest as his wife works for Deloitte. As a result, he did not participate or vote on item 8.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED:
That the minutes of the meetings held on 3rd February 2021 were approved.

NOTE: The Chair agreed to reorder the agenda. Item 8 was given priority over items 6 and 7.

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

Phil Triggs (Director of Treasury and Pensions) introduced the report and 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. The report summarised the suggested way forward on each of the 32 recommendations as an outcome of the governance review.

John Raisin (LGPS practitioner) noted that overall, this review concluded that the Pension Fund Sub-Committee had since 2015 exercised careful and considered oversight, governance and positive decision making in respect of the Council's Pension Fund based on the information provided to it. The members of the Pension Fund Sub-Committee had, on the basis of the evidence examined, sought to discharge their responsibilities diligently.

There were however a number of areas where there was scope for clear improvement in the future Governance of the Fund. These were covered in detail in the report. In particular there had been material weaknesses in relation to Pensions Administration. These however did not relate to the approach or actions of the Pension Fund Sub-Committee.

Councillor Rowan Ree queried the reasons for proposing six voting councillors for the membership of the new Pension Fund Committee. In response John Raisin explained that it was recommended that the new elected membership be six voting councillors, and this number was recommended in line with the Council's current practice across the majority of its Committee memberships.

Councillor Rowan Ree asked for further clarification to be provided on paying an allowance to the Local Pension Board members for attendance at Board meetings. David Abbott (Head of Governance) explained that the proposal was for Local Pension Board members to be paid the same allowance as co-opted members – currently £504 per year. Any allowances approved would be payable from the Pension Fund.

The Chair queried the process and timeline for the creation of the new Pension Fund Committee. In response David Abbott noted that if the Pension Fund Sub-Committee endorsed the new terms of reference, the changes would be made at the next Full Council meeting on 28 April 2021.

Michael Adam (Co-opted member) queried if there had been any proposed changes to the role of the Pension Board. John Raisin (LGPS practitioner) noted that the role of the new Pension Fund Committee would be to exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as Administering Authority of the London Borough of Hammersmith and Fulham Pension Fund. The role of the Pension Board would be to assist the Administering Authority and there had been no recommendations to propose any changes of the current governance arrangements between the Committee and Board.

The Chair asked for further clarification to be provided on the different timelines for achieving all of the 32 recommendations. Phil Triggs explained that a timeline for each of the 32 recommendations had been set out in the officer report. Phil Triggs resolved to bring an update to each subsequent committee to update on progress made with regard to each of the recommendations.

RESOLVED:
That the Pension Fund Sub-Committee noted the report which sets out the officer responses to the 32 recommendations made by the review.

5. PROPOSED IMPROVEMENTS TO PENSION FUND GOVERNANCE ARRANGEMENTS

David Abbott (Head of Governance) introduced the report and provided a summary of the key points.

RESOLVED:

That the Pension Fund Sub-Committee:
- Noted the recommendations of the independent review by John Raisin Financial Services Limited and the officer responses, as set out in the report.
- Endorsed the proposed terms of reference of the new Pension Fund Committee as set out in Appendix 1
- Endorsed the terms of reference as set out in Appendix 1 that the Monitoring Officer is authorised to refer the changes to the terms of reference for approval to Full Council.

6. PENSIONS ADMINISTRATION UPDATE

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the report and gave a summary of the key points. He provided an overview of the progress made since November 2020 around 9 key areas of activity. This included the timetable for implementation of the new retained team, the procurement of the new service provider and the data improvement programme. It was noted that Local Pensions Partnership Administration (LPPA) agreed to enter into a delegation agreement with the Council for the provision of the Council's administration service. Officers were working with LPPA to ensure that this agreement was put in place.

Councillor Matt Thorley queried whether officers felt confident in achieving the draft project plan and milestones as set out on page 47 of the agenda pack. In response David Hughes explained that officers were working closely with LPPA to develop a detailed project plan, which also included elements of the exit plan being discussed with Surrey County Council (SCC), to ensure a smooth transfer from SCC and implementation of the new service with LPPA on 1st February 2022.

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

7. PENSIONS ADMINISTRATION PERFORMANCE

Eleanor Dennis (Pensions Manager) presented the report and gave a summary of the key points. The Key Performance Indicators (KPI's) for SCC for the last quarter (November 2020 to January 2021) were below the level required from the Council's administrators but had improved in key areas such as deaths. Officers continued to work with SCC to understand the activity trends and challenge poor performance.

Councillor Matt Thorley asked for an update on the progress of the data cleansing exercise, relating to the backlog casework. In response Eleanor Dennis explained that that a third part contractor (ITM) had been appointed to carry out the work required on backlog cases. This work would cover analysis and enquiries to collate data required and uploading new data to member records.

Councillor Matt Thorley noted that SCC's telephone service was operating on a reduced basis since March 2020 and asked how this had impacted the service provided to members. Eleanor Dennis explained that the reduced service was implemented solely for reasons relating to logistics as a result of the Covid-19 pandemic. Members were still able to contact SCC electronically and there was a customer promise to respond to "quick win" emails within 3 days.

RESOLVED:
That the Pension Fund Sub-Committee considered and noted the contents of this report.

8. INVESTMENT CONSULTANCY PROCUREMENT

Matthew Hopson (Strategic Investment Manager) presented the report and gave a summary of the key points. It was noted that the Pension Fund contract for investment consultancy, currently with Deloitte, would expire at the 31st March 2021. Officers had conducted a joint procurement exercise with Westminster City Council which had now concluded. This was concluded using the National LGPS Framework, a well-established framework, giving the fund access to all the best available providers in the space.

Two providers responded to the invitation to tender, with the scoring and analysis of each provider set out in Appendix 1 to this report. Hymans Robertson and Deloitte had been invited to this meeting to respond to the two following clarification questions asked by the Council and receive any follow-up questions that the Sub-Committee might have.

1) Can you please detail separately how you would tailor your service differently to meet the needs of Hammersmith and Fulham?
2) Please can explain your approach to ESG monitoring and performance of investment managers and how would you keep the committee up to date with this?

Philip Pearson (Hymans) and Kevin Humpherson (Deloitte) provided detailed responses to these questions during the meeting. Full details can be viewed in the recording of the meeting *https://youtu.be/wLREg3DXW3M*

Members also asked a series of follow-up questions, some of which are set out below:

Councillor Matt Thorley asked how proactive Hymans' role would be in achieving the fund's carbon neutral objective by 2030. In response Philip Pearson noted that Hymans would take a proactive role, particularly in relation to ensuring that the Pension Fund Sub-Committee was made aware of the implications to meet the goals that were set and its regulatory obligations in relation to climate change, including standards and best practice in this area. It was noted that Hymans had a specialist team who were responsible for keeping track of developments in responsible investment.

Michael Adam (Co-opted member) asked Hymans to provide further clarification on their processes for using fund buy lists when screening for potential new managers. Philip Pearson provided a detailed overview on the process undertaken by Hymans for appointing new managers based on the needs of their client. He noted that Hymans used two sets of buy lists. The difference between the two buy lists was explained in detail. One related to broader investment outcomes and the other was specifically based on managers' capabilities on responsible investment.

Councillor Matt Thorley asked Deloitte how they would balance the objectives of the Pension Fund Sub-Committee against the Environmental, Social and Governance requirements. Kevin Humpherson outlined the approach that would be taken by Deloitte to manage and achieve the objectives of the Sub-Committee.

RESOLVED:
That the Pension Fund Sub-Committee approved the recommendation to award the contract to Deloitte.

9. ACTUARIAL SERVICE PROCUREMENT

This item was withdrawn.

10. GROUND RENTS AND SOCIAL SUPPORTED HOUSING

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. It was noted that the associated Appendix from Deloitte provided an analysis of the recent Fund Manager presentations, including a summary of each presentation and questions asked to the investment managers as part of the manager selection exercise held on 16 February 2021.

Members held a brief discussion around the information provided during the selection exercise and the investment decision regarding the selected managers.

Phil Triggs noted that a fresh proposal would be brought to the next Committee meeting if the criteria for occupancy rates with Henley had not been satisfied to the expectation of the Pension Fund Sub-Committee.

RESOLVED:
That the Pension Fund Sub-Committee delegate authority to the Director of Treasury and Pensions in consultation with the Chair, to invest 5% of the Pension Fund total assets with Alpha Real Capital, 2.5% with Man Group and 2.5% with Henley. The 2.5% with Henley was subject to occupancy rates improving to closer to 90% by the end of Q4 2021.

11. QUARTERLY UPDATE PACK

Kevin Humpherson (Deloitte) presented the report and gave a summary of the key points. This included an update on the performance of the Fund and recent manager developments.

Matt Hopson (Strategic Investment Manager) noted the adjustment made to the risk register in relation to the administration process from high to medium due to the recent significant progress made in this area.

RESOLVED:
That the Pension Fund Sub-Committee noted the update.

12. INDEPENDENT CONSULTANT REVIEW

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. It was noted that it was of the view of officers that the appointment of an individual independent advisor would offer a further, enhanced level of best ideas, investment strategy direction and governance that would further improve the Pension Fund Sub-Committee's decision-making processes. A brief summary for the role of an independent advisor to the fund was also provided.

Members expressed some concerns on how conflicting advice would be managed and influence the overall decision-making process as a result. However, members felt that the use of an experienced independent advisor would be beneficial to the Sub-Committee in adding fresh thinking to governance and investment discussions.

RESOLVED:

That the Pension Fund Sub-Committee noted the report and requested officers to proceed with a selection process and a paper on this be brought to a future meeting.

13. LEISURE DEVELOPMENT FUND: ASSET CLASS REVIEW

Phil Triggs (Director of Treasury and Pensions) introduced the report and provided an overview on the key points. It was noted that this paper provided the Pension Fund Sub-Committee with more detailed information on a niche alternative asset class in leisure development. The asset class was to be considered as a potential diversifier from mainstream asset classes in the next investment strategy review.

Members noted that they welcomed the opportunity to explore this asset class in leisure development in further detail and thanked officers for bringing this to their attention.

RESOLVED:
That the Pension Fund Sub-Committee noted the report with a further report to be brought to the next meeting.

14. 2021/22 BUSINESS PLAN

Matthew Hopson (Strategic Investment Manager) presented the report and gave a summary of the key points. It was noted that the purpose of this report was to present the 2021/22 business plan, which sets out the strategic medium-term objectives and a budget forecast for 2021/22.

Michael Adam (Co-opted member) noted that it was beneficial to be able to view all the investment management fees across one table.

RESOLVED:
That the Pension Fund Sub-Committee approved the business plan, shown in Appendix 1.

15. EXEMPT DISCUSSION (IF REQUIRED)

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

Meeting started: 6:30pm
Meeting ended: 8:53pm

Chair ....

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London Borough of Hammersmith & Fulham

Pensions Board

Minutes

Monday 13 January 2020

PRESENT

Committee members: Councillors Rory Vaughan and Bora Kwon

Co-opted members: William O'Connell

Officers: David Coates (Retained Pensions Manager), Timothy Mpofu (Pension Fund Manager), Mathew Dawson (Strategic Finance Manager), Dawn Aunger (Assistant Director People and Talent)

APPOINTMENT OF CHAIR

RESOLVED:
That Councillor Rory Vaughan be appointed as Chair of the Pensions Board for the 2019/20 municipal year.

1. MINUTES OF THE PREVIOUS MEETING

The meeting held on 5th June 2019 was not quorate. The notes of this meeting were noted.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Neil Newton.

3. DECLARATIONS OF INTEREST

There were no declarations of interest

4. DRAFT MINUTES OF THE PENSION FUND SUB-COMMITTEE

RESOLVED:
THAT, the minutes of the Pension Fund Sub-Committee meetings held on 3 July and 12 September 2019 were noted.

5. LOCAL GOVERNMENT PENSION SCHEME (LGPS) ADMINSTRATION PERFORMANCE UPDATE

David Coates, Retained Pensions Manager, presented the report and provided an overview of the performance of Surrey County Council (SCC) across a range of Key Performance Indicators as set out in the service agreement. Referring to page 25 of the agenda pack it was noted that sixteen of the seventeen KPIs stood at 100%. In addition to the KPIs, an agreed priority of the pensions administration service was that SCC would focus resources on the resolution of queries at the first point of contact carried via a dedicated help desk. In September 2019 of the 644 personal contacts were made by employees in the Council's LGPS to the SCC help desk, 86% (567) were resolved at the first point of contact. As a result, this demonstrated good performance from SCC on helpdesk query resolution. Additionally, David Coates noted that SCC scored 90% on new retirement benefits processed for payment due to a delayed payment made by SCC.

William O'Connell, Scheme Member Representative queried how late was the retirement benefit paid to the member. In response David Coates explained that this was paid 6 days later than the target date. This was due to an administration error made by SCC and immediate action was taken to resolve this.

The Chair referring to help desk queries said that it would be useful to understand the circumstances under which SCC were unable to resolve queries at first point of contact and what was causing SCC to not achieve a target of 100%. Additionally, how long it took to resolve these matters. David Coates explained SCC were unable to reply first point of contact on 100% of the cases as they usually didn't have sufficient information from the employer to respond. SCC had shown very good performance on this KPI considering the number of helpdesk queries received. SCC were unable to provide information on how long it took to resolve a query due to system related challenges. Additionally, it was noted that no complaints were received from scheme members regarding the resolution of first point of contact queries.

The Chair thanked Officers for the report and noted that it was very helpful to review a detailed breakdown of the work that was being carried out by SCC which was very encouraging. He highlighted that the presentation was very clear and would like to continue for the report to be presented in the current format.

RESOLOVED:
THAT, the Pensions Board noted the contents of the report.

6. PENSIONS REGULATOR REPORT INTO THE GOVERNANCE AND ADMINSTRATION OF PUBLIC SECTOR PENSIONS

David Coates, Retained Pensions Manager, provided an overview of the report and noted that this was presented at the last Pension Fund Sub-Committee in November 2019.

The report from Trevor Webster, Human Resources, stated that in September 2019 the Pensions Regulator (TPR) issued a report which followed the survey carried out between October 2018 and July 2019 into the Governance and Administration of Public Sector pensions. As part of the report the Pensions Regulator fed back on good practice and suggested improvements that could be made. The findings and best practice were compared to the current governance standards within the Council's Local Government Pension Scheme fund and conclusions and recommendations had been made.

On behalf of Neil Newton (Scheme Member Representative), Members asked why there was a need for a data improvement plan, following the data recently produced for the triennial valuation. This suggested that the data provided was deficient and queried if any problems had been identified. In response David Coates said that the Scheme Manager monitored the level of accuracy and consistency within the pensions data. Discussions were currently ongoing with the SCC regarding the creation of a revised Data Improvement Plan following the data recently produced for the valuation of the fund. There were some areas of scheme member data that still required further cleansing, which included the processing of undecided leavers and Missing Care Pay / Missing Full-Time Equivalent Pay. Member records had also not been updated in some cases with the reasons for leaving, date of leaving, and periods of missing pensionable service. However, for undecided leavers, the missing information was sent to SCC by the Council. These areas must be actioned by SCC in addition to setting up revised data improvement plan. David Coates provided reassurances to members and noted that a meeting would be held with SCC to resolve data cleansing matter in due course.

Councillor Bora Kwon said that although this seemed like a legacy issue from previous challenges faced with BT/Capita, it was vital for these records to be updated by SCC. In response David Coates explained that Officers were working with SCC to implement a new way of managing the data which would involve refreshing records on a monthly basis, rather than using the current annual membership update model of year-end files, which was very antiquated. Once this was implemented, this would eliminate a lot of the ongoing data related issues.

David Coates noted that a recommendation from TPR was that a risk register should be in place and cover all potential areas. This should regularly be reviewed by the Pension Board. He explained that a fund risk register was in place and reported to the Pensions Board and Pensions Fund Sub-Committee by the Investment Team. To supplement the fund's risk register, the Pension Administrators were creating a risk register focussed solely on Pension Administration risks. This would be shared with the Pensions Board and Pensions Fund Sub-Committee regularly.

David Coates referring to page 33 of the agenda pack noted that another recommendation was for the scheme manager to arrange suitable training for Pension Board Members and set clear expectations around meeting attendance, therefore members should consider when a review of the training needs should be carried out. i.e. tailored sessions delivered to the board.

The Chair said that it would be a challenge to understand and deliver individual training needs. However, it would be useful for Officers to deliver a few standard training sessions for all members to ensure everyone was up to speed on the key areas. Members would then have a better idea to identify opportunities for further training development following these sessions. Additionally, the Chair requested that training on the triennial valuation also be included as part of the standard sessions.

The Chair also suggested that it would be effective for SCC to attend the next Pensions Board meeting to present a summary of their service provision in greater detail and answer any questions from the Board. In response David Coates explained that SCC were in the process of appointing a new Head of Service, therefore it would be a good opportunity for SCC to attend a future meeting if Members felt this was necessary.

RESOLVED:
THAT, the Pensions Board noted the report and approved the actions detailed in Appendix 1.

7. QUARTERLY UPDATE PACK

Tim Mpofu, Pension Fund Manager provided an update of the Pension Fund Quarterly Monitoring report. It was noted that, the Funds valuation was close to £1.1bn which suggested a good environment from an investment point of view.

In reference to the Fund's Environment, Social & Governance (ESG) appendix, Tim Mpofu provided a summary of how the fund was performing in line with its Carbon friendly targets. This would be updated on a regular basis and included as part of the quarterly update pack going forward. Officers will also work closely with Fund managers to review the Social and Governance aspects and would feed back to the Pensions Fund Sub-Committee and Pensions Board.

He explained that the Fund's investment in the MSCI Low Carbon index had 57% less CO_2 output than the global benchmark. This analysis was carried out annually by the Pension Fund through a specialist firm. In addition, the Pension Fund's Officers continued to engage with the Fund managers in the development of better carbon emissions metrics and reporting. The total carbon friendly investment value was £466m.

Councillor Rory Vaughan, referring to Appendix 1 of the agenda pack queried why there had been a significant decrease in the number of active members and an increase in deferred members in comparison to June 2019. In response Tim Mpofu explained that previous figures had not been refreshed. However considerable progress had been made by Officers to update the data which had been fed into triennial valuation.

The Chair noted that it would be interesting to see how this would develop over the next few months. Additionally, he said he was keen to understand what type of green bonds, firms were investing in. Tim Mpofu explained that this was an ongoing challenge faced by Officers. It was difficult to track what companies were investing in and this was largely dependent on the nature of the company and the fund manager.

RESOLVED:
THAT, the Pensions Board noted the contents of the report.

8. DRAFT TRIENNIAL VALUATION

Tim Mpofu, Pension Fund Manager summarised the results of the 2019 triennial valuation. He noted that the Fund's funding level, as a whole had risen to 97% from the 88% level in 2016. Good results were broadly due to the excellent investment returns over the period, increasing by 88m more than expected. In addition, the Fund's deficit had decreased from £114m to £35m. It was noted that longevity rates had shown a slight decline in improvement since 2011. Therefore, a small adjustment was made to the valuation of liabilities, reducing the total; by approximately £54m.

It was noted that the primary rate had increased as the cost of asset purchase was more expensive in comparison with three years ago. Furthermore, the discount rate had been reduced to reflect a more prudent approach to future investment outcomes, following three years of significant investment returns. There had also been a decrease in the secondary rate as a result of a better funding level

Members explained that it would be valuable to receive a detailed briefing, relating to triennial valuation as part of any future training opportunities to develop a better understanding of this area.

RESOLOVED:
THAT, the Pensions Board noted and commented on the initial actuarial results.

9. MAC MANAGER SELECTION

Tim Mpofu, Pension Fund Manager explained that at the last Pensions Fund Sub-Committee on 12 September 2019 the Pensions Sub-Committee agreed to reallocate the Pension Fund 5% allocation to diversified private credit. After drawing up an initial longlist of managers that were capable of running such a mandate, this was reduced to a shortlist of two. The Sub-Committee met on 22 October 2019 to interview the two managers, Partners Group and Aberdeen Standard Investments (ASI), to determine their suitability for the mandate. Both managers put forward compelling cases and it was recommended that the Sub-Committee appointed ASI for the following reasons:

- The fee quoted was substantially lower
- A lower risk, lower return profile was more attractive, given the stage of the credit cycle.
- The portfolio was more diversified across different types of credit, with more real estate and infrastructure debt as opposed to a corporate credit focus.
- As a seed investor, the Pension Fund had also been offered a seat on the Investment Advisory Board. In addition, the evergreen nature of the product enables for a smoother long-term investment.

RESOLOVED:
THAT, the Pensions Board noted the contents of the report.

10. INVESTMENT CONSULTANT AIMS & OBJECTIVES

Tim Mpofu, Pension Fund Manager presented the aims and objectives for the Fund's consultant, Deloitte as per the requirements of the Competition and Markets Authority (CMA).

An extensive review into the Pension Fund consultancy fiduciary management industry was conducted. As a result, the CMA produced a report detailing a number of recommendations to improve Pension Fund governance with some concerns expressed around fees and conflicts of interest. 8 key remedies were suggested in the report which were outlined on page 157 of the agenda pack.

It was noted that after consultation, the CMA investment consultancy and Fiduciary Management Market Investigation Order 2019 will come into effect in December 2019, by which time all Pension Funds will be required to have formally set aims and objectives for their investment consultants.

RESOLOVED:
THAT, the Pensions Board noted the contents of the report.

11. MHCLG PROGREES REPORT

Tim Mpofu, Pension Fund Manager provided an overview of the Ministry for Housing, Communities and Local Government (MHCLG) report. The London CIV (LCIV) pooling progress report had been prepared based on the data provided by the 32 local authorities within London and, in preparing cost and savings projections a number of assumptions had been applied to this data. The estimated savings passed on to member shareholders by March 2023 was projected to be circa £60m.

Councillor Bora Kwon queried whether LCIV had made any progress with their governance arrangements. In response Tim Mpofu explained that the current Chief Executive Officer (CEO) had been in place for a year. A new Chief Information Officer (CIO) was appointment in September 2019, however departed in October 2019. An interim CIO who had in-depth knowledge on various asset classes had been appointed whilst recruitment for a new CIO was underway.

Furthermore, LCIV were also in the process of recruiting a head of Economic, Social and Governance (ESG), in addition to a team to consistently manage and monitor ESG related matters.

RESOLOVED:
THAT, the Pensions Board noted the contents of the report.

12. RESPONSIBLE INVESTMENT POLICY PROPOSAL

Mathew Dawson Strategic Finance Manager explained that the newly proposed initial Pension Fund's Responsible Policy paper had been drafted. It was noted that the suggested update of the Pension Fund's ESG Policy would be included as part pf the update to the Investment Strategy statement. A full redraft would be presented at the next Pensions Fund Sub-Committee. In addition, the responsible Investment Statement would be a stand-alone policy document which aimed to make clear the Pension Fund's investment values and would be subject to regular ongoing review.

RESOLOVED:
THAT, the Pensions Board noted the contents of the report.

Meeting started: 7:00pm
Meeting ended: 8:30pm

Chair ....

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London Borough of Hammersmith & Fulham

Pensions Board

Minutes

Thursday 19 November 2020

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

PRESENT

Committee members: Councillors Rory Vaughan (Chair) and Bora Kwon

Co-opted members: William O'Connell and Neil Newton

Officers: Timothy Mpofu (Pension Fund Manager), Matt Hopson (Strategic Investment Manager), Rhian Davies (Director of Resources), Dawn Aunger (Assistant Director Transformation, Talent and Inclusion), David Hughes (Director of Audit, Fraud, Risk and Insurance), Eleanor Dennis (H&F Pensions Manager), Mathew Dawson (Treasury and Pensions)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Khadija Sekhon.

2. DECLARATIONS OF INTEREST

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

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED:
That the minutes of the previous meeting held on the 13th January 2020 were agreed.

NOTE: The Chair agreed to reorder the agenda. Items 11, 12, and 13 were given priority.

4. DRAFT MINUTES OF THE PREVIOUS PENSION FUND SUB-COMMITTEE

The draft minutes of the previous Pension Fund Sub-Committee were noted.

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

5. PENSION FUND QUARTERLY UPDATE PACK

Timothy Mpofu (Pension Fund Manager), presented the report and gave a summary of the key points, these included the Pension Fund's overall performance for the quarter ended 30th September 2020 and the Environment, Social and Governance (ESG) Appendix.

It was also noted that the Pension Fund Sub-Committee decided to allocate 15% of its overall investment portfolio to an active equity manager. An agreement was reached to appoint Morgan Stanley, who managed the LCIV Global Equity Sustain Fund, as the Pension Fund's new active equity manager.

At the Pension Fund Sub-Committee meeting held on 29 September 2020, the committee approved for officers to use Northern Trust's Conservative Ultra Short Fund as part of the Fund's overall cash management strategy.

The Chair asked for further clarification to be provided on a few of the higher risks included in the risk register. In response Timothy Mpofu outlined the concerns relating to the key risk categories and the mitigating actions taken by the Council.

RESOLVED
That the Pension Board noted the report.

6. DRAFT ANNUAL REPORT 2019-20

Timothy Mpofu (Pension Fund Manager), presented the report and gave a summary of the key points. The Pension Fund accounts 2019/20 were produced and handed to the external auditors in June 2020. The external audit was currently ongoing having started in August 2020 and the approved draft of the annual report would be shared with the external auditors as part of the audit.

Neil Newton (Co-opted Member) noted that the annual report was a comprehensive and lengthy document. He suggested that officers provided a one-page summary of all the key elements alongside the wider report to Members in the future.

The Chair asked for an explanation to be provided on the contributions made by the admitted bodies. Timothy Mpofu (Pension Fund Manager) explained that the contributions made, were relative to the number of members per admitted body and were relevant to the assets available to the Fund.

RESOLVED
That the Pension Board noted the Annual Report 2019/20 for the Pension Fund and the Pension Board.

7. RESPONSIBLE INVESTMENT STATEMENT

Timothy Mpofu (Pension Fund Manager), presented the report and gave a summary of the key priorities for the Council over the coming years. The purpose of the responsible investment statement was to ensure that the Pension Fund was investing responsibly. This included the integration of ESG factors as part of the

Pension Fund's investment strategy. This was in line with the Pension Fund's commitment to have its investment portfolio net zero in carbon emissions by the year 2030. The responsible investment statement was approved by the Pension Fund Sub-Committee at the meeting held on 29 September 2020.

William O'Connell (Co-opted Member) asked how the Council's carbon footprint was measured against the money invested. Timothy Mpofu outlined the different ways in which the figures for carbon were estimated. This was an ongoing piece of work and reporting quality would improve over time. It was noted that by 2022 all companies would have to report how much carbon footprint they were generating.

RESOLVED:
That the Pension Board noted the report.

8. SUPREME COURT DECISION ON LGPS INVESTMENT GUIDANCE

Mathew Dawson (Treasury and Pensions), presented the report and gave a summary of the key points. This included a briefing of the recent supreme court ruling on the LGPS investment guidance and details of the potential implications for LGPS Funds. It was noted that LGPS administering authorities in England and Wales were required to follow that guidance when formulating their investment strategy statement. The guidance directed how social, environmental and governance considerations should be reviewed. It was noted that further progress updates would be brought to a future Pension Board meeting.

Members thanked Matthew Dawson for explaining the report in further detail.

RESOLVED:
That the Pension Board noted the report.

9. LGPS MCCLOUD CONSULTATION

Mathew Dawson (Treasury and Pensions), presented the report and gave a summary of the key points. The Ministry of Housing, Communities and Local Government had issued a consultation on proposals to remove age discrimination from the LGPS. This was caused by the transitional protections introduced at the time of the LGPS scheme reform, which were now considered unlawful. The proposals extend the protection to cover further members and amend how the protection works, requiring the benefits of those previously covered to be reviewed. Applying the remedy would be a significant exercise and require extra administration resources, resulting in additional cost and increasing the Fund's liabilities. The consultation closed on 8 October 2020. It was currently anticipated that revised regulations would not be in place before 2022/2023.

Members thanked Matthew Dawson and his team for providing a useful training session in September 2020, where they had received detailed updates on the McCloud consultation.

RESOLVED:
That the Pension Board noted the report.

10. EXCLUSION OF THE PUBLIC AND PRESS

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.

11. EXEMPT MINUTES OF THE PREVIOUS PENSION FUND SUB-COMMITTEE

RESOLVED:
That the exempt minutes of the previous Pension Fund Sub-Committee were noted.

12. PENSIONS ADMINISTRATION UPDATE

David Hughes (Director of Audit, Fraud, Risk and Insurance) introduced the item and the recommendations in the exempt report were approved.

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

Chair ....

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London Borough of Hammersmith & Fulham

Pensions Board

Minutes

Wednesday 10 February 2021

NOTE: This meeting was held remotely. A recording of the meeting can be found at: https://youtu.be/69WhYq8PIdo

PRESENT

Committee members: Councillors Rory Vaughan (Chair) and Bora KwonBora Kwon and Rory Vaughan

Co-opted members: William O'Connell William O'Connell

Officers: Rhian Davies (Director of Resources), Dawn Aunger (Assistant Director Transformation, Talent and Inclusion), David Hughes (Director of Audit, Fraud, Risk and Insurance), Eleanor Dennis (H&F Pensions Manager), Mathew Dawson (Treasury and Pensions), Patrick Rowe (Corporate Finance), Michael Sloniowski (Principal Consultant)

1. APPOINTMENT OF CHAIR AND VICE CHAIR

RESOLVED:
That Councillor Rory Vaughan be appointed as Chair and Councillor Bora Kwon be appointed as Vice Chair of the Pensions Board for the 2020/21 municipal year.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Neil Newton.

3. ROLL CALL AND DECLARATIONS OF INTEREST

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

4. MINUTES OF THE PREVIOUS MEETING

RESOLVED:
That the minutes of the previous meeting held on the 19th November 2020 were agreed.

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

5. DRAFT MINUTES OF THE PREVIOUS PENSION FUND COMMITTEE

The draft minutes of the previous Pension Fund Sub-Committee were noted.

6. INVESTMENT CONSULTANT REVIEW

Mathew Dawson (Treasury and Pensions), presented the report and gave a summary of the key points. The paper provided the Pensions Board with a performance review for the Pension Fund's investment consultant (Deloitte), in line with the agreed set of aims and objectives.

As shown in Appendix 1, the consultant's performance over the past year had been to an excellent standard and the Pension Fund officers remain pleased with the work that the consultant continued to carry out in advising the Fund on its investment strategy.

It was noted that an update regarding the outcome of the investment consultant review would be provided at the next Pensions Board meeting.

RESOLVED:
That the Pensions Board noted and commented on the report.

7. PENSIONS ADMINISTRATION SERVICE

David Hughes (Director of Audit, Fraud, Risk and Insurance) introduced the report and noted that officers had completed the evaluation of providers for the pensions administration service and presented their recommendation regarding the preferred provider to the Pensions Fund Sub-Committee on the 3rd February 2021. The Pension Fund Sub-Committee approved for the Council to join a public to public arrangement with Local Pensions Partnership Administration (LPPA) for the provision of the pension's administration service from February 2022.

A shared service arrangement with the Royal Borough of Kensington and Chelsea (RBKC) would also come to an end at 31st December 2020 and that a in house retained pensions team would be established to take on the functions previously undertaken by RBKC. It was noted that the report sets out the work done to assess the private and public provider markets. The steps taken to assess and evaluate three public-public providers and make recommendations to the Pensions Fund Sub-Committee for the appointment of a future partner to provide the pensions administration service.

William O'Connell (Co-opted Member) asked if LPPA offered improved engagement with scheme members. In response David Hughes explained that LPPA, offered a high-quality service with regards to data quality and engagement with scheme members.

The Chair asked how the Council would ensure a smooth transition to the new provider over the 12-month notice period. David Hughes outlined the steps taken by the Council to transition effectively in collaboration with Surrey County Council (SCC) and LPPA. In addition, the Council was satisfied that LPPA had a robust approach to project management, clear planning and previous experience of recent onboarding with a number of other Local Authorities with similar data quality issues.

RESOLVED:
That the Pensions Board noted and commented on the report.

8. ANY OTHER BUSINESS

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

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

Chair ....

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London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 21/07/2021

Subject: Update on the LGPS Pension Administration Service

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

Responsible Director: Rhian Davies, Director of Resources

Summary

This report follows up on update reports presented previously to the Pension Fund Sub-committee on the actions agreed by the Sub-committee on 3 February 2021 to appoint Local Pension Partnerships Administration (LPPA) to provide the Pension Administration service from 1 February 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.

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

Finance implications verified by Emily Hill, Director of Finance.

Legal Implications

Under Regulation 53 of the Local Government Pension Scheme Regulations 2013, the Council, as the administering authority of the Pension Fund "is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate administering authority under these Regulations". Therefore, it is responsible for ensuring that the Pension Fund is administered in accordance with the Regulations and wider pensions law and other legislation.
Legal Implications verified by Adesuwa Omoregie, Head of Law.

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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 1 February 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 HFPF pensions administration service to be provided by the Local Pensions Partnership Administration (LPPA) hosted by Lancashire County Council.

What are the key project risks?

6. As reported at the previous meeting 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.

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

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

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

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

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

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

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

Progress since November 2020 on project workstreams

Workforce and Recruitment

8. Recruitment to the Retained Team structure has been challenging in finding the right calibre of candidate with proven LGPS experience for key posts, however this continues to advance. With new team members joining in the next few months to enhance the team's resilience and provide sufficient capacity and support to the Pensions Manager to deliver on the transfer and setting up of the new service. Transition of all of 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.

10. As previously reported, agreement was reached with RBKC to retain one specialist role which were part of the shared retained team, with the Council securing the services of the individual and using them on a recharge basis with RBKC to provide specialist expertise on the Teachers' Pension Scheme. However, it is anticipated that this specialist knowledge will be shared amongst the team to ensure resilience and ensure the team is able to maintain service in times of absence.

<u>Procurement</u>

Pension administration service

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

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

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

Pensions Administration Software Contract

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

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

16. The Pensions Manager has also engaged with Aquila Heywood to assist SCC with the extraction of data to transfer to LPPA as well as the deletion of the Fund Data from SCC servers post go-live at an additional cost of £87,500. This support has already commenced with Aquila Heywood providing information required for the first tranche of data that was transferred to LPPA in May 2021.

Caseload backlog project

17. 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.

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

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

20. A separate report is being presented to the Committee on the same agenda regarding SCC's administration performance.

Undecided leavers

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

22. The Retained Pensions Team had collated data for around 800 cases, which has recently been uploaded by SCC into the pensions administration system. Following the upload, about 600 cases were successfully updated and further work was completed in January 2021 address the remaining cases.

Backlog issues

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

24. The backlog relates to four processes mainly related to those leaving the Fund, namely: frozen refunds, refunds, deferred pensions and aggregations. Following a procurement exercise, ITM have been appointed to carry out the work required on backlog cases. This was previously estimated in February 2020 to account for just under 1,700 leaver records (covering members from both LBHF and its fund employers) but is now around 1,500 records. The work being undertaken by ITM will include identifying missing or incorrect data and bringing the member's record up to date at a cost of up to £70,000.

25. 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. Separate updates on the progress of the project will be provided to the Committee and Pensions Board at future meetings.

Legal/Contractual

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

27. 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

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

SCC Exit Plan

29. Under the delegation agreement with SCC, a draft Exit Plan is to be 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 Pensions Manager continue to work closely with SCC to develop and agree both the exit plan, and key project plan activities, timescales and responsibilities, in consultation with LPPA to ensure that all key activities, responsibilities and timescales are documented and agreed.

30. 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

31. 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

32. 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.

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

Budget

34. 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.

35. 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.

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

Implementation timetable

37. An indicative implementation timetable provided by Local Pensions Partnership Administration (LPPA) was set out in the report to the Pension Fund Sub-committee on 3 February 2021. This is set out for information in Appendix 1. Officers are working closely with LPPA to develop a detailed project plan, which also includes elements of the exit plan being discussed with SCC, to ensure a smooth transfer from SCC and implementation of the new service with LPPA on 1 February 2022.

Risk Management Implications

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

Risk: Pension provider record keeping and administration provisions:

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

Implications completed by David Hughes, Director of Audit, Fraud, Risk and Insurance.

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

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

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 21 July 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 – May 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 tax payer.

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. Unfortunately, the number of deaths increased during the first three months of the year, but this has fallen significantly in April and May to levels more in line with pre Covid levels. However, you will note SCC's ability to respond promptly to these cases has improved as they have recently introduced a new process that we are seeing reflected in the improved KPI's for March, April and May.

1.4. As the team have improved processes, we can also see that their ability to process the number of new retirements in line with the agreed SLA's has also increased. It reached 100% for the first time in 4 months demonstrated in April's levels albeit that there was a slight dip in May.

1.5. The performance on the processing of transfer estimates and payments continues to lag behind other task areas however, performance levels have increased to levels not demonstrated for over a year, with 74% of transfers-in being completed on time and 100% of transfer-outs, which is a real tangible improvement for the Fund's members.

2. Telephone Helpdesk

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

2.2 The are no defined KPI's for the SCC helpdesk in the delegation agreement other than the requirement for a telephone service that operates Monday to Friday 8.30am – 5pm. Although the service had been operating on a reduced basis of 10 -12 and 2 - 4pm since March 2020, the original service hours have been reinstated since May 2021. Although fund specific customer satisfaction data is not available, the majority is positive.

Over the first 4 months of the year, the volume of calls to the dedicated telephone helpdesk had increased but a higher percentage are being resolved on the call rather than being passed to the backoffice admin team. However, in May 2021, we have seen the volume of calls fall to their lowest level this year, which unfortunately has not translated to an increase in cases dealt with at the first point of the query.

3.0 Summary

The KPI's for the last period (January to May 2021) are still below the desired level that we require from our administrators but we have seen significant improvements in key areas such as deaths and retirement. 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 - May 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	Commentary
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	
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	8 cases that missed the target SLA are related to balance of payment cases, the average day for completion was 37 days, the average figure was skewed because of one overpayment case relating to a death that had a coroner enquiry (185 days for overpayment to be paid from estate). There were 5 cases that missed the SLA target related to setting up survivor pensions, however, all were set up within time for the next available payroll. The final 2 cases that missed the SLA target were related to payment of a death grant, one case missed the SLA target by 1 day and the other by 2 days.
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	Avergae number of days over SLA = 24. Performance improved from previous month.
Retirements **New retirement benefits processed for payment following receipt of claim forms**	7 days	**100%**	73%	11	3	**50%**	6	3	**73%**	15	4	**100%**	22	0	91%	11	1	
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	Avergae number of days over SLA = 11. 1 case was a retirement backdated to August 2012 so more complex with arrears and interest to calculate. This case was 1 day over the SLA. 1 case member didn't return documents until 2 days before due date (even though we sent the quote 2 months in advance of the retirement), this case was 5 days over SLA. Final case over SLA the member didn't return forms until after due date (even though we quoted 2 months in advance of retirement), this case was 6 days over SLA. All retirement cases are processed for the next available pay run after receiving all necessary forms etc.
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	Avergae number of days over SLA = 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	Avergae number of days over SLA = 125. Clearing through backlog from when tPR didn't categorise Deferred Benefits as a priority.
Estimates **Early Retirement requests from employer**	10 days	**100%**	94%	33	2	**63%**	96	36	**63%**	24	9	**100%**	12	0	88%	8	1	
Projections **Requests from employees**	10 days	**100%**	63%	8	3	**33%**	3	2	**100%**	3	0	**100%**	2	0	100%	2	0	
New Joiners New starters processed	30 days	**100%**				**100%**	33	0	**100%**	106	0	**100%**	44	0	100%	10	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	Avergae number of days over SLA = 101. Clearing through backlog from when tPR didn't categorise Transfers as a priority. Performance improved from previous month.
Transfers In Transfers-in payments processed	20 days	**100%**	63%	8	3	**54%**	13	6	**58%**	19	8	**67%**	18	6	56%	16	7	Avergae number of days over SLA = 37. Clearing through backlog from when tPR didn't categorise Transfers as a priority. Performance improved from previous month.
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	Avergae number of days over SLA = 59. Clearing through backlog from when tPR didn't categorise Transfers as a priority. Performance improved from previous month.
Transfers Out Transfers out payments processed	20 days	**100%**	57%	7	3	**50%**	10	5	**77%**	13	3	**78%**	9	2	100%	8	0	Avergae number of days over SLA = 90. Clearing through backlog from when tPR didn't categorise Transfers as a priority. Performance improved from previous month.
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		
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		
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		Unable to allocate compliments received to a specific fund
Monthly Pensioner Payroll																		
Full reconciliation of payroll and ledger report provided to Borough	Last day of month					Achieved			Achieved			Achieved						
Issue of monthly payslips	3 days before pay day					Achieved			Achieved			Achieved						
RTI file submitted to HMRC	3 days before pay day					Achieved			Achieved			Achieved						
BACS File submitted for payment	3 days before pay day					Achieved			Achieved			Achieved						
Annual Exercises																		
Annual Benefit Statements Issued to Active members	31 August each year					Achieved			Achieved			Achieved						
Annual Benefit Statements Issued to Deferred members	31 August each year					Achieved			Achieved			Achieved						
P60s Issued to Pensioners	31 May each year					Achieved			Achieved			Achieved						
Apply Pensions Increase to Pensioners	April each year					Achieved			Achieved			Achieved						
Pensioners Newsletter	April each year					Achieved			Achieved			Achieved						

Helpdesk Volumes	
Total Queries Handled	First Point Fix

Agenda Item 9

London Borough of Hammersmith & Fulham

Report to: Pension Fund Sub-Committee

Date: 21 July 2021

Subject: **Pension Fund Data Quality**

Report of Eleanor Dennis, Pensions Manager

Executive Summary

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

Recommendations

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

Wards Affected: None

H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
• Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council 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 a 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 February 2022 and the migration of the Fund's membership data to their systems also adds further weight 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 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 cases in May 2021.

1.7 At the start of the project there were 1689 cases identified, a fall of 193 cases that were originally detailed in February 2020, that SCC have processed. At the start of this project in May 2021, there were 1496 cases identified as being in scope and to date 91 cases have been passed back to SCC as they are no longer in scope. The residual number of cases with ITM is currently 1366 and to date 286 cases have been completed.

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 690 cases with gone away addresses. ITM have carried out mortality screening and address tracing on these with good results. Up to date addresses have been found for 155 cases and none of the members had deceased. There are still results outstanding for a further 483 cases that will be provided by ITM at the end of the June 2021.

3.0 Summary

The processing of legacy cases is increasing in pace to complete as many cases prior to the migration to LPPA.

The data cleansing results so far continue to be encouraging as they have provided a 75% success rate so far.

The forthcoming move to LPPA in January 2022 and the need for an efficient migration of the Fund's data to their systems, also add further weight for the need to prioritise cleansing the Fund's data.

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.

Agenda Item 10

London Borough of Hammersmith and Fulham

Report to: Pension Fund Committee

Date: 21 July 2021

Subject: The Pensions Regulator (TPR) Single Code Consultation

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

Summary

1.1. The Pensions Regulator (TPR) has drafted a new single code of practice (COP) for all UK pension schemes. The purpose of this single code is to merge the ten existing COPs into one single document, which should be easier to navigate, understand and keep up to date.

1.2. The regulator invited views on the draft code, with the consultation closing on 26 May 2021. The Tri-Borough's response to this consultation is attached at Appendix 2.

Recommendations

The Pension Fund Committee is requested to:

1. Note the report.

Wards Affected: None

LBHF Priorities

Our Priorities	Summary of how this report aligns to the LBHF priorities
• 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

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Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

Overview

1. Background

1.1. The Pensions Regulator has drafted a new single code of practice for all pension schemes in the UK, replacing the ten current COPs. The main purpose of the single code is for all pension schemes to be held to a comparable standard. The transition to a single code will be phased, with a review project of guidance aligned with the new code, planned to take place in late 2021

1.2. The consultation also incorporates changes introduced by the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018. These relate to effective systems of governance and own risk assessment. Following the consultation, attached at Appendix 1, tPR will consider any representations and make any appropriate changes to the code before setting before Parliament. There is currently no deadline for completion of these works.

2. TPR Single Code

2.1. The new single code of practice will replace the existing codes, as follows:

- Reporting breaches of the law
- Early leavers
- Reporting of late payment of contributions to occupational pension schemes
- Reporting of late payment of contributions to personal pension schemes
- Trustee knowledge and understanding
- Member nominated trustees and member nominated directors
- Internal controls
- Dispute resolution
- Governance and administration of the occupational trust based schemes providing money purchase benefits
- Governance and administration of public service
- pension schemes

2.2. Once the new code comes into practice, the COPs that are being replaced will be revoked in their entirety.

3. Consultation Analysis

3.1. The Tri-Borough's response to the consultation is summarised as follows:

- The code needs to distinguish between the tasks/responsibilities of the LGPS Pension Fund Committee and the LGPS Local Pensions Board.

- Some concern exists as to where the code has introduced new requirements or where changes have been made to existing requirements, or where no changes have been made at all. No comparison is provided as to the current state of play.

- The "Mays", "Shoulds" and "Musts" are not indicated, making it challenging for LGPS funds to make a judgement on governance priorities. It is not always clear where the code applies to the LGPS, with a filter as to relevance to LGPS a good idea.

- Guidance/examples are not provided where new frameworks/policies are required.

- No account is taken of the special circumstances in which LGPS pension fund committee/local board members are elected, appointed, trained or how LGPS governance works.

- There is a new document called the “Own Risk Assessment”, with no guidance/examples provided and no guidance on how it should relate to existing LGPS risk registers.

- There is a proposed arbitrary limit (20%) on investing in unregulated markets. The LGPS moved away from such prescribed limits some years ago when these were abolished by the most recent government investment regulations. The new proposed limit does not take account of the special circumstances of the LGPS being long-term and not so reliant on liquid availability required by the private sector funds.

3.2. The Fund’s full consultation response is attached at Appendix 2.

4. Risk Management Implications

None

5. Other Implications

None

6. Consultation

None

List of Appendices:

Appendix 1: TPR Single Code Consultation and Questions
Appendix 2: The Tri-Borough’s Response

Consultation document

The new code of practice

March 2021

Contents

1. Scope of the consultation

We are consulting on the draft content for the first phase of our new code of practice. This begins the process of replacing our existing codes of practice (COPs). The new code incorporates changes introduced by the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018 (the governance regulations).

The COPs that have been replaced by the new code in this phase are shown on page 8.

We welcome comments on any aspect of the draft content of the new code and have provided specific questions on certain areas of interest.

The new code is designed to be a web-based product. Therefore, the appearance of modules online may vary from the way they appear in the consultation documents. An online demonstration version of the new code is available for users during this consultation.

You can submit feedback on issues such as the web design, navigation and functionality of the new code via the online demonstration version. We know from stakeholder feedback that users value ease of use, simple navigation and an efficient search. We are developing the online functionality alongside this consultation and further user testing will be taking place to ensure it will meet users' needs. If you would like to be involved in user testing, contact: **webfeedback@tpr.gov.uk**

Following the consultation, we will consider any representations made on the draft content and make any appropriate changes before laying the new code in Parliament. We will also be undertaking work to adjust guidance in relation to the new code.

Who is this consultation for?

We are interested to hear from pensions professionals who provide support and advice in relation to understanding and meeting the expectations we set in our COPs.

We value responses from trustees and managers of occupational and personal pension schemes and scheme managers, advisory boards and pension boards of public service pension schemes. We are also particularly interested to hear from non-professionals, such as member-nominated and lay trustees, and whether they find the new code easier to use and understand.

Responding to the consultation

We have provided forms for responses which you can complete electronically and submit to us. It is our strong preference that respondents use the forms which can be found at: www.tpr.gov.uk/en/document-library/consultations/new-code-of-practice. We can accept responses in other formats, but you should retain the same structure as the forms. You can send your response:

- by email to: newcodeofpractice@tpr.gov.uk
- by post to: **Nick Gannon**, Regulatory Policy, The Pensions Regulator, Napier House, Trafalgar Place, Brighton, BN1 4DW

Due to the current national lockdown, there may be a delay in postal communications and any responses arriving after the closing date may not be considered.

We may need to share any comments you send us within our own organisation or with other government bodies, including the Department for Work and Pensions (DWP). We may publish comments as part of our response to the consultation.

> If you want your comments to remain anonymous, please state this explicitly in your response. If you want your response to be confidential, please let us know and we will take the necessary steps to meet your request.

However, please be aware that, if we receive a formal request under the Freedom of Information Act, we may have to make your response available. When responding, please advise whether you are responding as an individual or on behalf of an organisation (and, if the latter, which organisation).

Closing date

This consultation document was published on **17 March 2021**. The closing date for responses is **26 May 2021**.

Government consultation principles

For the purposes of this consultation paper, we are following the government's consultation principles at: www.gov.uk/government/publications/consultation-principles-guidance

The key principles state that consultations should:

- be clear and concise
- have a purpose
- be informative
- be only part of a process of engagement
- last for a proportionate amount of time
- be targeted
- take account of the groups being consulted
- be agreed before publication
- facilitate scrutiny

2. Background

The governing bodies (see **section 5: Explanatory notes for other content**) for more information about our use of this term) of workplace pension schemes play a pivotal role in achieving good outcomes for savers. Running a pension scheme is an increasingly demanding task in an environment that is constantly changing and growing in complexity.

The DWP chose to transpose the changes from the second European Pensions Directive (IORP II) to UK legislation in the governance regulations. The governance regulations came into effect from 13 January 2019 and required us to change some of our existing COPs. They also required us to introduce new expectations in some areas, such as the introduction of an "effective system of governance". The new code addresses those requirements.

It is important to note that the governance regulations only transpose certain aspects of IORP II into UK law. Elements of IORP II that were not transposed are considered to already be present in UK law.

The governance regulations set out measures to improve the standards of governance across pension schemes. Good governance is key to a well-run scheme. With increased member engagement and the need to publish additional information about schemes, the public scrutiny of pension schemes and those running them will increase. Growing concerns about climate change and developments such as the pensions dashboards will also highlight the need for good scheme governance.

The landscape of pension saving has seen seismic changes over the past decade. The continuing shift from DB to DC accrual, the rise of master trusts, and success of automatic enrolment have each created new pressures on those governing pension schemes. The number of pension savers has increased massively, as have the standards expected of those running the schemes. Trustees and scheme managers need to have the right people, skills, structures and processes in place to facilitate scheme operations, enable effective and timely decisions, and to manage risks appropriately. Our COPs and guidance provide the support needed to be able to achieve this.

The purpose of codes of practice

Our COPs are not statements of the law, except in certain circumstances set out in legislation. Instead, our COPs set out our expectations for the conduct and practice of those who must meet the requirements set in pensions legislation.

In most cases there is no specific penalty for failing to follow a COP, or to meet the expectations set out in it. However, we may rely on COPs in legal proceedings as evidence that a requirement has not been met. In those situations, a court must take a COP into account when considering their verdict. Similarly, if we find grounds to issue an improvement or a compliance notice, they may be worded in relation to a COP issued by us.

3. The new code of practice

When assessing our COPs for changes needed to implement the governance regulations it became clear that they did not meet the current needs of schemes.

Several COPs are now out of date and there is duplication of content between COPs and guidance. Furthermore, the 15 COPs are not always easy to navigate, and the interactions between them and related guidance are not always apparent.

There is a clear need for our COPs to support modern scheme governance. To meet the needs of schemes and their advisers, our COPs must be easier to access, understand, and act upon. To address these issues, we have taken the decision to combine our existing COPs into the new code.

We have broken down the themes from our existing COPs to form shorter, topic-focused modules. Each module sets out our expectations in relation to a topic. Modules also link to related topics within the new code and, in time, to guidance and external sources.

Moving our existing COPs to the new code is a significant undertaking in terms of time and resource. We have therefore chosen to phase the transition. This phasing will allow a full reconsideration of our COPs and associated guidance. A project to review our guidance in line with the new code will start later in 2021. Phasing also allows additional time for the substantial work needed to redesign our website. We do not currently have an end-date for this work, instead we see the code as being a living product that will go through an ongoing process of review and amendment to reflect legislative and policy change.

This first phase of the new code comprises 51 modules. These represent the content of 10 of our existing COPs. By removing duplicated and unnecessary text, the new code is considerably shorter than the original content.

Our approach to the new code reflects the changes we have made as an organisation. It also recognises feedback from the pensions industry about the need for us to be clearer in setting our expectations.

Codes transposed

The table below sets out our existing COPs and shows which of them are being replaced by the new code.

Code of practice	Code in force	Part of new code
01: Reporting breaches of the law	April 2005	✓
02: Notifiable events	April 2005	✗
03: Funding defined benefits	July 2014 (GB) July 2015 (NI)	✗
04: Early leavers	May 2006	✓
05: Reporting of late payment of contributions to occupational pension schemes	September 2013	✓
06: Reporting of late payment of contributions to personal pension schemes	September 2013	✓
07: Trustee knowledge and understanding (TKU)	November 2009	✓
08: Member-nominated trustees/member-nominated directors – putting arrangements in place	November 2006	✓
09: Internal controls	November 2006	✓
10: Modification of subsisting rights	January 2007	✗
11: Dispute resolution – reasonable periods	July 2008	✓
12: Circumstances in relation to the material detriment test	June 2009	✗
13: Governance and administration of the occupational trust-based schemes providing money purchase benefits	July 2016	✓
14: Governance and administration of public service pension schemes	April 2015	✓
15: Authorisation and supervision of master trusts	October 2018	✗

Once the new code comes into force, the COPs that are being replaced will be revoked in their entirety. Our expectation is that the remaining COPs will be brought into the new code in due course. We also intend to include planned revisions to existing COPs (such as the DB funding code) within the framework of the new code.

We have provided a reference table showing the transposition of existing COPs to the new code at: **www.tpr.gov.uk/en/document-library/consultations/new-code-of-practice/annex-2-where-the-new-code-of-practice-modules-come-from**

Regular updates

The regulations that will arise from the Pensions Schemes Act 2021 are a clear indication that the legislative landscape for pensions changes frequently. Natural changes to schemes as some reach maturity, and as provision shifts to new types of scheme, will also mean that our expectations will need to change and adapt. This means that the new code will also need to change and adapt to reflect the changing landscape. We believe the new code will be easier for us to maintain and update as required and we intend for the new code to have a predictable update cycle. This will provide governing bodies and advisers with a degree of predictability about future code revisions.

Although the new code may be simpler to update than older COPs, we will not deliver updates without warning. All changes to our COPs require consultation and Parliamentary approval before they come into force. These requirements will not change with the new code. Schemes and advisers will still have time to comment on, and adapt to, new expectations.

The Pensions Schemes Act 2021 has introduced new powers for us, a new scheme type, and will deliver regulations affecting transfers, and the way in which governing bodies consider climate change. Each of these is likely to introduce measures that will lead to new or updated code elements. We also have five existing COPs to transpose to the new code. We expect the first updates to the new code to include modules relating to DB scheme funding, arising from the recently closed consultation. There are no modules in the material in this consultation that draw from provisions in the Pension Schemes Act 2021. Necessary changes arising from the Act will arrive in later phases of the new code.

Questions about updates

1. We welcome any observations about a possible regular process for issuing updates to the new code. For example, should updates be annual, or at longer intervals? Please advise any concerns about regular updates.
2. We would also be interested to hear about any topics, besides those described above, that we should prioritise for inclusion in the new code.

Presentation of expectations

Our COPs set out the way we expect schemes to comply with the law in certain areas. This will continue to be the case in the new code.

We know from discussions with stakeholders that finding specific expectations in any of our current COPs is often difficult. Similarity, repetition and separation of COPs can potentially introduce conflicting expectations. All these factors can make it difficult for governing bodies to meet our expectations.

The new code takes a fresh approach to setting out our expectations and adopts a simpler method where most expectations now appear in lists. These lists separate legal duties and our expectations of how governing bodies should meet them. It is important to note that none of our codes cover all aspects of pensions legislation. Therefore, governing bodies should look beyond our codes, and seek the help of advisers, to help them understand all their legal obligations.

We have adopted government communication principles in our use of language to help users distinguish between legal duties and our expectations. In the new code, legal duties are shown by using the word 'must', whilst our expectations use 'should'. We use 'need' where there is no expectation or legal requirement in place, but that process is necessary to allow a scheme to operate. In some modules, we highlight expectations as a matter of best practice for certain schemes. We have also extensively rewritten the new code to make our expectations clearer.

Setting expectations in lists may tempt some to consider them to be tick-box governance requirements. This is not our intention, and we do not believe that governance should ever be tick-box. We believe that by clearly presenting our expectations we make it simpler for governing bodies to consider whether and how they are meeting them. The lists should prompt discussion and consideration of the processes and policies, and the assessment of whether they exist and are functioning as intended. The expectations in each list are typically set out sequentially. This allows users to progress through stages of a process in an ordered way. Governing bodies still have the freedom to choose to prioritise specific measures above others. This may be because some are more urgent or important. For example, prompt and accurate processing of contributions will probably have a higher priority in a large DC scheme than a small closed DB scheme. Whatever the focus of improvement work, governing bodies should always ensure that they comply with legislative requirements.

The format of the new code will also help us in any future regulatory interactions. We will remain a pragmatic regulator and the new code will help us to work with schemes where we identify matters that fall short of our expectations.

The new code will still provide flexibility for those running a scheme to operate in a way that is appropriate for the circumstances of their scheme. Certain scheme-specific circumstances may lead schemes to meet our expectations in a way not specified in the code.

Guidance

In time, the new code has the potential to bring our codes, guidance and the Trustee Toolkit together. However, full integration will require an audit and review of around 200 pieces of existing guidance, across various phases of new code development. This means there will be a period when the new code and guidance are not as closely related as will eventually be the case.

We have identified certain pieces of guidance that are immediately affected by the new code. This is particularly the case in respect of guidance that relates to specific paragraphs in a related COP. The redesign of these pieces of guidance is being prioritised to ensure they fit alongside the new code.

Our review of guidance will mean we will no longer have categories such as scope guidance or code-related guidance. All guidance will be readily distinguishable from the content of the new code. However, some guidance, such as that developed to assist employers with their automatic enrolment duties, will remain outside of the scope of this project.

Question about guidance

Which pieces of guidance, or topic areas, should be prioritised for updates following the introduction of the new code?

4. New governance expectations

The new code is largely a consolidation and re-presentation of the existing codes it replaces. One of the principal aims of the new code is for all schemes to be held to comparable standards when allowing for differences in the underlying legislation. The governance regulations have given us a much greater scope to set expectations around behaviours of running pension schemes. The scope of the governance regulations is not universal however, and our expectations of our regulated community are not uniform.

Governing bodies

Throughout the new code, we have used a new term to provide consistency when referring to the trustees or managers of occupational pension schemes, managers of personal pension schemes, and scheme managers and pension boards of public service schemes that we regulate.

The term we are using is ’the governing body’. The need for a single term was apparent from discussions with stakeholders. These revealed that using a single description, for example ‘trustee’, could disengage those who were not trustees. Similarly, using the full list of possible audiences, as above, is unwieldy when writing a concise code.

The roles and responsibilities of the various types of governing body should be understood by those performing them. Where there is any doubt in a scheme as to where a responsibility or accountability lies, the governing body should take steps to establish the position.

Within each module, we have attempted to ensure that any responsibility is clear to those on whom it falls. Governing bodies should then decide if they are within that audience. We particularly welcome comments to this consultation where applicability is not clear to the reader.

During the development of the new code we have received requests for a Local Government Pension Scheme (LGPS) specific version of the code. We have examined this request but, due to the various management structures that exist across the funds and their associated authorities it would be impractical to do so. Governing bodies of LGPS funds should consider their own governance arrangements and where responsibilities ultimately sit within them.

Governing bodies continued...

In schemes in the private sector, the same principles of delegation apply. Trustees or managers may delegate certain activities or functions to others, either employed by or providing services to the scheme. In each case, the accountability remains with the trustees or scheme manager.

Differences in legislation may lead to different expectations on certain schemes according to type or size. Some expectations, such as those associated with the DC chair's statement, are only applicable to specific audiences. Where there is only a single intended audience, we have used a specific term in the relevant module, for example 'the trustee', instead of 'the governing body'.

A table showing each module and those to whom it applies is in Appendix 1.

Question about governing bodies

Do you understand the term "governing body"? Would another term work better?

Effective systems of governance

One of our primary aims as a regulator has been to improve the governance of pension schemes. The governance regulations have introduced a new requirement for most occupational schemes to have and operate an effective system of governance. Without the code being in place, it is difficult for schemes to understand what our expectations might be.

In our efforts to establish what an effective system of governance might be, we reviewed a great deal of existing material that covered relevant topics. The scope of governance and the related regulations is broad. To provide governing bodies with a clear indication of our expectations in this area, we have created a module that provides links to sections of the new code that describe a minimum effective system of governance.

Schemes that do not need to operate an effective system of governance may still find they are subject to comparable legislation that requires them to follow expectations set out in certain various modules. Governing bodies of other schemes may wish to follow the principles of an effective system of governance as an example of best practice. The Systems of governance module provides a useful starting point for a thorough review of the processes and procedures of any scheme.

Question about effective systems of governance:

Is it clear where all the features of an effective system of governance are covered in code from the content of this module? If not, what needs to be clearer?

Internal controls

Perhaps the single most important aspect of establishing effective systems of governance is the fact that they hinge on internal controls. Most governing bodies are not directly involved in every aspect of the day-to-day operation of their scheme. They instead delegate operational tasks to an internal administration team or outsource to professional service providers. However, regardless of delegation, the governing body retains accountability for those functions. All governing bodies should have procedures for the operation of their scheme. Similarly, all governing bodies need policies and processes that give them assurance that all the functions of the scheme are operating correctly.

Internal controls are the policies, processes and procedures carried out in running the scheme. They are also the checks and balances that ensure those processes are operating correctly. Governing bodies can assure themselves that their scheme is operating correctly by having robust and measurable internal controls. Internal controls apply equally to services provided in-house and externally. Internal controls are also an important part of assessing and managing the risks that face a scheme.

It would be highly inadvisable, and almost impossible, to operate any scheme without internal controls. We believe almost all schemes will have some controls in place, even if they do not recognise them as such. However, it is likely that many schemes will not have the full suite of internal controls that we consider they should have.

To help governing bodies establish relevant internal controls, we have created several modules within the new code focusing on risk management and specific controls that should be in place. We do not go into the details of how any control should operate. It is for the governing body, and their advisers, to determine the most appropriate controls for their scheme and the adequacy and effectiveness of any control they implement.

Question about internal controls:

The expectations set out apply differently to different schemes. Is this clear from the module, and are governing bodies provided with enough leeway to address the expectations in the most appropriate way for their scheme?

Own risk assessment

The governance regulations introduce another new requirement for private sector schemes with 100 or more members. This is the introduction of the Own Risk Assessment (ORA). When transposing this requirement from IORP II, the UK chose to stop short of requiring the Solvency II type assessment of the scheme's finances originally proposed. Our interpretation of an ORA recognises that pension schemes face a wide range of risks, not just those related to investments.

The ORA we propose builds on the principles set out for the effective system of governance. The ORA is then a regular process that requires the governing body to assess the effectiveness and risks of the effective system of governance. This is distinct from the normal risk management processes for the scheme. The ORA is therefore a process for assessing the management of risks.

The ORA should not be perceived as an item of tick-box compliance, or an unnecessary burden. We propose the ORA as a way for governing bodies to demonstrate that they have fully considered the various risk management processes – external, financial and operational – that their scheme faces. The ORA is a tool to focus governing bodies on their policies, processes and procedures in a way they may not have done before.

The governance regulations do not require publication of the ORA, or for it to be sent to us. We do expect schemes to record their ORA, and the first such exercise may be a significant piece of work. Many schemes will already have broadly comparable review processes in place already, while others will have to expand their processes considerably. However, we accept that the circumstances of each scheme will affect the risks it faces. It is therefore possible for governing bodies to tailor their ORA according to the size, scale and complexity of their scheme.

Those schemes required to produce an ORA will have 12 months from the date the new code comes into force to document their first assessment. The ORA then becomes an annual process, or whenever there is a material change in the risks facing the scheme or its governance processes.

As with effective systems of governance, we have created a module that acts as an index for the elements we expect the ORA to consider.

Questions about own risk assessments:

1. Are there any improvements we could make to our suggested ORA that would make it more valuable for governing bodies?
2. Is the cycle suggested for the review and update of the ORA appropriate given the subjects that it covers?

5. Explanatory notes for other content

In this section we provide a rationale for new or amended expectations. As noted above, a key aim for the new code was to create a consistency in expectations between different schemes types. This is subject to the different legislative requirements placed on different schemes according to their type, nature or size.

We are responsible for the regulation of a wide range of different scheme types within the private and public sectors. Many schemes resist simple classification as they incorporate different benefit types. Several of our existing COPs focus on a specific scheme type. This meant it was easy to overlook expectations set in other COPs. For example, we are aware that some schemes with a 'dedicated' code were unaware that they should be following the provisions in the codes dealing with maintaining contributions. For all the differences between schemes, many expectations set across our COPs are very similar. This duplication of content created longer codes, reduced readability and risked creating inconsistency of expectation.

Although many of the expectations in the new code have come directly from the existing codes, we have taken the opportunity to ensure they are up-to-date and consistent. In some areas, this has meant we have needed to create new content and expectations, or we have broadened the scope of existing content to cover a larger number of schemes. Some wording may be recognisable as originating from a particular COP. This does not imply that it only applies to one type of scheme. It is simply us choosing the best existing form of words for that expectation.

Throughout the new code, we have sought to improve consistency and clarity where the same or comparable legal requirements exist. Acting in this way simplifies knowledge required for those working with more than one scheme. It also enables us, where necessary, to use our powers in an appropriate and timely fashion. The work to create the new code has not moved expectations away from their legal underpins. Nor are we expanding the scope of our regulatory remit. Some scheme types will still face different expectations because the law applies differently to those schemes. In time, it may be possible to filter modules so that only content directly applicable to the user's scheme is displayed.

There are some expectations that apply to only a subset of schemes. Where these might be useful for other schemes, we have suggested that they are adopted as best practice.

The table shown in Appendix 1 illustrates each module and its current audience. It also shows whether content is new to that audience or taken from an existing code.

Our expectations are set at a level we consider to be appropriate for any well-run scheme. They do not represent a gold standard or are not intentionally difficult to meet. It is important to repeat that most expectations set out in the new code already exist in our COPs. Unless an expectation is new, such as the ORA, schemes should already be meeting the provisions set out in the new code.

Public service schemes

COP 14 (Public service pensions) was published in April 2015 when we took on the responsibility of regulating public service schemes. Since then, these schemes have developed their practices significantly. They have made huge strides towards consistently delivering the governance we expect of them. Our understanding of public service schemes has also grown, and the creation of the new code provides us with an opportunity to update some of our expectations.

The new code seeks, wherever possible, to set comparable standards for schemes of all types. This is equally true of public service schemes. However, public service schemes do not have identical legislation to schemes in the private sector. Consequently, there is some divergence in the exact expectation we have placed on public service schemes. This is particularly true in the case of the modules dealing with internal controls, where the legislative standard is different. In practice, while this means that our expectations of the presence of controls is the same as for private sector schemes, their operation may be different.

As with other codes that dealt with a specific audience, the expectations we had for public service schemes in COP 14 are comparable to other types of schemes. Therefore, while the new code sets out expectations in a different way, we believe those expectations will be familiar to public service users.

Master trusts

Master trusts are directly authorised by us and need to keep us satisfied that they meet the criteria to be authorised. The framework for that authorisation is the relevant legislation, COP15 and associated guidance. The review of the authorisation process identified areas within COP15 that could have been clearer and therefore require some modification. We intend to transpose and update COP15 to the new code, but this is not happening in the current phase. Elements of the new code are relevant for master trusts and they should also continue to refer to COP15 until we transpose it to the new code.

Cyber security

One subset of internal controls receiving greater detail in the new code is that of cyber security. With most scheme records held digitally, the security and maintenance of scheme data has become a significant issue. Cyber security is a topic that we have already addressed in guidance. However, survey data indicates that cyber security processes are still rare. To ensure that more schemes address this pressing issue we have taken the opportunity to reinforce our guidance and place direct expectations on schemes. The expectations apply only to certain schemes, but we strongly encourage all schemes to adopt as many of the expectations as possible.

Environmental, social and governance (ESG)

Another area introduced to the new code is the stewardship of the scheme's investments. Attention has, in recent years, increasingly turned to the way schemes manage their money. It is no longer possible for schemes to seek returns from their investments without considering the social or environmental costs that they may facilitate. Pension schemes should seek to exercise the significant rights they have as shareholders and bondholders of their investee companies. Governance of investments, and an awareness of the activities of investee companies, will influence the financial returns of the scheme. Pension schemes have longer-term investment horizons than many other investors. As concerns about matters such as climate change and social responsibility grow, the long-term interests of scheme members will be served by governing bodies who are active stewards of their investments.

The new code introduces two modules that address matters in these areas. Stewardship focuses on the governance responsibilities that come with financial investments. The second module relates to climate change and the risks and opportunities it presents.

Financial transactions

As noted elsewhere, legislation sets different requirements for different scheme types. However, most of our expectations in a given area, such as financial transactions, are common to all. Regardless of whether they are DB, DC, or hybrid, all schemes need processes for handling financial transactions.

DC schemes are required by law to maintain processes around core financial transactions. We believe the principles that apply to DC schemes are equally valuable to all schemes and we have examined our ability to set comparable expectations on other schemes. Having satisfied ourselves that this is possible, the module on financial transactions contains expectations that apply to many more schemes.

Timescales

One of the functions of any of our COPs is to provide our interpretation of certain timescales set in legislation.

For example, various pieces of legislation require governing bodies to do things ‘regularly’. Some regular events follow payrolls or investment cycles, others by valuations, annual accounts or external events. Where there is an obvious link of this sort, our intention has been to align our expectation of regularity with those cycles. Where there is no obvious operational link, we have typically set our expectation of a regular event to be annually.

Wherever possible, we have maintained the timescales set in existing COPs. This is so schemes that may be considering more pressing matters do not need to adjust established procedures. However, when developing the modules we have noted that certain timescales set out in in COPs 5 and 6 (maintaining contributions) were potentially harder to meet than had been intended when viewed as part of a procedure. We have therefore taken steps to amend them for consistency and to match current our operational expectations.

Northern Ireland

Pensions legislation in Northern Ireland (NI) is separate, but comparable, to that in Great Britain. The new code contains various references and links to legislation in Great Britain and legal references to NI legislation in the same footnotes as for the rest of the UK.

6. Equalities

As part of our regulatory work and business functions, TPR is subject to the Public Sector Equality Duty (PSED). The PSED ensures that public bodies have due regard to the needs of all individuals in their day-to-day work – in shaping policy, in delivering services, and in relation to their own employees.

The legislation relates to specific "protected characteristics" set out in the Equality Act 2010: disability, gender re-assignment, pregnancy and maternity, age, race, religion or belief, sex, and sexual orientation matters.

> ### Question about equalities
>
> We would be interested to understand if there are any aspects of our expectations that users think would discriminate against, disadvantage or present an additional or exceptional challenge to anyone with a protected characteristic.

7. Status of other consultations

The new code will continue to grow and adapt over time. Modules representing the content of the remaining five existing COPs will be added in future phases. The current DB funding code is already being revised and the modules that relate to that topic are expected to be ready for consultation at the end of 2021.

It is important to note that at this stage we are not adopting into the new code any of the findings from our recent consultation on the future of trusteeship. Events over the past year have delayed this work and it will be recommenced in due course.

We will also be adding content relating to the Pensions Schemes Act 2021, and other forthcoming legislation as it becomes ready. Future revisions may take the form of additional or updated modules, or a mixture of both. We will be consulting on future updates to the new code at the appropriate times.

8. Consultation questions

We are consulting on a significant revision to our existing COPs. We therefore want to give respondents every opportunity to comment on as much or as little of the code content as they wish to.

As well as the questions presented in this paper, we are also asking questions, listed below, which apply to every module. We do not expect respondents to answer each question for every module. We do not require any respondent to specify "no comment" to a question where they have no comment to make. Respondents can make comments about as many or as few modules as they wish.

The consultation covers only the content of the new code as presented online at: **www.tpr.gov.uk/en/document-library/consultations/new-code-of-practice**. We welcome general comments about the principles on which the new code is based. Space for general comments is provided at the end of **Response form 1: General questions about the new code of practice**.

The following questions are raised in relation to each module and are replicated in the relevant response forms.

Universal questions for each module

1. Is the title a fair reflection of the content provided within the module and, if not, what would be a clearer description of this content?
2. Is it clear from the module what our expectations are, and does this content provide governing bodies with a clear sense of how expectations may be applied to their scheme's own circumstances?
3. Has the subject matter of the module been covered in sufficient detail and is there any further information or guidance that would assist governing bodies in meeting our expectations?
4. Are there any expectations that may be considered a disproportionate and/or unreasonable burden for a well-run scheme, or for certain types of scheme or governing body?
5. Do you have any further comments on the module that have not been covered by the questions above?

There are specific questions in relation to the matters discussed in this consultation paper, which are restated below.

General questions

Updates

We welcome any observations about a possible regular process for issuing updates to the new code. For example, should updates be annual, or at longer intervals? Please advise us of any concerns about regular updates.

We would also be interested to hear about any topics, besides those described above, that we should prioritise for inclusion in the new code.

Guidance

Which pieces of guidance, or topic areas, should be prioritised for updates following the introduction of the new code?

Governing bodies

Do users understand the term "governing body"? Would another term work better?

Public Sector Equality Duty (PSED)

We would be interested to understand if there are any aspects of our expectations users think would discriminate against, disadvantage or present an additional or exceptional challenge to anyone with a protected characteristic.

If you need extra space when responding to these questions, or have any general comments to make, please use the space provided at the end of **Response form 1: General questions about the new code of practice**.

Module-specific questions

The following questions are in relation to specific modules in the code. Space to respond to these questions is provided at the appropriate point in the relevant response form.

Maintaining contributions (ADM008)

Are the timescales set out in this module appropriate with regards monitoring the payment of contributions?

Refunds (CAD016)

This module refers to the underlying legislation extensively. Does it provide enough information on the legislative requirements and our expectations?

Knowledge and understanding (TGB017 and TGB005)

The expectations in these modules are based on long-standing existing guidance. Do the expectations provide a new member of a governing body with sufficient knowledge and understanding to enable them to fulfil their role?

Effective systems of governance (TGB046)

Is it clear where all the features of an effective system of governance are covered in the code from the content of this module? If not, what needs to be clearer?

Internal controls (TGB032)

The expectations set out apply differently to different schemes. Is this clear from the module, and are governing bodies provided with enough leeway to address the expectations in the most appropriate way for their scheme?

Own risk assessment (TGB045)

Are there any improvements that we could make to our suggested ORA that would make it more valuable for governing bodies?

Is the cycle suggested for the review and update of the ORA appropriate given the subjects that it covers?

9. Impact assessment

The DWP[1] has estimated costs of complying with the changes to our codes of practice to align this with the requirements of IORP II. They considered the range of potentially acceptable methods of compliance that would apply to schemes of different size and complexity, as well as the extent to which relevant legislation or COPs already apply to different types of schemes.

They concluded that the UK was already largely compliant with IORP II and that transposition would not cause much additional burden on industry. They estimated costs were:

- £5.1 million in year 1
- £2.7 million every subsequent third year (years 4, 7, 10)

The estimated annual net direct cost to business over a policy period of 10 years is £1.3 million and so will qualify for self-certification.

In harmonising expectations between schemes, the new code goes further than the DWP had envisaged in its impact assessment. This may lead to higher than anticipated costs in year one as governing bodies become used to the expectations in the new code. However, we expect that these costs will be substantially mitigated in subsequent years by the new format of the code and its ease of use.

We will be liaising with the DWP following this consultation and may seek further external evidence to support our assessment of regulatory burden and Business Impact Target obligations under the Small Business, Enterprise and Employment Act 2015 in relation to the new code.

1 The DWP's impact assessment of the Occupational Pension Scheme (Governance) (Amendment) Regulations 2018 can be found at: http://www.legislation.gov.uk/uksi/2018/1103/pdfs/uksiod_20181103_en_001.pdf

Appendix 1

The table below provides an indication of the modules where users may find new content that relates to them. We have categorised this in terms of the main scheme types; defined benefit, defined contribution and public service. The legislative basis for each module may mean that it does not apply to certain schemes within that group.

Where a module is shown to contain "Existing" content, updates may still mean that new expectations are presented within the module, or that they are presented in a different way. Such changes are unlikely to be significant and will have been introduced for consistency. Similarly, some content marked as "New" will be existing content that is new to that audience. This is most obvious where it is shown to be existing content for other scheme types.

Modules marked with "DNA" do not apply to that audience. Modules showing "Best Practice" also do not apply to that audience, but consideration should be given to following them for best practice purposes.

The governing body					
		In relation to:			
Module number	Module title	DB	DC	PS	Comment
TGB001	Role of the governing body	New	Existing	Existing	
TGB014	Recruiting to the governing body	New	Existing	Existing	
TGB044	Member-nominated trustee appointments	Existing	Existing	DNA	
TGB015	Role of the chair	Existing	Existing	Existing	
TGB006	Meetings and decision-making	New	New	New	
TGB016	Remuneration policy	New	New	Best Practice	
TGB017	Working knowledge of pensions	Existing	Existing	Existing	
TGB005	Governance of knowledge and understanding	New	New	DNA	
TGB003	Building and maintaining knowledge	New	New	Existing	
TGB009	Value for members	DNA	Existing	DNA	
TGB010	Managing advisers and service providers	New	Existing	New	
TGB031	Identifying and assessing risks	Existing	Existing	Existing	

The governing body continued...					
		In relation to:			
Module number	Module title	DB	DC	PS	Comment
TGB032	Managing risk using internal controls	Existing	Existing	Existing	
TGB033	Assurance of governance and internal controls	Existing	Existing	Existing	New material on assurance
TGB022	Continuity planning	New	New	Best Practice	
TGB039	Conflicts of interest	Existing	Existing	Existing	
TGB045	Own risk assessment	New	New	DNA	
TGB046	Scheme governance	New	New	Existing	
Funding and investment					
FAI001	Investment governance	Existing	Existing	Best Practice	
FAI003	Investment decision-making	New	New	DNA	Based on current guidance
FAI004	Implementation report	New	New	DNA	

Funding and investment continued...					
		In relation to:			
Module number	Module title	DB	DC	PS	Comment
FAI005	Investment monitoring	New	New	Best Practice	
FAI006	Stewardship	New	New	DNA	
FAI011	Climate change	New	New	DNA	
FAI008	Statement of investment principles	New	New	DNA	
FAI010	Default arrangements and charge restrictions	DNA	Existing	DNA	
Administration					
ADM001	Administration	New	New	New	
ADM002	Financial transactions	New	New	New	
ADM014	Transfers	New	New	New	Based on current guidance
ADM003	Scheme records	New	New	New	
ADM006	Data monitoring	New	New	New	
ADM015	Maintenance of IT systems	New	New	New	

Administration continued...					
		In relation to:			
Module number	**Module title**	**DB**	**DC**	**PS**	**Comment**
ADM016	Cyber controls	New	New	New	Based on current guidance
ADM007	Receiving contributions	Existing	Existing	Existing	
ADM008	Monitoring contributions	Existing	Existing	Existing	
ADM011	Resolving overdue contributions	Existing	Existing	Existing	
Communications and disclosure					
CAD001	General principles for member communications	New	Existing	New	
CAD003	Statutory financial statements (DC)	DNA	Existing	DNA	
CAD011	Statutory financial statements (DB)	Existing	DNA	DNA	
CAD012	Statutory financial statements (PSPS)	DNA	DNA	Existing	
CAD004	Retirement risk warnings and guidance	DNA	Existing	DNA	
CAD016	Short service refunds/refunds of contributions	Existing	Existing	Existing	
CAD008	Chair's statement	DNA	Existing	DNA	

Communications and disclosure continued...					
		In relation to:			
Module number	**Module title**	**DB**	**DC**	**PS**	**Comment**
CAD005	Scams	New	Existing	New	
CAD010	Publishing information about public service pension schemes	DNA	DNA	Existing	
CAD014	Audit requirements	New	New	DNA	
CAD015	Dispute resolution procedures	Existing	Existing	Existing	
Reporting to TPR					
RTT001	Registrable information and scheme returns	New	Existing	New	
RTT003	Who must report	Existing	Existing	Existing	
RTT004	Decision to report	Existing	Existing	Existing	
RTT005	How to report	Existing	Existing	Existing	

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https://www.thepensionsregulator.gov.uk/

https://trusteetoolkit.thepensionsregulator.gov.uk/
Free online learning for trustees

https://education.thepensionsregulator.gov.uk/
Pensions education portal

Consultation document: **The new code of practice**

Response to TPR New Code of Practice Consultation

Response Form 1:

Q1: We welcome any observations about a possible regular process for issuing updates to the new Code. For example, should updates be annual, or at longer intervals? Please advise us of any concerns about regular updates. We would also be interested to hear about any topics that we should prioritise for inclusion in the new Code.

Ideally, reviews and updates should be carried out “as and when” in order to reflect substantial legislative changes or guidance updates, i.e., an ad hoc basis.

Moreover, previous versions of the Code should still be made available for reference.

Q2: Which pieces of guidance, or topic areas, should be prioritised for updates following the introduction of the new Code?

Trustee training is vital and the Trustee Toolkit should be prioritised for producing guidance following the update to a Single Code of Practice. For the LGPS, training requirements are being considered by the LGPS Scheme Advisory Board (SAB) under the Good Governance project and TPR should seek to align with this.

Q3: Do users understand the term “governing body”? Would another term work better?

If TPR wish to group entities under the Governing Body, the Code needs to be very explicit which Governing Body it relates to in each section of the Code. Is it the Pension Fund Committee or the Local Pensions Board? This distinction needs to be made.

Q4: We would be interested to understand if there are any aspects of our expectations users think would discriminate against, disadvantage or present an additional or exceptional challenge to anyone with a protected characteristic.

Is consideration being given to publication of the Code in other languages?

Q5: Please use this page for any further comments you have.

Some concern exists as to where the Code has introduced new requirements or where changes have been made to existing requirements, or where no changes have been made at all. No comparison is provided as to the current state of play.

The “Mays”, “Shoulds” and “Musts” are not indicated, making it challenging for Funds to make a judgement on governance priorities.

It is not always clear where the Code applies to the LGPS, with a filter as to relevance to LGPS a good idea.

The lengthy Code could be seen as overwhelming to committee and board members.
It is not clear how LGPS Funds will be monitored for compliance. Clarity on how compliance with the Code will be monitored is desirable.

The Code could identify specific areas where LGPS funds have dependencies on employers for information and highlight the statutory requirement to provide the information to enable LGPS Funds to fulfil their statutory obligations.

Response Form 2:

Recruiting to the governing body (TGB014)

REQ1: Is the title of the module a fair reflection of the content provided within it? If not, what would be a clearer description of this content?

It is a fair reflection.

REQ2: Is it clear from the module what our expectations are, and does this content provide governing bodies with a clear sense of how expectations may be applied to their scheme's own circumstances?

LGPS administering authorities are bound by the Local Government Act 1972 for committee membership and delegation to other individuals/entities. The Local Government Pension Scheme Regulations 2013 set out the requirements for local pension boards. Each LGPS authority will operate its own processes within these statutory frameworks. Therefore, LGPS authorities will look to statutory provision and not to the TRP single Code.

REQ3: Has the subject matter of the module been covered in sufficient detail and is there any further information or guidance that would assist governing bodies in meeting our expectations?

Where new requirements are set out, examples of required policies would be useful.

REQ4: Are there any expectations that may be considered a disproportionate and/or unreasonable burden for a well-run scheme, or for certain types of scheme or governing body?

None.

REQ5: Do you have any further comments on the module that have not been covered by the previous questions?

LGPS Funds are not in control of the appointment of members to its pension committees: these are elected local councillor roles. There are currently no statutory obligations for members of pension fund committees to attend any training or to meet any standardised levels of skills or knowledge in order to participate in the committees, although such provision exists for local pension board members. Notwithstanding this, committee and board members undertake extensive training. Administering authorities can delegate decision making responsibilities to the S151 officer, under advice from the pension fund committees, including investment decisions.

Remuneration policy (TGB016)

RMQ1: Is the title of the module a fair reflection of the content provided within it? If not, what would be a clearer description of this content?

It is a fair reflection.

RMQ2: Is it clear from the module what our expectations are, and does this content provide governing bodies with a clear sense of how expectations may be applied to their scheme's own circumstances?

It is clearly laid out.

RMQ3: Has the subject matter of the module been covered in sufficient detail and is there any further information or guidance that would assist governing bodies in meeting our expectations?

Where new requirements are set out, examples of required policies would be useful.

RMQ4: Are there any expectations that may be considered a disproportionate and/or unreasonable burden for a well-run scheme, or for certain types of scheme or governing body?

LGPS schemes may wish to adopt this as best practice, with each LGPS authority determining if and how they may wish to use it.

RMQ5: Do you have any further comments on the module that have not been covered by the previous questions?

No comment.

Own risk assessment (TGB045)

OWQ1: Is the title of the module a fair reflection of the content provided within it? If not, what would be a clearer description of this content?

It is a fair reflection.

OWQ2: Is it clear from the module what our expectations are, and does this content provide governing bodies with a clear sense of how expectations may be applied to their scheme's own circumstances?

It is unclear as to whether references should be made to the existing risk register. Guidance on the differentiation from the risk register is needed.

OWQ3: Has the subject matter of the module been covered in sufficient detail and is there any further information or guidance that would assist governing bodies in meeting our expectations?

An ORA template would be required reference the structure of the ORA. Guidance and examples would be useful too.

OWQ4: Are there any expectations that may be considered a disproportionate and/or unreasonable burden for a well-run scheme, or for certain types of scheme or governing body?

This is a substantial piece of work and it could distract resources from the essential governance of running the scheme. It could be regarded as an unnecessary duplication to the existing risk register.

OWQ5: Do you have any further comments on the module that have not been covered by the previous questions?

None.

OWQ6: Are there any improvements that we could make to our suggested ORA that would make it more valuable for governing bodies? Is the cycle suggested for the review and update of the ORA appropriate given the subjects that it covers?

Possibly a three-year review period to align with the LGPS triennial valuation period.

Response Form 3

Investment decision-making (FAI003)

IVQ1: Is the title of the module a fair reflection of the content provided within it? If not, what would be a clearer description of this content?

It is a fair reflection.

IVQ2: Is it clear from the module what our expectations are, and does this content provide governing bodies with a clear sense of how expectations may be applied to their scheme's own circumstances?

The legislation quoted in this part does not apply to LGPS authorities. The equivalent LGPS legislation is Regulation 7 of the 2016 Investment Regulations. These regulations are clear in what is expected and are backed up by Statutory Guidance, 'Preparing and maintaining an investment strategy statement'. The expectations as set out in this section do not apply to LGPS authorities who should instead follow the applicable regulations and guidance and this should be made clear.

IVQ3: Has the subject matter of the module been covered in sufficient detail and is there any further information or guidance that would assist governing bodies in meeting our expectations?

The current intense desire for pension funds to invest in "greener and cleaner" and support investment in UK renewable energy infrastructure projects should be covered as guidance within the Code.

IVQ4: Are there any expectations that may be considered a disproportionate and/or unreasonable burden for a well-run scheme, or for certain types of scheme or governing body?

The requirement to ensure that 'no more than a fifth of scheme investments are held in assets not traded on regulated markets' is clearly an arbitrary figure. There does not appear to be a clear rationale for this statement especially given that large open DB schemes are increasingly looking to private markets to deliver the growth/income required to meet their liabilities within their appropriate risk appetite.
Many schemes go easily beyond 20% in holdings of many types of illiquid assets such as infrastructure: 50% would be a more reasonable limit, given the long-term nature of the LGPS. Ideally, TPR should remove the reference to 'no more than a fifth of scheme investments' to be held in non-regulated markets, given its arbitrary nature.

IVQ5: Do you have any further comments on the module that have not been covered by the previous questions?

None.

Questions for: Climate change (FAI011)

CLQ1: Is the title of the module a fair reflection of the content provided within it? If not, what would be a clearer description of this content?

It is a fair reflection.

CLQ2: Is it clear from the module what our expectations are, and does this content provide governing bodies with a clear sense of how expectations may be applied to their scheme's own circumstances?

The legislation quoted does not apply to LGPS authorities. The equivalent legislation is Regulation 7 of the 2016 Investment Regulations. These regulations are clear in what is expected and are backed up by Statutory Guidance 'Preparing and maintaining an investment strategy statement'. New regulations in this area are expected from MHCLG later this year following disclosure requirements set out by the DWP for private sector schemes. Until this is published, LGPS authorities will not know what their obligations are with regard to climate change disclosure. LGPS authorities will continue to follow the applicable regulations and this should be made clear.

CLQ3: Has the subject matter of the module been covered in sufficient detail and is there any further information or guidance that would assist governing bodies in meeting our expectations?

n/a

CLQ4: Are there any expectations that may be considered a disproportionate and/or unreasonable burden for a well-run scheme, or for certain types of scheme or governing body?

n/a

CLQ5: Do you have any further comments on the module that have not been covered by the previous questions?

None.

Phil Triggs
Director of Treasury and Pensions

26 May 2021

London Borough of Hammersmith and Fulham

Report to: Pension Fund Committee

Date: 21 July 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.

1.3 This paper also provides details on the training log for the Local Pension Board and the Pension Fund Committee.

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

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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 8 recommendations implemented, and 11 commenced.

1.6. Recommendation 8 suggested a training needs assessment be carried out and a comprehensive programme of training to address identified needs be provided. Progress on this is shown in Appendices 2, 3 and 4.

List of Appendices:

Appendix 1: Log of Recommendations
Appendix 2: Training topics
Appendix 3: Training attendance
Appendix 4: Training assessment questionnaire

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		Progress Started	
5	The Pension Fund Sub-Committee (The Pension Fund Committee) actively seek to co-opt a non-voting Employee representative.	Immediate		Progress Started	
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	Report scheduled for June 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		Not 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	Progress Started	Report scheduled for June committee
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	Report scheduled for June committee
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	Report scheduled for June committee
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	Report scheduled for June committee
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.	Unassigned		Not Started	
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	31-Mar-22	Not Started	Conflicts with onerous current workload
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	31-Mar-22	Not Started	Conflicts with onerous current workload
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	31-Mar-22	Not Started	Conflicts with onerous current workload
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	Not Started	Conflicts with onerous current workload
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	Not Started	Conflicts with onerous current workload
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	Report scheduled for June committee
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.	Not Immediate		Not Started	Not considered essential by the 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.	Not Immediate		Not Started	Not considered essential by the 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 undeway

Topics covered in 2020/21

- 2020 from an actuarial perspective and funding updates
- The Macro-Economic Outlook
- Asset allocation and portfolio construction
- Diversity in the asset management industry
- Investing in renewable energy
- LGPS Current Developments
- Physical climate risk management
- Impact investing
- Responsible Investment
- Behavioural Finance
- How asset managers approach risk management
- Fixed Income update
- Risk and compliance perspective from an asset pool
- Environmental Risk

Topics for 2021/2022

- Task Force on Climate-related Financial Disclosures
- Pension funds and breaches of the law
- Pensions Administration
- The Pensions Regulator – single code proposal
- The 2022 Actuarial Valuation
- Pooling Update
- Economic Update
- Role of internal and external auditors
- Cost transparency

Forename	Surname	Pension Board and Committee Training 03/11/2020	Pension Board and Committee Training 01/12/2020	Pension Board and Committee Training 25/02/2021	Training arranged by individual (Cumulative figure)	Training hours log 2020/21
Cllr Rory	Vaughan (chair)	4	4	0	0	8
Eric	Kersey	0	0	0	0	0
Orin	Miller	0	0	0	0	0
Neil	Newton	4	0	0	0	4
Cllr Bora	Kwon	4	4	4	0	12
William	O'Connell	4	4	4	0	12
Khadija	Sekhon	4	0	0	0	4

Total Offered/Delivered 12

Pension Fund Committee							
Forename	Surname	Pension Board and Committee Training 03/11/2020	Pension Board and Committee Training 01/12/2020	Pension Board and Committee Training 25/02/2021	Pre Committee Meeting Training 03/03/2021	Training arranged by individual (Cumulative figure)	Training hours log 2020/21
Cllr Iain	Cassidy	4	4	4	0	0	12
Cllr Matt	Thorley	0	0	0	0	0	0
Michael	Adam	0	0	0	0	0	0
Cllr Jonathan	Caleb-Landy	0	0	0	1	0	1
Cllr Rowan	Ree	0	0	0	1	0	1
Cllr Vincent	Guy	0	0	0	0	0	0
Cllr Rowbottom	Helen	0	0	0	0	0	0

Total Offered/Delivered 14

LBHF Pension Fund

Knowledge and Skills Self-Assessment

Name: ………………………………………………………….

Role: Committee/Board member (delete as appropriate)

1) Pensions Legislative and governance context

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

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

2) Pensions accounting and auditing standards

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

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

3) Financial services procurement and relationship management

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

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

4) Investment performance and risk management

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

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

5) Financial markets and products knowledge

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

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

Awareness of the risk and return characteristics of the main asset classes and understanding of the role of these asset classes in long term pension fund investing	Analysed in Table Below

Asset Class	I have sufficient knowledge of the subjects detailed below and do not require additional training	I would like further training on the areas highlighted below	*Current Fund Manager(s)*
Multi Asset Credit (Fixed Income)	Y/N	Y/N	*Partners Group/Oakhill Advisors*
Property – long lease	Y/N	Y/N	*Aberdeen Standard*
Absolute Return	Y/N	Y/N	*London CIV*
Inflation Linked	Y/N	Y/N	*M&G*
Passive Equities – Global/Low Carbon	Y/N	Y/N	*LGIM*
Infrastructure	Y/N	Y/N	*Aviva/Partners Group*

6) Actuarial methods, standards and practices

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

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

7) Pensions Administration

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

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

Signed:………………………………………………… Date:………………………

Once complete, please return to:

Phil Triggs
Tri Borough Director of Treasury & Pensions

ptriggs@westminster.gov.uk

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 21 July 2021

Subject: 2020/21 Draft Pension Fund Statement of Accounts

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

Summary

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

Recommendations

The Pension Fund Committee is requested to:

1. Note the Pension Fund Statement of Accounts for 2020/21.

Wards Affected: None

LBHF Priorities

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

Financial Impact

None

Legal Implications

None

Contact Officer(s):

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Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

Overview

1. Draft Statement of Accounts

1.1. The draft Pension Fund Statement of Accounts 2020/21 provides the Pension Fund Committee members with an opportunity to review and comment on any matters within the financial statements.

1.2. The Pension Fund investment portfolio returned 21.9% (£218m) over the year, recovering well from the COVID-19 related market falls in March 2020 to achieve all time high asset values. This return was 2.8% above the benchmark for the year. The Fund experienced strong performance from its UK Equities allocation and its diversified growth fund. The Fund remains ahead of its benchmark over the ten-year time horizon.

1.3. Management costs rose from £5.9m to £8.9m, an increase of 51%. This is driven mainly by exceptional transaction costs for 2020/21 due to better information received from fund managers. Management expenses also increased due to the move from a wholly passive equity portfolio to the inclusion of a more expensive active equity manager.

2. Risk Management Implications

None

3. Other Implications

None

List of Appendices:

Appendix 1: Draft 2020/21 Pension Fund Statement of Accounts

PENSION FUND ACCOUNTS

FUND ACCOUNT

	Note	2020/21		2019/20	
		£000	£000	£000	£000
Dealings with members, employers and others directly involved in the scheme					
Contributions					
From Employers	7	24,180		26,135	
From Members	7	8,004	32,184	7,408	33,543
Transfers In from other Pension Funds			9,350		4,326
Other Income			-		-
Benefits					
Pensions	8	(36,363)		(34,916)	
Commutation & Lump Sum Retirement Benefits	8	(8,164)		(8,502)	
Payment in respect of tax		(508)	(45,035)	(898)	(44,316)
Payments to and on account of leavers					
Transfers Out to other Pension Funds			(7,013)		(7,225)
Refunds to members leaving service			(40)		(119)
Net Additions (Withdrawals) from dealings with members			**(10,554)**		**(13,791)**
Management expenses	9		**(8,903)**		**(5,866)**
Returns on Investments					
Investment Income	10		12,327		13,911
Other Income	10		23		731
Profit and losses on disposal of investments and changes in value of investments	12		215,444		(36,172)
Net Return on Investments			**227,794**		**(21,530)**
Net Increase (Decrease) in the net assets available for benefits during the year			**208,337**		**(41,187)**
Opening Net Assets of the Scheme			**1,010,886**		**1,052,073**
Closing Net Assets of the Scheme			**1,219,223**		**1,010,886**

NET ASSET STATEMENT

	Note	31 March 2021 £000	31 March 2020 £000
Investment Assets			
Equities	11	150	150
Pooled Property Vehicles	11	61,161	58,881
Pooled Investment Vehicles	11	1,081,786	817,356
Private Equity / Infrastructure	11	71,863	70,555
Cash Deposits	11	8	59,524
Other Investment Balances			
Investment Income Due	11	13	26
Net Investment Assets	11	**1,214,981**	**1,006,492**
Current Assets	19	3,664	3,897
Current Liabilities	20	(1,100)	(1,178)
Cash Balances (held directly by Fund)		1,678	1,675
Net assets of the Fund available to fund benefits at the period end		**1,219,223**	**1,010,886**

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

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 1. DESCRIPTION OF HAMMERSMITH AND FULHAM PENSION FUND

a) General

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

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

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

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

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from investment returns on the Fund's investment assets. Contributions from employees are made in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employer contributions are set based on the triennial actuarial funding valuation, as detailed in Note 18.

b) Pensions Sub-Committee

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

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

c) Pension Board

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

d) Investment Principles

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

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

e) Membership

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

Organisations participating in the Hammersmith & Fulham Pension Fund include:

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

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

	31 March 2021	31 March 2020
Number of Active Employers	52	50
Contributing employees	4,467	3,635
Pensioners receiving benefit	5,425	5,081
Deferred members	6,784	7,112
Total members	**16,676**	**15,828**

Details of the scheduled and admitted bodies are included in the Fund's Annual Report.

NOTE 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

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

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

a) Contribution Income

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

b) Transfers to and from other schemes

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

c) Investment Income

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

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

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

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

Fund Account - Expense Items

d) Benefits Payable

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

e) Taxation

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

f) VSP, MSP and lifetime allowance

Members are entitled to request that the Pension Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduction in pension. Where the Fund pays member tax liabilities direct to HMRC, it is treated as an expense in the year in which the payment occurs.

g) Management Expenses

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

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

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

Net Assets Statement

h) Financial Assets

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

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

i) Derivatives

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

j) Foreign Currency Transactions

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

k) Cash and Cash Equivalents

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

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

l) Financial Liabilities

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

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

m) Actuarial present value of promised retirement benefits

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

n) Additional Voluntary Contributions (AVCs)

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 22. There are also some residual policies with Equitable Life, which are disclosed in Note 22, but it is not open for new members.

o) Recharges from the General Fund

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

NOTE 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

a) Pension Fund Liability

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

b) COVID 19 Impact

The COVID-19 pandemic has caused significant investment volatility throughout 2020 and 2021, causing uncertainty in property valuations due to the fall observable transactions and subsequent complete lack of liquidity in the market. Following this, in 2020 a material uncertainty clause was provided on all pooled property as advised by the Royal Institute for Charters Surveyors (RICS). Since September however, it has been recommended by RICS to remove this clause from all UK property and as such this material uncertainty valuation clause no longer applies as at 31 March 2021, due to the gradual return to normality for the commercial property markets. As at 31 March 2021, pooled property investments for the Fund totalled £61.2m. The impact of this material valuation uncertainty has been included in the sensitivity analysis in Note 14d.

c) Private equity investments

The fair value of private equity investments is unavoidably subjective. The valuations are based on forward-looking estimates and judgements involving many factors. Unquoted private equity assets are valued by the investment managers in accordance with industry standards. The value of private equity investments at the balance sheet date was £0.5m.

d) Private debt/Infrastructure investments

The fair value of the Partners Group Multi Asset Credit fund and Infrastructure fund is also subject to some 'material valuation uncertainty. Several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. Due to the COVID-19 pandemic, the values reflected in these investments may materially differ from the values received upon the actual sales of the underlying investments. As at 31 March 2021, the assets invested with Partners Group were valued at £45.9m (£42.3m in 2019/20).

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

NOTE 5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

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

Description of asset	Uncertainties	Basis of valuation
Actuarial present value of promised retirement benefits (Note 19a)	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. Barnet-Waddingham are engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: • 0.1% increase in the discount rate assumption would result in a decrease in pension liability of £36m • 0.1% increase in assumed earnings would increase the value of the liabilities by approximated £2m • 0.1% increase in pension increases would increase the liability by about £34m • A one-year increase in life expectancy would increase the liability by about £84m

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

NOTE 6. EVENTS AFTER THE BALANCE SHEET

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

NOTE 7. CONTRIBUTIONS RECEIVABLE

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

The table below shows a breakdown of the total amount of employers' and employees' contributions.

	Employers' Contributions				Employees' Contributions	
	Normal		Deficit Recovery			
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000	£000	£000
Administering Authority	15,614	12,674	3,885	8,745	6,671	6,023
Scheduled Bodies	2,933	1,938	-	870	856	799
Admitted Bodies	1,503	1,820	245	88	477	586
Total	**20,050**	**16,432**	**4,130**	**9,703**	**8,004**	**7,408**
Total Contributions			**24,180**	**26,135**	**8,004**	**7,408**

NOTE 8. BENEFITS PAYABLE

The table below shows a breakdown of the total amount of benefits payable.

	Pensions		Lump sum retirement benefits		Lump sum death benefits	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000	£000	£000
Administering Authority	(33,478)	(32,283)	(6,075)	(6,333)	(1,071)	(977)
Scheduled Bodies	(443)	(399)	(128)	(196)	(144)	(77)
Admitted Bodies	(2,442)	(2,234)	(716)	(878)	(30)	(41)
Total	**(36,363)**	**(34,916)**	**(6,919)**	**(7,407)**	**(1,245)**	**(1,095)**
Total Lump Sum Benefits					**(8,164)**	**(8,502)**

NOTE 9. MANAGEMENT EXPENSES

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

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

The table below provides a breakdown of the Investment Management Expenses.

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

NOTE 10. INVESTMENT INCOME

The table below shows a breakdown of investment income.

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

NOTE 11. INVESTMENT STRATEGY

During 202021 the Fund's investment strategy had the following developments:

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

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

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

The market value and proportion of investments managed by each fund manager at 31 March 2021 was as follows:

	31 March 2021		31 March 2020	
	Market Value £0	Total %	Market Value £0	Total %
Investments managed by the London CIV asset pool				
LGIM - MSCI Low Carbon (Passive)	381,252	31.40%	411,304	40.90%
Ruffer - Absolute Return (Active)	280,677	23.10%	128,526	12.80%
PIMCO - Global Bonds (Active)	107,333	8.80%	100,960	0
Morgan Stanley - Global Sustain Fund	174,776	14.40%	-	0.00%
	944,038	**77.70%**	**640,790**	**63.70%**
Investments managed outside of London CIV asset pool				
M & G - Inflation Opportunities	-	0.00%	110,996	11.00%
Oak Hill Advisers - Secured Income (Active)	80,034	6.60%	65,570	6.50%
Standard Life - Long Lease Property	61,161	5.00%	58,881	5.90%
Aviva - Private Infrastructure	25,546	2.10%	26,062	2.60%
Partners Group - Infrastructure	31,956	2.60%	23,142	2.20%
Partners Group - Multi Asset Private Credit	13,896	1.10%	19,174	1.90%
Invesco - Private Equity	47	0.00%	1,523	0.20%
Unigestion - Private Equity	418	0.00%	653	0.10%
Inhouse Cash - Cash	21	0.00%	59,551	5.90%
London CIV Ltd	150	0.00%	150	0.00%
NT Ultra Short Bond Fund	1,999	0.20%		
Abrdn MSPC	55,715	0	-	0.00%
	270,943	**22.30%**	**365,702**	**36.30%**
Total Investments	**1,214,981**	**100.00%**	**1,006,492**	**100.00%**

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

	31 March 2021		31 March 2020	
	Market Value	**Total**	**Market Value**	**Total**
	£000	**%**	**£000**	**%**
LGIM - MSCI Low Carbon (Passive)	381,252	31.4%	411,304	40.7%
Ruffer - Absolute Return (Active)	280,677	23.1%	128,526	12.7%
PIMCO - Global Bonds (Active)	107,333	8.8%	100,960	10.0%
M & G - Inflation Opportunities	-	0.0%	110,996	11.0%
Oak Hill Advisers - Secured Income (Active)	80,034	6.6%	65,570	6.5%
Standard Life - Long Lease Property	61,161	5.0%	58,881	5.8%
Morgan Stanley - Global Sustain Fund	174,776	0	-	0.0%

NOTE 12. RECONCILIATION OF MOVEMENT IN INVESTMENTS

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

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

The equivalent analysis for 2019/20 is provided below:

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

NOTE 13. FAIR VALUE BASIS OF VALUATION

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments - Equity funds UK and Overseas Managed Funds	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets	Evaluated price feeds	Not required
Unquoted bonds and unit trusts	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services	Evaluated price feeds	Not required

Pooled Long Lease Property Fund	Level 2	The Aberdeen Standard Long Lease Property Fund is priced on a Single Swinging Price	In house evaluation of market data	Not required
Private equity	Level 3	Comparable valuation of similar companies in accordance with International Private and Venture Capital Valuation Guidelines 2012	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple Revenue multiple	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts
Infrastructure funds	Level 3	Valued by Fund Managers at the lower of cost and fair value.	Managers use their judgement having regard to the Equity and Venture Capital Valuation Guidelines 2012 guidelines noted above	Upward valuations are only considered where there is validation of the investment objectives and such progress can be demonstrated Downward valuations are enacted where the manager considers there is an impairment to the underlying investment

NOTE 14a. VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

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

Level 2 – Quoted prices are not available for financial instruments at this level. The valuation techniques used to determine fair value use inputs that are based significantly on observable market data.

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

The values of the private equity investments are based on valuations provided by the General Partners to the private equity funds. The Partners Group Multi Asset Credit and Infrastructure funds are closed ended and therefore not tradable. The valuation is based on market prices where available for some underlying assets and on estimates of prices in secondary markets for others.

	31 March 2021			31 March 2020		
	Quoted Market Price	Using observable inputs	With significant unobservable inputs	Quoted Market Price	Using observable inputs	With significant unobservable inputs
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	£000	£000	£000	£000	£000	£000
Financial Assets						
Designated at fair value through profit and loss		1,142,947	72,013	-	876,237	70,555
Total Financial Assets	**-**	**1,142,947**	**72,013**	**-**	**876,237**	**70,555**
Financial Liabilities						
Designated at fair value through profit and loss				-	-	-
Total Financial Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Net Financial Assets	**-**	**1,142,947**	**72,013**	**-**	**876,237**	**70,555**
			1,214,960			**946,792**

NOTE 14b. TRANSFERS BETWEEN LEVELS 1 AND 2

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

NOTE 14c. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

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

NOTE 14d. SENSITIVITY OF ASSETS VALUED AT LEVEL 3

The Pension Fund has analysed historical data and current trends in consultation with independent investment advisors to determine the accuracy of the valuations of its Level 3 investments. The potential impact on the reported valuations as at 31 March 2021 has been estimated to be accurate within the following ranges:

Description of assets	Assessed Valuation Range (+/-)	Value at 31 March 2021	Value on increase	Value on decrease
		£000	£000	£000
Aviva Infrastructure	8.50%	25,546	27,717	23,375
Partners Group Infrastructure	10.00%	31,956	35,151	28,760
Partners Group Multi Asset Credit	10.00%	13,896	15,286	12,507
Total		**71,398**	**78,154**	**64,642**

*three assets (totalling £0.615m) have been excluded from this note due to immateriality.

NOTE 15a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	31 March 2021			31 March 2020		
	Designated at fair value through profit & loss £000	**Financial assets at amortised cost £000**	**Financial Liabilities at amortised cost £000**	**Designated at fair value through profit & loss £000**	**Financial assets at amortised cost £000**	**Financial Liabilities at amortised cost £000**
FINANCIAL ASSETS						
Index Linked Securities						
Equities:						
UK				-	-	-
Overseas				-	-	-
Pooled Investment Vehicles:						
UK equity funds	836,705			650,817		
UK fixed income fund	178,943			120,144		
UK property fund	61,162			58,881		
UK infrastructure	25,546			26,062		
	-					
Overseas fixed income fund	80,034			65,570		
Overseas infrastructure	31,956			23,142		
Overseas venture capital	464			2,176		
London LGPS CIV	150			150		
UK cash funds	-			-		
Investment income due		13		26		
Pending trade sales						
Cash deposits with managers		8			59,524	
Debtors		3,664			3,897	
Cash balances (held by fund)		1,678			1,675	
	1,214,960	5,363	-	946,968	65,096	-
FINANCIAL LIABILITIES						
Pending Trade Purchases			-			-
Creditors			(1,100)			(1,178)
	-	-	(1,100)	-	-	(1,178)
GRAND TOTALS	**1,214,960**	**5,363**	**(1,100)**	**946,968**	**65,096**	**(1,178)**
			1,219,223			**1,010,886**

NOTE 15b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

	31 March 2021	31 March 2020
	£000	**£000**
Financial Assets		
Fair value through profit and loss	215,592	(36,393)
Loans and receivables	12	238
Financial Liabilities		
Fair value through profit and loss	(160)	(17)
	215,444	**(36,172)**

NOTE 16. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. The Fund's liabilities are sensitive to inflation through pension and pay increases, interest rates and mortality rates. The assets that would most closely match the liabilities are a combination of index-linked gilts, as the liabilities move in accordance with changes in the relevant gilt yields and changes in inflation.

The Pension Fund Sub-committee maintains a Pension Fund risk register and reviews the risks and appropriate mitigating actions at every meeting.

a) Market Risk
In order to meet the Fund's objective of being fully funded within 22 years of the 2016 actuarial valuation, the fund managers have been set differing targets appropriate to the types of assets they manage. The ongoing economic uncertainty that has been caused by the global response to COVID-19 presents an increased risk to the Fund achieving these targets. As such, the Fund continues to invest its assets in a broad range of asset classes in terms of geographical and industry sectors and individual securities which are expected to produce returns above their benchmarks over the long term, albeit with greater volatility. This diversification reduces exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

The aim of the investment strategy is to maximise the opportunity for gains across the whole Fund's portfolio within a tolerable level of risk of an overall reduction in the value of the Fund. Responsibility for the Fund's investment strategy rests with the Pensions Sub-Committee and is reviewed on a regular basis.

b) Price Risk
Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all such instruments in the market.

The Fund is exposed to price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of the derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

All assets except for cash, forward foreign exchange contracts, other investment balances, debtors and creditors are exposed to price risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 10% higher or 10% lower.

Assets exposed to price risk

	Value	Price Risk	Positive increase	Negative increase
	£000		**£000**	**£000**
At 31st March 2021	1,214,960	10.90%	1,347,392	1,082,530
At 31st March 2020	950,071	10%	1,045,079	855,064

c) Interest Rate Risk
The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed Interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or

future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

Fixed income investments, cash and some elements of the pooled investment vehicles are exposed to interest rate risk. The table below shows the value of these assets at 31 March 2021 and what the value would have been if interest rates had been 1% higher or 1% lower.

Assets exposed to interest rate risk

	Value	+ 1%	- 1%
	£000	£000	£000
At 31st March 2021	307,358	293,132	321,584
At 31st March 2020	247,290	235,493	259,086

d) Currency Risk
Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than pounds sterling.

The Fund recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits. In order to determine the potential impact this may have it has been determined that

In order to mitigate the risk, one of the Fund's investment managers enters into forward foreign exchange contracts (accounted for as derivatives) to hedge the currency risk which arises from undertaking non-sterling transactions. In addition, several of the pooled investment vehicles partially or fully hedge the currency back into sterling. These actions reduce the overall currency risk the Fund is exposed to.

Assets exposed to currency risk

	Value £000	Currency Risk	Positive increase £000	Negative increase £000
At 31st March 2021	869,126	5.18%	914,155	824,097
At 31st March 2020	464,646	10%	511,111	418,182

e) Credit Risk
Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high-quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

f) Liquidity Risk
Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. This will particularly be the case for cash to meet the pensioner payroll costs, and cash to meet investment commitments. The Fund has immediate access to its cash holdings.

The only assets in the Fund which cannot be liquidated within a month are detailed in the table below. These amounted to 8.85% of the Fund's Net Assets at 31 March 2021 (10.55% at 31 March 2020). The remaining assets can all be liquidated within days.

Manager	Portfolio	31 March 2021	31 March 2020
		£000	£000
Standard Life	Property	61,162	58,881
Partners Group	Infrastructure	31,956	23,142
Partners Group	Multi Asset Credit	13,896	19,174
Invesco	Private Equity	47	1,523
Unigestion	Private Equity	417	653
		107,478	**103,373**

NOTE 17. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The Fund had the following commitments at the balance sheet date:

	31 March 2021 £000	31 March 2020 £000
Aberdeen Standard Multi Sector Private Credit	-	55,000
Partners Group Direct Infrastructure Fund 2015	16,936	23,623
	16,936	**78,623**

NOTE 18. FUNDING ARRANGEMENTS

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Hammersmith & Fulham Pension Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates.

The latest full triennial valuation of the London Borough of Hammersmith and Fulham Pension Fund was carried out by Barnett Waddingham, the Fund's actuary, as at 31 March 2019 in accordance with the Funding Strategy Statement of the Fund and the Local Government Pension Scheme Regulations 2013. The results were published in the triennial valuation report dated 29 January 2020. This valuation set the employer contribution rates from 1 April 2020 through to 31 March 2023.

The 2019 valuation certified a common contribution rate of 17.4% of pensionable pay (15.5% as at March 2016) to be paid by each employing body participating in the Fund, based on a funding level of 97% (88% as at March 2016). In addition, each employing body must pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

The actuary's smoothed market value of the scheme's assets at 31 March 2019 was £1,043m (£851m 2016) and the actuary assessed the present value of the funded obligation at £1,079m indicating a net liability of £35m (£965m 2016).

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:

Financial Assumptions	March 2019	March 2016
		£000
Consumer Price Index (CPI) increases	2.60%	2.40%
Salary Increases	3.60%	3.90%
Pension Increases	2.40%	2.40%
Discount Rate	5.00%	5.40%

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries. Estimates for the Pension Fund are based on the full valuation of the scheme as at 31 March 2019. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contribution rates for the period 1 April 2023 to 31 March 2026.

The contribution rate is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100% over a period of 19 years, as set out in the Funding Strategy Statement. It is set to be sufficient to meet the additional annual accrual of benefits allowing for future pay increases and increases to pension payments when these fall due, plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

NOTE 18a. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The table below shows the total net liability of the Fund as at 31 March 2021. The figures have been prepared by Barnett Waddingham, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

	31 March 2021	31 March 2020
	£000	£000
Present Value of Promised Retirement Benefits*	(1,923,604)	(1,527,085)
Fair Value of Scheme Assets (bid value)	1,216,634	1,013,015
Net Liability	**(706,970)**	**(514,070)**

* Present Value of Promised Retirement Benefits comprises of £1,900.5m (£1,509.4m at 31 March 2020) and £23.1m (£17.7m at 31 March 2020) in respect of vested benefits and non-vested benefits respectively as at 31 March 2021.

The assumptions applied by the actuary are set out below:

Financial Assumptions	31 March 2021	31 March 2020
Salary increases	3.80%	2.90%
Pension increases	2.80%	1.90%
Discount Rate	2.00%	2.35%

Demographic Assumptions

The post mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 105% for females. The base tables are projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a. The assumed life expectancies from age 65 are:

Life Expectancy from age 65

		31 March 2021	31 March 2020
Retiring today	Males	21.6	21.8
	Females	24.3	24.4
Retiring in 20 years	Males	22.9	23.2
	Females	25.7	25.8

Other Assumptions:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- 5% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

NOTE 19. CURRENT ASSETS

	#########	#########
Debtors	**£000**	**£000**
Contributions due - employers	1,370	1,073
Contributions due - employees	549	486
London Borough of Hammersmith and Fulham	941	941
Sundry debtors	804	1,397
	3,664	**3,897**

	#########	#########
Analysis of debtors	**£000**	**£000**
Local authorities	941	941
Other entities and individuals	2,560	2,956
Central Government	163	-
	3,664	**3,897**

NOTE 20. CURRENT LIABILITIES

Creditors	31 March 2021 £000	31 March 2020 £000
Unpaid Benefits	(589)	(541)
Management Expenses	(426)	(375)
Sundry creditors	(85)	(262)
	(1,100)	**(1,178)**

Analysis of creditors	31 March 2021 £000	31 March 2020 £000
Other entities and individuals	(1,100)	(1,178)
	(1,100)	**(1,178)**

NOTE 21. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

The Fund's AVC providers are Zurich Assurance and the Equitable Life Assurance Society. AVCs are invested separately from the Pension Fund and their valuations are shown in the table below. The same valuations as at 31 March 2020 have been carried forward to this year due to the uncertainty in obtaining accurate valuations as at 31 March 2021.

Zurich Assurance	31 March 2021 £000s	31 March 2020 £000s
Market Value at 31st March	908	908
Contributions during the year	7	7
Number of members at 31st March	51	51
Equitable Life Assurance		
Market Value at 31st March	191	191
Contributions during the year	-	-
Number of members at 31st March	27	27

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the investments are not included in the Pension Fund Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

NOTE 22. RELATED PARTIES

London Borough of Hammersmith and Fulham

The Pension Fund is administered by the London Borough of Hammersmith and Fulham. The Council incurred costs of £0.542m in 2020/21 (£0.447m in 2019/20) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Council made £19.5m of contributions in year (£21.4m in 2019/20).

Key management personnel

The key management personnel of the Fund are the Members of the Pensions Sub-Committee, the Strategic Director of Finance and Governance, the Tri-Borough Director of Treasury and Pensions and the Director of Corporate Services. Total remuneration payable to key management personnel in respect of the pension fund is set out below:

	31 March 2021	31 March 2020
	£000	**£000**
Short-term benefits	30	30
Post-employment benefits	95	255
	125	**285**

NOTE 23. EXTERNAL AUDIT COSTS

The external audit fee payable to Fund's external auditors, Grant Thornton LLP, was £25,000 (£25,000 in 2019/20).

Agenda Item 13

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 21 July 2021

Subject: Government Actuaries Department (GAD) LGPS Draft Triennial Report of 2019

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

Summary

1.1. This report and appendix provide the Pension Fund Committee with the Government Actuary's Department's (GAD) draft report on the 2019 LGPS triennial actuarial valuation.

Recommendations

The Pension Fund Committee is requested to:

1. Note the report.

Wards Affected: None

LBHF Priorities

Our Priorities	Summary of how this report aligns to the LBHF priorities
• 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

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Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

Overview

1. Background

1.1. Section 13 of the Public Service Pension Schemes Act 2013 requires a "suitably qualified person" appointed by the Secretary of State to carry out a review of the triennial actuarial valuations of funded public service pension schemes. This requires the Government Actuary to report on whether a scheme has achieved the following four aims:

- Whether the fund's valuation is in accordance with the scheme regulations.
- Whether the fund's valuation has been carried out in a way which is not inconsistent with the other fund valuations within the LGPS.
- Whether the rate of employer contributions is set at an appropriate level to ensure the solvency of the pension fund.
- Whether the rate of employer contributions is set at an appropriate level to ensure the long-term cost efficiency of the scheme, so far as relating to the pension fund.

1.2. GAD has carried out its initial review and has provided a two-page summary for the Hammersmith and Fulham Pension Fund (Appendix 1). The initial findings on the individual funds have resulted in some warning flags across a few LGPS funds. However, Hammersmith and Fulham is not one of those funds.

Hammersmith and Fulham Pension Fund: GAD position

1.3. The Pension Fund received green flags across the spectrum on the GAD's various different financial tests. This reflects the Fund is in a relatively strong position.

1.4. The funding level of the Pension Fund, as per the triennial valuation, has 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 was assumed in the 2016 valuation. The best estimate funding level for the Fund based on the GAD assessment is 100.5%, which puts the Fund in a surplus position.

1.5. The Pension Fund is ranked 74 of 87 LGPS funds for required investment return to achieve full funding in 20 years' time on the standardised market consistent basis, with a 3.8% return required. Additionally, the Fund is also ranked 73 for required investment return rates, compared with the Fund's expected best estimate future returns assuming current asset mix maintained.

2. Risk Management Implications

2.1. None

3. Other Implications

3.1. None

4. Consultation

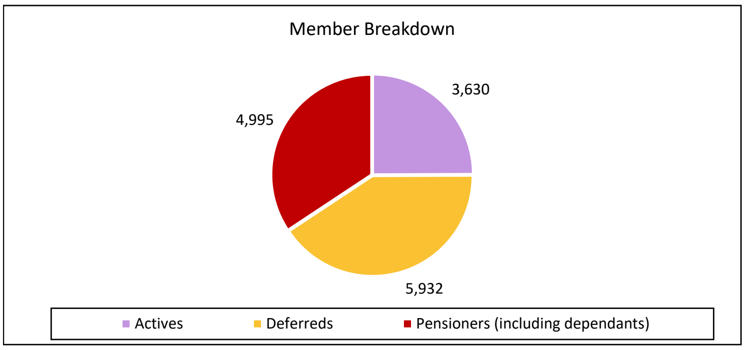
4.1. None

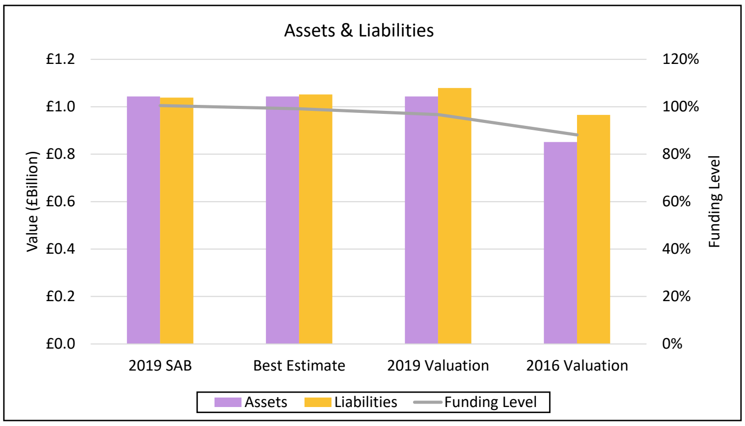
List of Appendices:

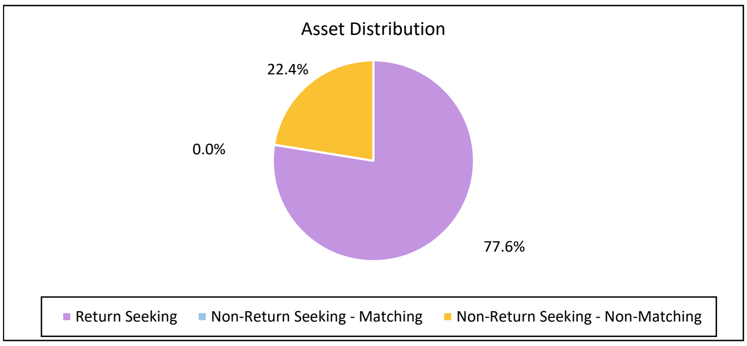
Appendix 1: GAD Initial Summary 2019

This document is intended only for discussions between GAD, the relevant Local Authority and their actuary

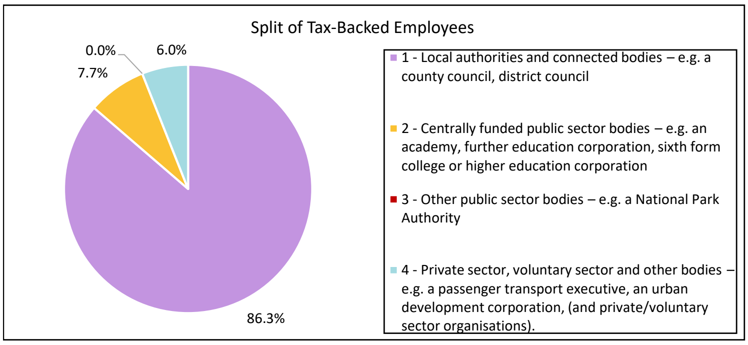
London Borough of Hammersmith and Fulham Pension Fund

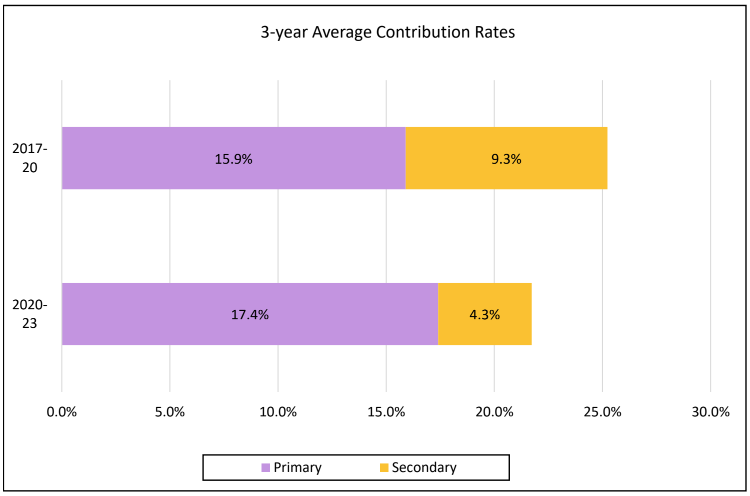


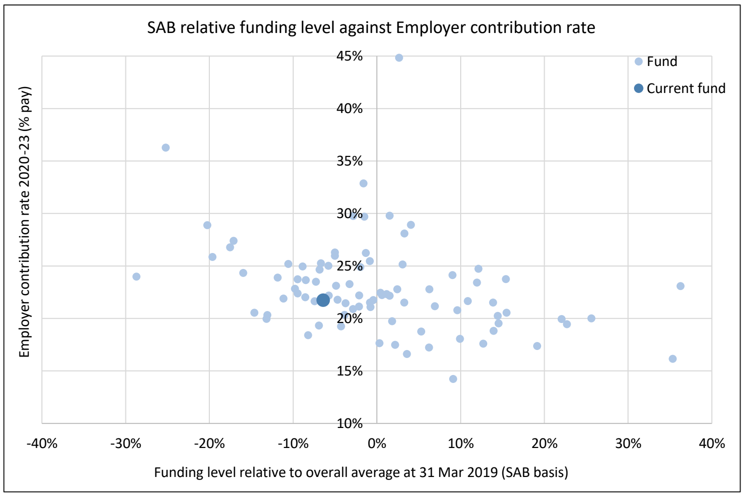




Local Authority	Core Spending (£m)	Core Spending (%)
Total	**£212.0**	**100.0%**
Hammersmith and Fulham	£159.1	75.1%
Hammersmith & Fulham GLA	£52.9	24.9%







At GAD, we seek to achieve a high standard in all our work. We are accredited under the Institute and Faculty of Actuaries' Quality Assurance Scheme. Our website describes the standards we apply.

Government Actuary's Department

This document is intended only for discussions between GAD, the relevant Local Authority and their actuary

London Borough of Hammersmith and Fulham Pension Fund

Solvency Breakdown

Asset Shock

Assets are divided into the following classes:
Return seeking - Equity, Property, Infrastructure debt & other return seeking assets
Non-return seeking - All other assets
Return seeking assets are stressed by reducing them by 15%
New deficit allocated to tax−raising authorities
$= (\textit{Pre−stress asset value} − \textit{Post−stress asset value}) \times \%\ \textit{Tax backed employees}$
This deficit is then spread over 20 years of annual payments, and compared to the fund's core spending

	£m
Pre-stress asset value	£1,052.1
Return seeking assets	£815.9
Non-return seeking assets	£236.1
Post-stress asset value	£929.7
Return seeking	£693.6
Non-return seeking	£236.1
Percentage of tax-backed employees (Group 1 + Group 3)	86.3%
New deficit allocated to tax raising authorities	£105.6
Annual deficit payment (spread over 20 years)	£5.7
Total core spending (pensionable payroll used where core spending unavailable)	£212.0
Deficit percentage of core spending	2.7%
Deficit percentage of core spending (allowing for post-asset shock surplus)	2.7%

Liability Shock

Non-matched liabilities are stressed by increasing them by 10%
New deficit allocated to tax−raising authorities
$= (\textit{Post−stress liability value} − \textit{Pre−stress liability value}) \times \%\ \textit{Tax backed employees}$
Deficit is spread over 20 years and compared to the fund's core spending

	£m
Liability value pre-stress (GAD's best estimate calculation)	£1,052.0
Liability value post-stress	£1,157.2
New deficit allocated to tax raising authorities	£90.8
Annual deficit Payment (spread over 20 years)	£4.9
Deficit percentage of core spending	2.3%
Deficit percentage of core spending (allowing for post-liability shock surplus)	2.3%

Employer Default Shock

Determine funding level on GAD's best estimate basis
If the fund is in deficit, non-tax backed deficits are allocated to tax-backed
The non-tax backed deficit is spread over 20 years and compared to the fund's core spending

	£m
Deficit on best estimate basis	£0.0
Proportion of deficit allocated to non-tax raising authorities	£0.0
Annual deficit payment (spread over 20 years)	£0.0
Deficit percentage of core spending	Surplus
Fund Open/Closed	Open
SAB Funding Level	100.5%
Percentage of Non-Statutory Employees (Group 3 + Group 4)	6.0%

Long Term Cost Efficiency

Deficit Recovery Period

Implied deficit recovery period calculated on a standardised market consistent basis

Recovery period (years)	Surplus
Ranking of fund (out of 87 funds)	N/A

Required Return

Required investment return rates to achieve full funding in 20 years' time on the standardised market consistent basis

Required return under best estimate basis	3.8%
Ranking of fund (out of 87 funds)	74

Repayment Shortfall

Difference between the actual deficit recovery contribution rate and the annual deficit recovery contributions required as a percentage of payroll to pay off deficit in 20 years, where the deficit is calculated on a standardised market consistent basis

Annual deficit recovery payment as % of implied 31 March 2019 payroll	0.0%
Actual contribution rate paid less SCR on best estimate basis	4.5%
Difference	4.5%

Return Scope

Required investment return rates as calculated in required return, compared with the fund's expected best estimate future returns assuming current asset mix maintained

Expected return	4.1%
Required return	3.8%
Difference	0.4%
Ranking of fund (out of 87 funds)	73

Deficit Recovery Plan

Consideration of how the deficit recovery plan has changed compared to 2016 valuation

Valuation	*2016*	*2019*
Deficit Recovery End Point	2036	2036
2017-20 Average Contribution Rate		25.2%
2020-23 Average Contribution Rate		21.7%
Increase in contributions		
Difference in Average Contribution Rate between 2017-20 and 2020-23		-3.5%
Increase in deficit recovery end point (years)		0

Minor inconsistencies in totals may occur due to rounding.

Agenda Item 14

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 21 July 2021

Subject: Breaches of the Law Policy

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

Summary

As part of the independent review of the Pension Fund, a recommendation was made to compile a Breaches of the Law Policy and Guidance document.

This report introduces the Breaches of the Law Policy and Guidance document.

Recommendations

The Pension Fund Committee is requested to:

1. Approve the Breaches of the Law Policy and Guidance document.

Wards Affected: None

LBHF Priorities

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

Financial Impact

None

Legal Implications

None

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Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

Overview

1. Background

1.1. As part of the independent review of the Pension Fund, a recommendation was made to compile and approve a Breaches of the Law policy and Guidance document.

1.2. 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.

2. Breaches of the Law Policy

2.1. The Policy introduces:

- the need for a breaches policy;
- explains what a breach is;
- identifies who is responsible for reporting a breach;
- outlines when to report a suspected breach;
- who to report a breach to;
- the role of the responsible officer;
- how breaches are recorded and records maintained;
- whistleblowing provisions, and;
- Training.

2.2. Further detail is provided in each appendix elaborating on the factors outlined above, and also provides examples of breaches and how to determine the severity and appropriate response to certain breaches.

3. Risk Management Implications

3.1. By identifying and recording any law breaches the pension fund can ensure good and effective governance and minimise any risks that result from a failure in governance.

4. Other Implications

4.1. None

5. Consultation

5.1. None

List of Appendices:

Appendix 1: The legal requirement to report a breach
Appendix 2: Examples of what may be considered a breach, whether it may be considered material, and how to make a submission to tPR
Appendix 3: Example breaches applying tPR traffic light system
Appendix 4: Template breaches report document

Breaches of Law Policy and Guidance

The Hammersmith and Fulham Pension Fund (the Fund) seeks to conduct its affairs in a responsible manner, to ensure that all its activities are open and effectively managed, and that the Fund's integrity and principles of public interest disclosure are sustained.

This document and its appendices set out the Fund's policy and procedures for identifying, monitoring and, where appropriate, reporting breaches of the law as required in the Pensions Act 2004 (the Act) and detailed in the Pensions Regulator's (tPR) Code of Practice no 14 - Governance and Administration of Public Service Pension Schemes (the Code).

The following appendices accompany this Breaches Policy and Guidance:

Appendix 1: The legal requirement to report a breach

Appendix 2: Examples of what may be considered a breach, whether it may be considered material, and how to make a submission to tPR

Appendix 3: Example breaches applying tPR Traffic Light System

Appendix 4: Template breaches report document

1. Why have a Breaches Policy?

- It is a crucial tool for the Fund in reducing risk and providing an early warning of possible malpractice.
- It provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred.
- It represents an important addition to the Fund's suite of policies that make up its risk framework.
- The identification, management and reporting of material breaches to tPR is a requirement of the Code.
- Failure to report a breach without a reasonable excuse is a civil offence that can result in civil penalties.

2. What is a breach?

A breach of the law is:

- Where a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with.

It can encompass many aspects of the management and administration of the scheme, including failure:

- To do anything required under overriding legislation, applicable statutory guidance or codes of practice.
- To maintain accurate records.

- To act on any fraudulent act or omission that is identified.
- Of an employer to pay over member and employer contributions on time.
- To pay member benefits either accurately or in a timely manner.
- To issue annual benefit statements on time or non-compliance with the Regulator's Code of Practice No 14.

Non-compliance with the Local Government Pension Scheme (LGPS) Regulations can encompass many aspects of the management and administration of the scheme, including failure:

- To abide with the LGPS Regulations.
- To comply with the Funds policies and procedures (e.g., the Fund's Investment Strategy Statement, Funding Strategy Statement, Administration Strategy or Communications Policy).

It is important that the *Responsible Officer* is satisfied that a breach has actually occurred, rather than acting on a suspicion of such an event.

3. Who is responsible for reporting breaches?

The following are responsibility to report breaches (known as *Reporters*):

- Members of the Pension Fund Committee.
- Members of the Local Pension Board.
- Any person who is otherwise involved in the administration of the scheme, including officers of the Investment Team and Administration Team.
- All participating employers in the scheme.
- Professional advisers, including auditors, actuaries, legal advisers and fund managers.
- Any other person otherwise involved in advising the managers of the scheme.

Reporters are required to take a proactive approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur.

4. When to report a suspected breach

Reporters should refer to Appendix 2 for guidance on whether to report a suspected breach. If *Reporters* are in any doubt, they should contact the *Responsible Officer*.

5. Reporting a breach to tPR?

Breaches of the law which affect pension schemes should be considered for reporting to tPR if it is considered that the breach is likely to be of material significance to tPR.

A material breach must be notified to tPR as soon as is reasonably practicable and no later than one month after becoming aware of the breach or likely breach.

Where it is considered that a breach is of such significance that tPR is required to intervene as a matter of urgency (for example, serious fraud), the matter should be brought to the attention of tPR immediately.

Not all breaches identified will need to be reported to tPR. Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, tPR will not normally consider this to be materially significant.

6. Who to report a suspected breach to

All breaches or suspected breaches should be reported to the appropriate Director (*Responsible Officer*) in the first instance. **However, if the suspicion is around theft, fraud or other serious offences where discussions may alert those implicated or impede the actions of the policy or a regulatory authority, the *Reporter* should go to tPR directly and at the earliest opportunity.**

7. Role of the *Responsible Officer*

The *Responsible Officer* is responsible for the management and execution of the breaches policy. The *Responsible Officer* for the *Hammersmith and Fulham* Pension Fund is the Director of Finance, and the Director of Resources.

The *Responsible Officer* will be responsible for recording and reporting breaches and likely breaches as follows:

- Record all identified breaches and likely breaches of which they are aware in the Fund's breaches log.
- Investigate the circumstances of all reported breaches and likely breaches.
- Ensure, where necessary that an action plan is put in place and acted on to correct the identified breach, and also ensure further breaches of a similar nature do not reoccur.
- Report to the Pension Fund Committee and Local Pension Board:
    - All materially significant breaches that will require reporting to tPR, as soon as practicable, but no later than within 30 days. If the next scheduled meetings of the Pension Fund Committee or Local Pension Board are in excess of 30 days, the *Responsible Officer* will inform the Chair of the Pension Fund Committee and Local Pension Board within the 30-day period (verbally if necessary) after consultation with the Director of Finance, the Tri-Borough Director of Treasury and Pensions, and the Head of Pensions Administration.
    - All other breaches to the next scheduled meetings of the Pension Fund Committee and Local Pension Board.
- Ensure that a record of all material breaches experienced in the reporting period are included in the Pension Fund Annual Report.
- Report all materially significant breaches identified to tPR as soon as practicable but not later than 30 days after becoming aware of the breach.

The *Responsible Officer* will determine whether any breach or likely breach is materially significant, having regard to the guidance set out in tPR Codes of Practice and after consultation with the Director of Finance, the Tri-Borough Director of Treasury and Pensions and the Head of Pensions Administration.

Where uncertainty exists as to the materiality of any identified breach, the *Responsible Officer* will be required to informally notify tPR of the issue and the steps being taken to resolve the issue.

8. How are records of breaches maintained?

All breaches or suspected breaches will be recorded in the Fund's Breach's Log. The *Responsible Officer* will maintain the Fund's Breach's Log. The Fund's Breach's Log will include the following information:

- Date the breach or likely breach was identified.
- Name of the employer (where appropriate).
- A description of the breach:
    - Cause
    - Effect
    - Reaction
    - Implications
- Whether the breach is considered to be red, amber or green with reference to tPR traffic light system (hyperlink and appendix).
- Whether the concern has been reported before.
- Whether the suspected breach is considered materially significant to tPR and reasons for this consideration.
- Date of report to tPR (if applicable).
- Recommended action to rectify the breach.
- Evidence that these recommendations have been implemented.
- Confirmation that the Director of Finance, the Tri-Borough Director of Treasury and Pensions and the Head of Pensions Administration have been consulted, and for materially significant breaches, the Chair of the Pension Fund Committee and Local Pension Board have been informed. Updates to the breaches log will be reported to the Pension Fund Committee and Local Pension Board at its next meeting.

9. Whistleblowing

It is a statutory duty to report breaches of the law. In rare cases this may involve a duty to whistle blow on the part of an employee of the Fund. The duty to report does not override any other duties a *Reporter* may have, such as confidentiality. Any such duty is not breached by reporting to tPR. Given the statutory duty that exists in exercising this breaches policy, the Fund will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee making a whistleblowing disclosure to tPR.

The duty to report, however, does not override 'legal privilege', so oral and written communications between the Fund, Pension Fund Committee or Local Pension Board and a professional legal adviser do not have to be disclosed.

10. Training

The *Responsible Officer* will ensure that all *Reporters*, receive appropriate training on this policy as appropriate.

Appendix 1:

The legal requirement to report a breach

Breaches of the law which affect pension schemes should be considered for reporting to the Pensions Regulator.

The decision whether to report requires two key judgements:

- Is there reasonable cause to believe there has been a breach of the law.
- If so, is the breach likely to be of material significance to the Pensions Regulator?

The requirement to report breaches of the law arises when a duty which is:

- Imposed by or by virtue of an enactment or rule of law; and
- Relevant to the administration of a scheme.

Imposed by or by virtue of an enactment or rule of law

'Enactment' covers Acts of Parliament and regulations or statutory instruments. For example, the Pensions Act 2004 is an enactment as are regulations made under that Act:

Pensions Act 2004 (70 (2)):

"(2) Where the person has reasonable cause to believe that –

> (a) A duty which is relevant to the administration of the scheme in question, and is imposed by or virtue of an enactment or rule of law, has not been or is not being complied with, and
>
> (b) The failure to comply is likely to be of material significance to the Regulator in the exercise of its functions,

he/she must give a written report of the matter to the Regulator as soon as reasonably practicable."

Breaches of criminal law, such as an offence of dishonesty under the Theft Act, would also come within the term enactment.

'Rule of law' covers law laid down by decisions of the courts. It would, for example, include trust law and common law.

When considering breaches of trust law, *Reporters* should bear in mind the basic principle that the Pension Fund is holding assets on behalf of others. The Pension Fund should act in good faith and within the terms of the LGPS Regulations for the benefit of all the beneficiaries of the scheme. If they fail to do so, they are in breach of law. A very basic rule of thumb in considering whether an action or failure to act is, or may be, a breach is if the Pension Fund has acted in a way which would appear unfair or wrong to a reasonable and objective person.

'Relevant to the administration of the scheme'

In view of its statutory objectives, the Pensions Regulator interprets 'administration' widely in the context of the need to report breaches. It is much wider than just those tasks normally associated with the administrative function such as keeping records, dealing with membership movements, calculating benefits and preparing accounts, though all these are included within it. The Pensions Regulator interprets administration to include such matters as the consideration of funding in defined benefit schemes, investment policy and investment management, as well as the custody of invested assets, indeed, anything which could potentially affect members' benefits or the ability of members and others to access information to which they are entitled. There are two key judgements required:

- First, does the *Reporter* have reasonable cause to believe there has been a breach of the law?
- If so, then, secondly, does the *Reporter* believe the breach is likely to be of material significance to the Pensions Regulator?

Reasonable cause to believe

Having a reasonable cause to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.

Where the *Reporter* does not know the facts or events around the suspected breach, it will usually be appropriate to check with the *Responsible Officer*, or with others who are in a position to confirm what has happened. However, it would not be appropriate to check with the *Responsible Officer* or others in cases of theft, or if the *Reporter* is concerned that a fraud or other serious offence might have been committed and discussion with those persons might alert those implicated or impede the actions of the police or a regulatory authority.

If the *Reporter* is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

In establishing that there is reasonable cause to believe that a breach has occurred, it is not necessary for a *Reporter* to gather all the evidence which tPR would require before taking legal action.

Appendix 2:

When a breach may be considered material and how to make a submission to The Pensions Regulator

The Pensions Regulator (tPR) has produced guidance to assist schemes in identifying the severity of a breach and whether it should then be reported. When determining materiality of any breach or likely breach *Reporters* will in all cases consider the following:

- Cause
- Effect
- Reaction; and
- Wider implications

Cause

The breach is likely to be of material significance to tPR where it was caused by:

- Dishonesty
- Poor governance or administration
- Slow or inappropriate decision-making practices
- Incomplete or inaccurate advice, or
- Acting (or failing to act) in deliberate contravention of the law

When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.

A breach will not normally be materially significant if it has arisen from an isolated incident, for example, resulting from teething problems with a new system or procedure, or from an unusual or unpredictable combination of circumstances. But in such a situation, it is also important to consider other aspects of the breach such as the effect it has had and to be aware that persistent isolated breaches could be indicative of wider scheme issues.

Effect

Reporters need to consider the effects of any breach, but with the regulator's role in relation to public service pension schemes and its statutory objectives in mind, the following matters, in particular, should be considered likely to be of material significance to tPR:

- Pension Fund Committee, Local Pension Board members or Fund officers not having the appropriate degree of knowledge and understanding, which may result in members/officers not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.
- Pension Fund Committee, Local Pension Board members or Fund officers having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role, ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.
- Adequate internal controls not being established and operated, which may lead to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time.

- Accurate information about benefits and scheme administration not being provided to scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement.
- Appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Any misappropriation of assets of the scheme or being likely to do so, which may result in scheme assets not being safeguarded, and
- Any other breach which may result in the *Hammersmith and Fulham* Pension Fund being poorly governed, managed or administered.

Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.

Reaction

Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, tPR will not normally consider this to be materially significant. A breach is likely to be of concern and material significance to the regulator where a breach has been identified and those involved:

- Do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence.
- Are not pursuing corrective action to a proper conclusion, or
- Fail to notify affected scheme members where it would have been appropriate to do so.

Wider implications

Reporters should consider the wider implications of a breach when they assess which breaches are likely to be materially significant to the regulator. For example, a breach is likely to be of material significance where the fact that the breach has occurred makes it appear more likely that other breaches will emerge in the future. This may be due to the scheme manager or pension fund committee or local pension board members having a lack of appropriate knowledge and understanding to fulfil their responsibilities, or where other pension schemes may be affected. For instance, public service pension schemes administered by the same organisation may be detrimentally affected where a system failure has caused the breach to occur.

tPR "traffic light" framework

tPR provides a "traffic light" system of categorising an identified breach:

Green: not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to tPR, but should be recorded in the Fund's breaches log.

Amber: does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Fund or pension fund committee or local pension board will need to decide whether to informally alert tPR to the likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red.

Red: caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Pension Fund Committee or local pension board must report all such breaches to tPR in all cases.

If it is unclear as to whether the breach or likely breach is significant, in the first instance full details should always be reported to the *Responsible Officer* to determine the appropriate course of action.

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach (examples of tPR "Traffic Light" framework are included as appendix 3).

The *Responsible Officer* will use tPR "traffic light" framework as a means of identifying whether any breach is to be considered as materially significant and so reported to tPR.

Any failure of a scheme employer to pass over employee contributions that are considered to be of material significance must be reported to tPR immediately.

In order to determine whether failure to pay over employee contributions is materially significant or not the Fund will seek from the employer:

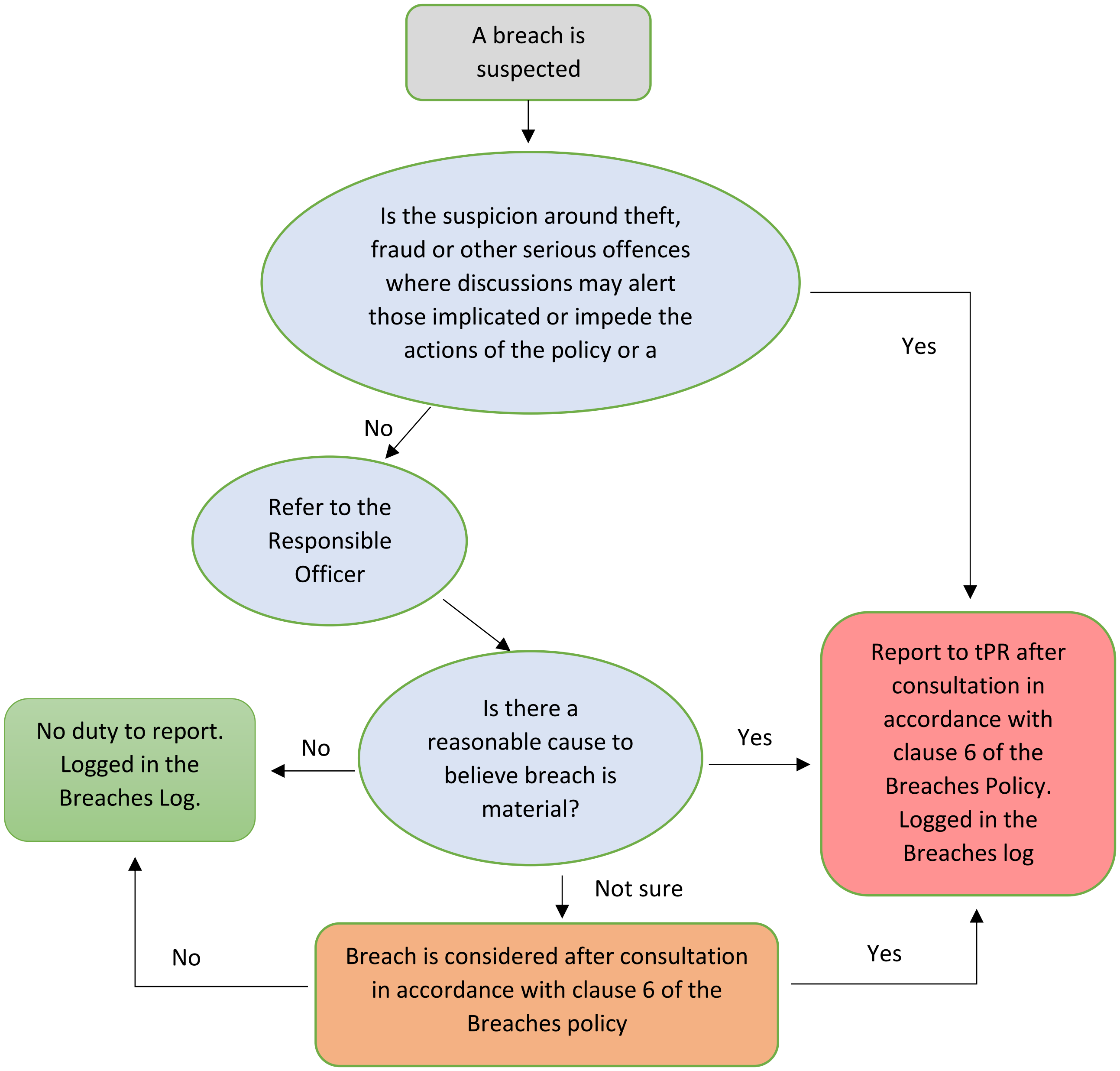
- The cause and circumstances of the payment failure.
- What action the employer has taken as a result of the payment failure, and
- The wider implications or impact of the payment failure.

Where a payment plan is agreed with the employer to recover outstanding contributions and it is being adhered to or there are circumstances of infrequent one off late payments or administrative failures, the late payment will not be considered to be of material significance.

All incidences resulting from the unwillingness or inability of the employer to pay over the employee contributions, dishonesty, fraudulent behaviour or misuse of employee contributions, poor administrative procedures or the failure to pay over employee contributions within 90 days from the due date will be considered to be of material significance and reported to tPR.

Once a breach or likely breach has been identified, regardless of whether it needs to be reported to tPR, the *Responsible Officer* must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent reoccurrence, including an action plan where necessary. All breaches must be recorded in the Fund's breaches log.

Reporting decision tree



Submitting a report to tPR

Reports must be submitted in writing and can be sent by post or electronically, including by email or by fax. Wherever possible, *Reporters* should use the standard format available via the Exchange online service on the regulator's website:

http://www.thepensionsregulator.gov.uk/trustees/exchange.aspx

The report should be dated and include as a minimum:

- Full name of the scheme.
- Description of the breach or breaches.
- Any relevant dates.
- Name of the employer or scheme manager (where known).
- Name, position and contact details of the *Reporter*, and
- Role of the *Reporter* in relation to the scheme.

Additional information that would help the regulator includes:

- The reason the breach is thought to be of material significance to the regulator.
- The address of the scheme.
- The contact details of the scheme manager (if different to the scheme address).
- The pension scheme's registry number (if available), and
- Whether the concern has been reported before.

Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.

Reporters should ensure they receive an acknowledgement for any report they send to the regulator. Only when they receive an acknowledgement can the *Reporter* be confident that tPR has received their report.

tPR will acknowledge all reports within five working days of receipt. However, it will not generally keep a *Reporter* informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose.

Reporters should provide further information or reports of further breaches if this may help the regulator to exercise its functions. tPR may make contact to request further information.

Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, the regulator does not expect *Reporters* to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently *Reporters* should make these necessary checks. In cases of potential dishonesty, the *Reporter* should avoid, where possible, checks which might alert those implicated. In serious cases, *Reporters* should use the quickest means possible to alert tPR to the breach.

Example breaches of the law and the traffic light framework

Introduction

Certain people involved with the governance and administration of a public service pension scheme must report certain breaches of the law to The Pensions Regulator. These people include scheme managers, members of pension boards, employers, professional advisers and anyone involved in administration of the scheme or advising managers. You should use the traffic light framework when you decide whether to report to us. This is defined as follows:

- Red breaches must be reported.
- Amber breaches are less clear cut: you should use your judgement to decide whether it needs to be reported.
- Green breaches do not need to be reported.

All breaches should be recorded by the scheme even if the decision is not to report.

When using the traffic light framework you should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together.

As each breach of law will have a unique set of circumstances, there may be elements which apply from one or more of the red, amber and green sections. You should use your own judgement to determine which overall reporting traffic light the breach falls into.

By carrying out this thought process, you can obtain a greater understanding of whether or not a breach of the law is likely to be of material significance and needs to be reported.

You should not take these examples as a substitute for using your own judgement based on the principles set out in the draft public service code of practice as supported by relevant pensions legislation. They are not exhaustive and are illustrative only.

Knowledge and understanding required by pension board members

Example scenario: The scheme manager has breached a legal requirement because pension board members failed to help secure compliance with scheme rules and pensions law.

	Potential investigation outcomes			
	Cause	**Effect**	**Reaction**	**Wider implications**
Red	Pension board members have failed to take steps to acquire and retain the appropriate degree of knowledge and understanding about the scheme's administration policies	A pension board member does not have knowledge and understanding of the scheme's administration policy about conflicts of interest. The pension board member fails to disclose a potential conflict, which results in the member acting improperly	Pension board members do not accept responsibility for their failure to have the appropriate knowledge and understanding or demonstrate negative/non-compliant entrenched behaviours The scheme manager does not take appropriate action to address the failing in relation to conflicts	It is highly likely that the scheme will be in breach of other legal requirements. The pension board do not have an appropriate level of knowledge and understanding and in turn are in breach of their legal requirement. Therefore, they are not fulfilling their role to assist the scheme manager and the scheme is not being properly governed
Amber	Pension board members have gaps in their knowledge and understanding about some areas of the scheme's administration policies and have not assisted the scheme manager in securing compliance with internal dispute resolution requirements	Some members who have raised issues have not had their complaints treated in accordance with the scheme's internal dispute resolution procedure (IDRP) and the law	The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits	It is possible that the scheme will be in breach of other legal requirements. It is possible that the pension board will not be properly fulfilling their role in assisting the scheme manager
Green	Pension board members have isolated gaps in their knowledge and understanding	The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits	Pension board members take action to review and improve their knowledge and understanding to enable them to properly exercise their functions and they are making quick progress to address gaps in their knowledge and understanding. They assist the scheme manager to take prompt and effective action to remedy the breach	It is unlikely that the scheme will be in breach of other legal requirements. It is unlikely that the pension board is not fulfilling their role in assisting the scheme manager

Scheme record-keeping

Example scenario: An evaluation of member data has identified incomplete and inaccurate records.

	Potential investigation outcomes			
	Cause	**Effect**	**Reaction**	**Wider implications**
Red	Inadequate internal processes that fail to help employers provide timely and accurate data, indicating a systemic problem	All members affected (benefits incorrect/not paid in accordance with the scheme rules, incorrect transactions processed and poor quality information provided in benefit statements)	Action has not been taken to identify and tackle the cause of the breach to minimise the risk of recurrence nor to notify members	It is highly likely that there are wider scheme issues caused by inadequate processes and that the scheme will be in breach of other legal requirements
Amber	A failure by some – but not all – participating employers to act in accordance with scheme procedures, indicating variable standards of implementing those procedures	A small number of members affected	Action has been taken to identify the cause of the breach, but progress to tackle it is slow and there is a risk of recurrence	It is possible that there are wider scheme issues and that the scheme may be in breach of other legal requirements
Green	A failure by one participating employer to act in accordance with scheme procedures, indicating an isolated incident	No members affected at present	Action has been taken to identify and tackle the cause of the breach and minimise the risk of recurrence	It is unlikely that there are wider scheme issues or that the scheme manager will be in breach of other legal requirements

Providing information to members

Example scenario: An active member of a defined benefit (DB) public service scheme has reported that their annual benefit statement, which was required to be issued within 17 months of the scheme regulations coming into force, has not been issued. It is now two months overdue. As a consequence, the member has been unable to check:

- personal data is complete and accurate
- correct contributions have been credited
- what their pension may be at retirement

	Potential investigation outcomes			
	Cause	**Effect**	**Reaction**	**Wider implications**
Red	Inadequate internal processes for issuing annual benefit statements, indicating a systemic problem	All members may have been affected	Action has not been taken to correct the breach and/or identify and tackle its cause to minimise the risk of recurrence and identify other members who may have been affected	It is highly likely that the scheme will be in breach of other legal requirements
Amber	An administrative oversight, indicating variable implementation of internal processes	A small number of members may have been affected	Action has been taken to correct the breach, but not to identify its cause and identify other members who may have been affected	It is possible that the scheme will be in breach of other legal requirements
Green	An isolated incident caused by a one off system error	Only one member appears to have been affected	Action has been taken to correct the breach, identify and tackle its cause to minimise the risk of recurrence and contact the affected member	It is unlikely that the scheme will be in breach of other legal requirements

Internal controls

Example scenario: A DB public service scheme has outsourced all aspects of scheme administration to a third party, including receiving contributions from employers and making payments to the scheme. Some contributions due to the scheme on behalf of employers and members are outstanding.

	Potential investigation outcomes			
	Cause	**Effect**	**Reaction**	**Wider implications**
Red	The administrator is failing to monitor that contributions are paid to them in time for them to make the payment to the scheme in accordance within the legislative timeframes and is therefore not taking action	The scheme is not receiving the employer contributions on or before the due date nor employee contributions within the prescribed period	The administrator has not taken steps to establish and operate adequate and effective internal controls and the scheme manager does not accept responsibility for ensuring that the failure is addressed	It is highly likely that the administrator is not following agreed service level standards and scheme procedures in other areas. The scheme manager is likely to be in breach of other legal requirements such as the requirement to have adequate internal controls
Amber	The administrator has established internal controls to identify late payments of contributions but these are not being operated effectively by all staff at the administrator	The scheme is receiving some but not all of the employer contributions on or before the due date and employee contributions within the prescribed period	The scheme manager has accepted responsibility for ensuring that the failure is addressed, but the progress of the administrator in training their staff is slow	It is possible that the administrator is not following some of the agreed service level standards and scheme procedures in other areas. It is possible that the scheme manager is in breach of other legal requirements
Green	Legitimate late payments have been agreed by the scheme with a particular employer due to exceptional circumstances	The employer is paying the administrator the outstanding payments within the agreed timescale	The scheme has discussed the issue with the employer and is satisfied that the employer is taking appropriate action to ensure future payments are paid on time	It is unlikely that the employer is failing to adhere to other scheme processes which would cause the scheme manager to be in breach of legal requirements

Appendix 4:

Form to report a suspected breach to the *Responsible Officer*

***Reporter* name**	
***Reporter* position**	
Telephone contact	
Email address	
Address	
Date of suspected breach	
Description of suspected breach and why you consider it to be a breach (please provide all relevant details)	
Signed	
Date of submission	

Please submit this form to:

The *Responsible Officer*

Director of Finance

London Borough of Hammersmith and Fulham

Hammersmith and Fulham W6 9JU

Email: emily.hill@lbhf.gov.uk

The *Responsible Officer*

Director of Resources

London Borough of Hammersmith and Fulham

Hammersmith and Fulham W6 9JU

Email: rhian.davies@lbhf.gov.uk

Agenda Item 15

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 21 July 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 31 March 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
Position: Strategic Investment Manager
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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 – Q4 2020/21

1.1. This report and attached appendices make up the pack for the quarter four (Q4) ended 31 March 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 further roll out of the COVID-19 vaccines, giving some assurance of events returning to a degree of normality, and the continued belief by scientists of its efficacy.

- Overall, the investment performance report shows that over the quarter to 31 March 2021, following the downturn in markets caused by the COVID-19 outbreak, the market value of the assets increased by £28m to £1,213.2m.

- 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.

- Over the year to 31 March 2021, the fund overperformed against its benchmark by 2.8%, returning 21.9% overall.

- 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.

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 December 2021. An analysis of the differences between the actuals and the forecasts for the quarter is also included.

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

2. Risk Management Implications

2.1 This is included in the risk registers.

3. Other Implications

3.1. n/a

4. Consultation

4.1. n/a

List of Appendices:

Appendix 1: Scorecard at 31 March 2021
Appendix 2: Pension Fund ESG Report
Appendix 3a: Deloitte Quarterly Report for Quarter Ended 31 Mar 2021
Appendix 3b: Deloitte Quarterly Report for Quarter Ended 31 Mar 2021 (EXEMPT)
Appendix 4: Cashflow Monitoring Report
Appendix 5: Pension Fund Risk Registers

Appendix 1

Scorecard at 31 March 2021

London Borough of Hammersmith and Fulham Pension Fund Quarterly Monitoring Report

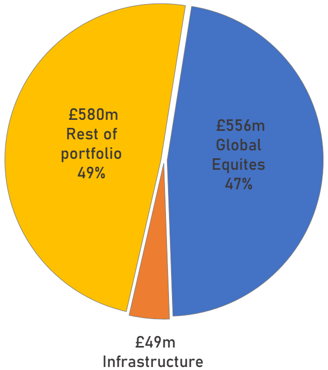
	Mar 20	Jan 21	Feb 21	March 21	Report reference
Value (£m)	1,006.4	1, 168.7	1,178.2	1, 213.2	IRAS performance report
% return quarter	-8.8%	5.68%	1.51%	2.93%	
% return one year	-2.9%	6.67%	10.44%	21.89%	
LIABILITIES					
Value (£m)	1,100	1,259	1,275	1,288	
Surplus/(Deficit) (£m)	(25)	(60)	(66)	(71)	
Funding Level	98%	95%	95%	95%	
MEMBERSHIP					
Active members	4,332			4,467	
Deferred beneficiaries	6,840			5,914	
Pensioners	5,111			5,368	
Active Employers	50			52	
CASHFLOW					
Cash balance	£1.6m	£1m	£1.2m	£1.7m	Appendix 4
Variance from forecast	£0.0m	£0.53m	£0.66m	£0.24m	
RISK					
No. of new risks	0	0	0	0	Appendix 5: Risk Register
No. of ratings changed	0	0	0	4	
LGPS REGULATIONS					
New consultations	None	None	None	TPR	

				consultation	
New sets of regulations	None	None	None	None	

Enviromental, Social & Governance (ESG) Report — 31 March 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

234

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

38

number of companies engaged over the last quarter by LAPFF

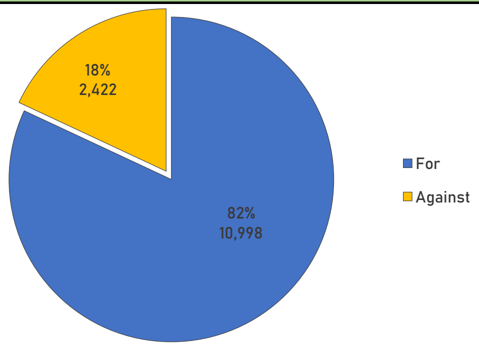
Investment in Low Carbon Assets

£609mil	54%

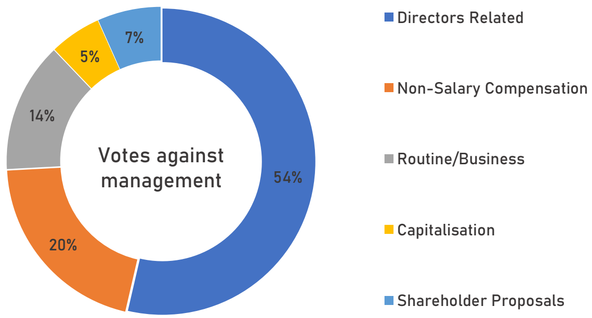
Low Carbon Investments	£000
Equities	556,181
Aviva Infrastructure	25,546
Partners Infrastructure	23,647
LCIV Green Bonds	3,220

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

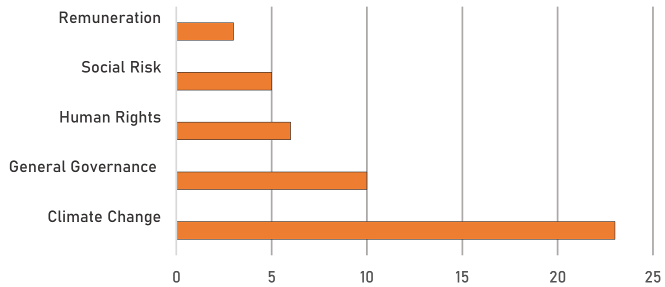


Voting Breakdown



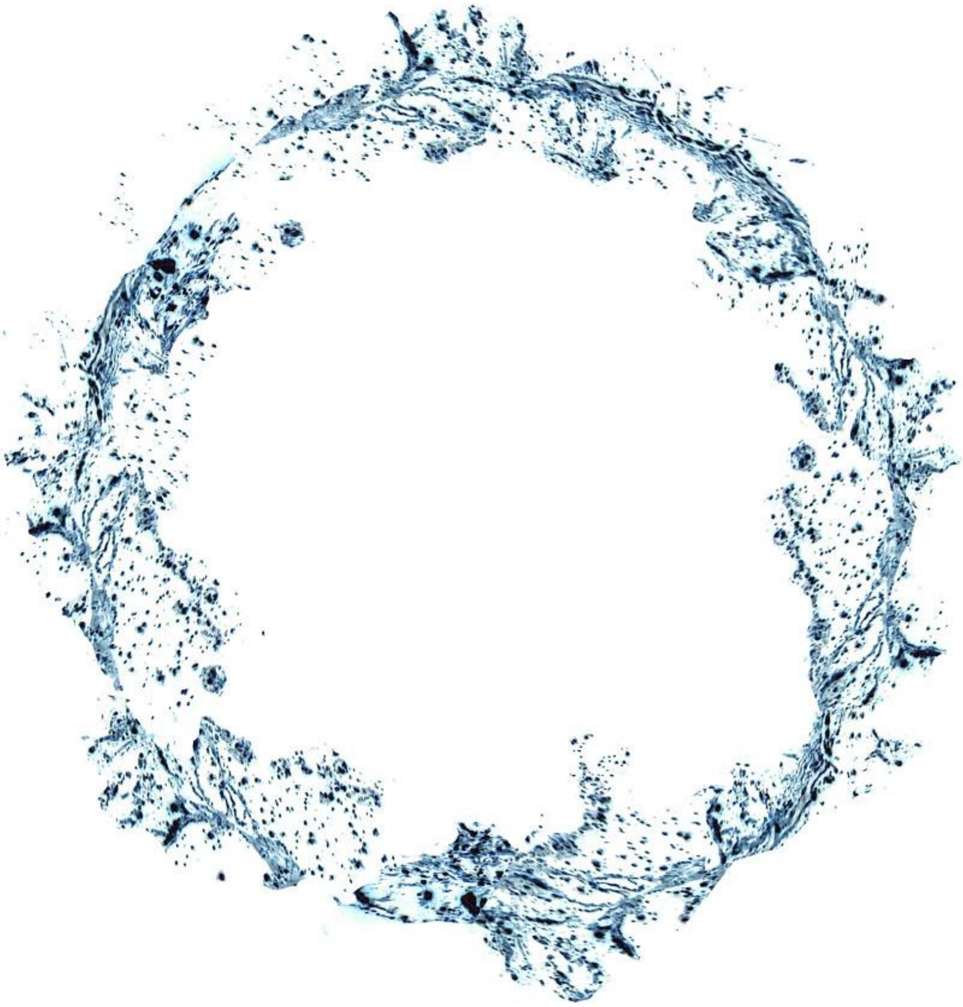
LAPFF Engagement

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 31 March 2021

Deloitte Total Reward and Benefits Limited
June 2021

Contents

1 Market Background

Global Equities

Global equity markets continued to make gains in the first quarter of 2021. Cyclical sectors performed well supported by the anticipated surge in economic activity resulting from the rollout of COVID-19 vaccines, and the introduction of further fiscal stimulus in the US. These widespread equity market gains came against a backdrop of rising bond yields as investors weighed the possibility that monetary support could be reduced to combat an associated rise in inflation.

Over the first quarter, global equity markets delivered a return of 6.2% in local currency terms (or 3.8% in sterling terms). Sterling appreciated over the quarter, most notably against the euro, and to a lesser extent against the US dollar. All global regions made gains with Japan delivering the highest return of 9.3% (in local terms). Emerging Markets delivered the lowest return but still made gains of 4.1% (in local terms). At the sector level, all sectors, except Health Care (-2.4%), delivered positive returns. Telecommunications (10.5%) was the strongest performing sector, whilst Oil & Gas (10.2%) also performed strongly as investors bet on a significant rebound in economic activity.

UK equities delivered a positive return of 5.2% over the quarter, slightly underperforming overseas markets (in local terms). Underperformance was relatively minor compared to the recent past, with leading UK indices benefitting from the rotation into cyclical sectors. The more domestically focused FTSE 250 Index (5.4%) performed broadly in line with the more internationally focused FTSE 100 Index (5.0%) thanks in part to greater Brexit related certainty after the UK finally agreed a trade deal with the EU in late December 2020 thereby avoiding a “cliff-edge” Brexit.

Government bonds

UK nominal gilt yields rebounded sharply over the first quarter of 2021 – a common theme observed across government bonds globally - most notably at mid-to-long maturities, as investors anticipated that a return to higher economic growth and associated inflation pressure could lead to tighter future monetary policy. UK gilt yields were most volatile in February, and over the first quarter as a whole, nominal yields increased by 60-70 bps at mid-to-long maturities, whilst still increasing by c. 20-50 bps at the short-end. The All Stocks Gilt Index therefore delivered a large negative return of -7.2% over the quarter whilst the Over 15 year Index returned -12.5%.

Real yields on index-linked gilts also increased albeit to a lesser extent than nominal yields given inflation expectations also increased. The 30-40 bps increase in real yields at mid-to-long maturities contributed to a 6.3% fall in the All Stocks Index-Linked Gilts Index over the quarter.

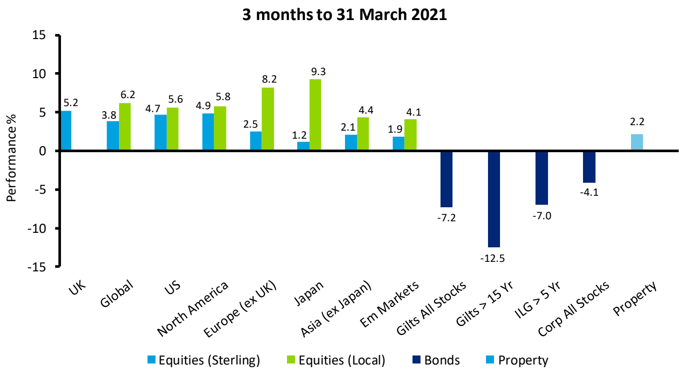
Corporate bonds

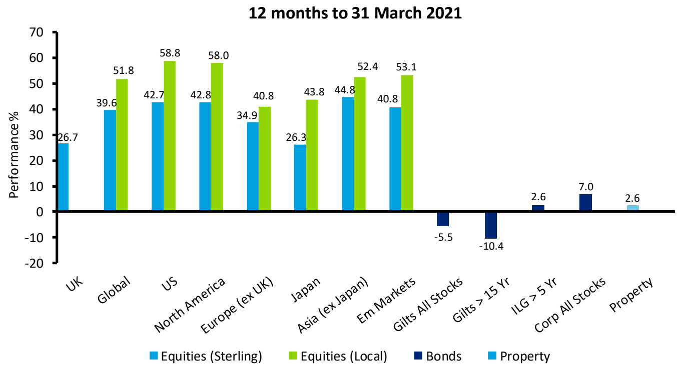
Sterling denominated corporate bond yields followed gilt yields higher over the first quarter. Credit spreads marginally narrowed however, remaining below historic average levels, as investors balanced the competing factors of an improving economic outlook against the implications of rising borrowing costs in a higher inflationary environment. The combination of relatively muted credit spread movements, but large increases in underlying gilt yields caused the iBoxx All Stocks Non-Gilt Index to return -4.1% over the three months to 31 March 2021.

Property

The MSCI UK All Property Index delivered a return of 2.2% over the first quarter, and a return of 2.6% over the 12 months to 31 March 2021. However, these figures should be caveated given the relatively low level of transaction activity that there has been compared to pre-pandemic levels. Therefore, these performance figures reported in the initial quarters during the pandemic may not represent the full extent of the property market depreciation as a result of COVID-19, and further valuation impacts seem possible in the months ahead as the full economic damage from the pandemic becomes clear and structural economic changes crystallise.

Following the sharp increase of COVID-19 cases going into winter 2020/21, tighter restrictions were reimposed with a widespread lockdown across the UK for most of the first quarter of 2021, which has created a further strain on already cash-strapped businesses most notably in the retail, travel and hospitality sectors. Rent collection therefore continues to be an ongoing issue between tenants and landlords, albeit the vaccine rollout now gives tenants and landlords some hope of better future trading conditions to be able to tailor rent collection payment plans around. COVID-19 has also accelerated longer term structural economic trends such as the switch to online shopping, whilst future office demand has also become uncertain following the transition to remote-working and widespread desire for a 'blended' approach after the pandemic. As a result, there is a risk some companies may consolidate or down-size their office space and future demand for office space may therefore be impacted over the medium-term as office leases come up for renewal.





2 Performance Overview

2.1 Investment Performance to 31 March 2021

Breakdown of Fund Performance by Manager as at 31 March 2021 Fund	Manager	3 month	1 year	3 year p.a.	5 year p.a.
Equity Mandate					
	LCIV Global Equity Core Fund	1.5	n/a	n/a	n/a
MSCI AC World Index		3.6	n/a	n/a	n/a
Difference		-2.1	n/a	n/a	n/a
	LGIM Low Carbon Mandate	3.9	39.0	n/a	n/a
MSCI World Low Carbon Target Index		3.9	39.2	n/a	n/a
Difference		0.0	-0.2	n/a	n/a
Dynamic Asset Allocation					
	LCIV Absolute Return Fund	7.4	20.7	7.3	6.6
3 Month Sterling LIBOR + 4% p.a.		1.0	4.1	4.6	4.5
Difference		6.4	16.6	2.7	2.1
Global Bonds					
	LCIV Global Bond Fund	-3.1	9.5	n/a	n/a
Barclays Credit Index (Hedged)		-3.1	7.4	n/a	n/a
Difference		0.0	2.1	n/a	n/a
Secure Income					
	Partners Group MAC[3]	3.1	-8.3	0.0	2.2
3 Month Sterling LIBOR + 4% p.a.		1.0	4.1	4.6	4.5
Difference		2.1	-12.5	-4.6	-2.3
	Oak Hill Advisors	1.9	22.1	3.4	5.2
3 Month Sterling LIBOR + 4% p.a.		1.0	4.1	4.6	4.5
Difference		0.9	17.9	-1.2	0.7
	ASI MSPC Fund	0.4	n/a	n/a	n/a
Blended benchmark[5]		-1.7	n/a	n/a	n/a
Difference		2.1	n/a	n/a	n/a
	Partners Group Infra[3]	-1.7	10.3	12.3	7.8
	Aviva Infra Income[4]	-2.0	6.1	n/a	n/a
Inflation *Protection*					
	ASI Long Lease Property Fund	1.4	3.8	5.5	6.8
FT British Government All Stocks		-6.8	-3.7	4.5	4.9
Difference		8.1	7.5	1.1	1.9
Total Fund		2.9	21.9	7.8	8.6
Benchmark[1]		1.4	19.1	8.7	8.8
Difference		1.6	2.8	-0.9	-0.2

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] The Invesco private equity allocation consists of an investment in the Invesco Partnership Fund V and the Invesco US Venture PSHP Fund IV. The Invesco Partnership Fund V performance has been provided to 31 December 2020, and the Invesco US Venture PSHP Fund IV performance has been provided to 30 September 2020.

[3] Partners Group Multi Asset Credit and Direct Infrastructure Fund performance provided to 28 February 2021.

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

[5] ASI MSPC Fund is measured against a blended benchmark of 3 Month Sterling LIBOR and the ICE ML Sterling BBB Corporate Bond Index while the strategy is in the process of deploying invested capital. The weight of the benchmark allocated to the ICE ML Sterling BBB Corporate Bond Index reflects the proportion of the Fund's investment in the MSPC Fund which has been deployed by ASI. Once the Fund's investment has been fully deployed, the MSPC Fund will be measured against a benchmark consisting 100% of the ICE ML Sterling BBB Corporate Bond Index. Over the quarter to 31 March 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 31 March 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Total Fund - Net of fees	2.9	21.9	7.8	8.6
Benchmark(1)	1.4	19.1	8.7	8.8
Net performance relative to benchmark	1.6	2.8	-0.9	-0.2

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

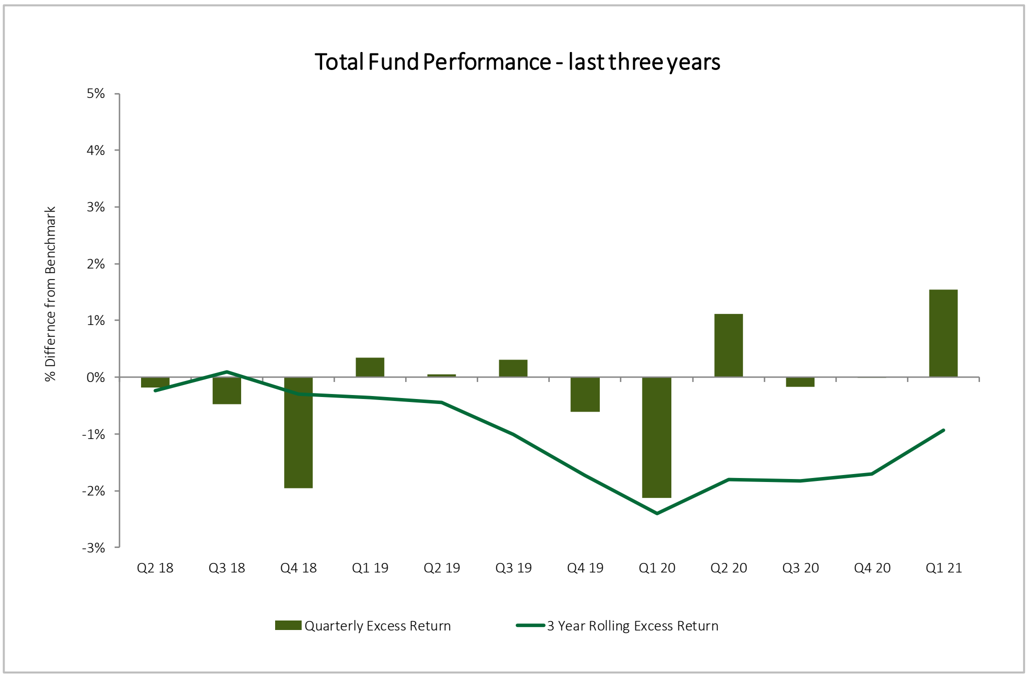
(1) Fixed weight benchmark

Over the quarter to 31 March 2021, the Total Fund delivered a positive absolute return of 2.9% on a net of fees basis, outperforming the fixed weight benchmark by 1.6%.

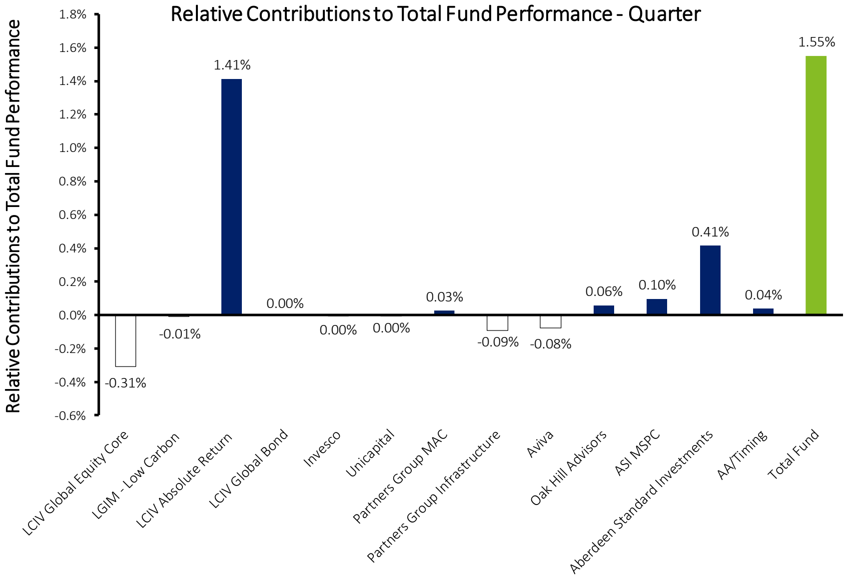
The Total Fund delivered a strong positive absolute return of 21.9% on a net of fees basis over the year to 31 March 2021, outperforming its fixed weight benchmark by 2.8%. However, over the longer three and five year periods to 31 March 2021, the Total Fund underperformed the fixed weight benchmark by 0.9% p.a. and 0.2% 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.

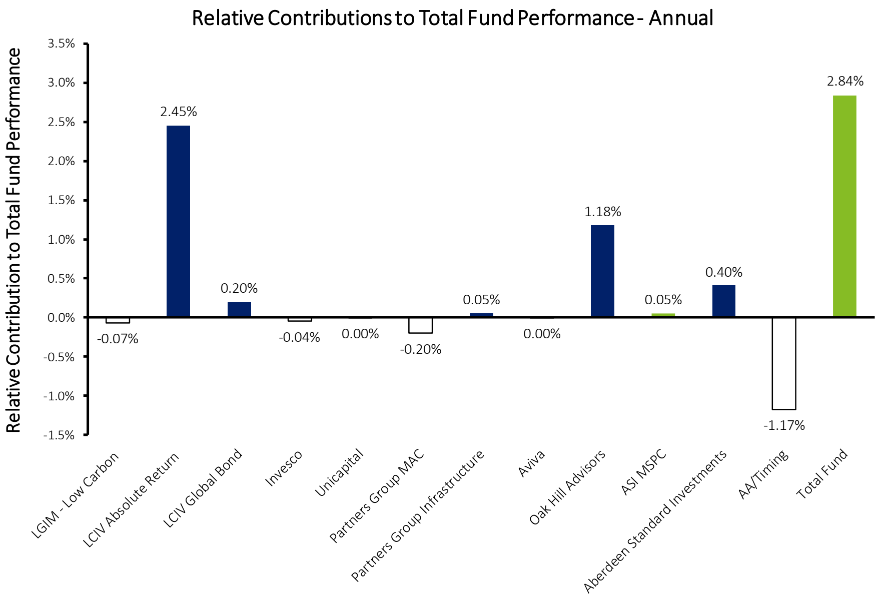
The chart below compares the net performance of the Fund relative to the fixed weight benchmark over the three years to 31 March 2021. The 3-year rolling excess return remained negative over the first quarter of 2021.



3.2 Attribution of Performance to 31 March 2021



The Total Fund outperformed the fixed weight benchmark by c. 1.6% over the quarter to 31 March 2021. Outperformance was primarily driven by the LCIV Absolute Return Fund, which outperformed its cash-plus benchmark over the quarter. Please note, however, that we would expect relative performance differences over shorter time horizons where strategies are measured against cash-plus benchmarks. The ASI Long Lease Property Fund also contributed positively to outperformance, outperforming its gilt-based benchmark with gilt yields sharply over the first quarter of 2021. ASI did, however, underperform the wider property market over the three-month period. Total Fund relative outperformance was partially offset by the LCIV Global Equity Core Fund, which underperformed the broader equity market for the second quarter in succession, despite delivering positive absolute returns, due to its under allocation to cyclical stocks compared with the MSCI benchmark.



Over the year to 31 March 2021, the Fund outperformed its fixed weight benchmark by c. 2.8%. Outperformance over the year was 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 separate quarter over the year to 31 March 2021, and Oak Hill Advisors 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 having an overweight allocation to the Partners Group MAC Fund, which has underperformed its cash-based benchmark over the year, and the M&G strategy, which underperformed its RPI-based benchmark over the period from the end of Q1 2020 to the point of disinvestment on 1 September 2020. The "AA/Timing" bar also includes the negative performance of the LCIV Global Equity Core Fund over the fourth quarter of 2020 and the first quarter of 2021 relative to its benchmark.

3.3 Asset Allocation

The table below shows the value of assets held by each manager as at 31 March 2021 alongside the Target Benchmark Allocation.

Manager	Asset Class	Actual Asset Allocation 31 Dec 2020 (£m)	31 Mar 2021 (£m)	31 Dec 2020 (%)	31 Mar 2021 (%)	Benchmark Allocation (%)
LCIV	Global Equity Core	172.4	174.8	14.5	14.4	15.0
LGIM	Low Carbon Equity (passive)	367.3	381.4	31.0	31.4	30.0
	Total Equity	**539.7**	**556.2**	**45.5**	**45.8**	**45.0**
LCIV	Absolute Return	261.8	280.7	22.1	23.1	10.0
LCIV	Global Bond	111.5	107.3	9.4	8.8	10.0
	Total Dynamic Asset Allocation	**373.4**	**388.0**	**31.5**	**32.0**	**20.0**
Partners Group[1]	Multi Asset Credit	14.7	13.9	1.2	1.1	0.0
Oak Hill Advisors	Diversified Credit Strategy	78.6	80.0	6.6	6.6	7.5
Partners Group[1]	Direct Infrastructure	30.3	32.0	2.6	2.6	5.0
Aviva	Infrastructure Income	26.6	25.5	2.2	2.1	2.5
Aberdeen Standard Investments	Multi Sector Private Credit	55.8	55.9	4.7	4.6	5.0
	Secure Income	**205.9**	**207.4**	**17.4**	**17.1**	**20.0**
Aberdeen Standard Investments	Long Lease Property	60.3	61.2	5.1	5.0	5.0
Alpha Real Capital	Ground Rents	-	-	-	-	5.0
Man GPM	Affordable Housing	-	-	-	-	2.5
	Total Inflation Protection	**60.3**	**61.2**	**5.1**	**5.0**	**15.0[2]**
Northern Trust	Trustee Bank Account	5.4	0.0	0.5	0.0	0.0
	Total[3]	**1,185.5**	**1,213.2**	**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 30 November 2020 and 28 February 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 £0.5m which is invested in private equity allocations with Invesco and Unicapital, with these investments currently in wind down.

The Fund's equity allocation remained overweight over the first quarter of 2021, with both strategies delivering positive absolute returns over the three-month period. While the Fund's secure income position remained underweight as at 31 March 2021, with the Partners Group Direct Infrastructure Fund not yet fully drawn for investment.

On 1 September 2020, the Fund fully disinvested from the M&G Inflation Opportunities V Fund, with the decision to disinvest a result of the Fund's high exposure to the UK commercial property market as well as the impact the global pandemic was having on commercial property and M&G's rental collection. On 1 October 2020, the disinvestment proceeds were subsequently received from M&G, and on 16 October 2020, the proceeds were transferred into the LCIV Absolute Return Fund (c. £113m), managed by Ruffer, as a temporary allocation.

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. Man GPM held a first close on 2 June 2021 with an initial equalisation draw down request expected in early June and the full £30m expected to be drawn over the next 6 years across quarterly and deal-specific requests.

In addition, the Sub-Committee made a 'decision in principal' to allocate c. 2.5% to the Henley Secure Income Fund ("Henley SIPUT Fund") within the supported living asset class subject to Henley showing that certain factors and metrics had developed to a level the Sub-Committee were comfortable with within an appropriate time frame. Such factors and concerns have not been satisfied and with the fund holding a final close on 30 June 2021, the decision to invest was not taken.

3.4 Yield Analysis as at 31 March 2021

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

Manager	Asset Class	Yield as at 31 Mar 2021
LCIV	Global Equity Core	1.32%
LGIM	Low Carbon Equity	1.92%
LCIV	Absolute Return	0.92%
LCIV	Global Bond	2.96%
Partners Group	Multi-Asset Credit	6.20%
Oak Hill Advisors	Diversified Credit Strategy	5.00%
Aviva Investors	Infrastructure	7.90%[1]
Aberdeen Standard Investments	Long Lease Property	4.11%
	Total	**2.04%**

[1] Represents yield to 31 December 2020.

4 Summary of Manager Ratings

The table below summarises Deloitte's ratings of the managers employed by the Fund and triggers against which managers should be reviewed.

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

4.1 London CIV

Business

The London CIV had assets under management of £11,088m 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 31 March 2021, an increase of £338m over the quarter primarily as a result of new London Borough investments in each of the LCIV Sustainable Equity Fund and the LCIV Absolute Return Fund over the quarter.

The total assets under oversight, including passive investments held outside the London CIV platform, was £25.0bn as at 31 March 2021, an increase of c. £1.7bn over the quarter with cumulative commitments of £1.4bn to the LCIV Infrastructure Fund, LCIV Inflation Plus Fund, The London Fund, LCIV Renewable Infrastructure Fund and LCIV Private Debt Fund.

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Following quarter end, 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 first quarter of 2021, the London CIV hired Andrea Wildsmith as Head of Risk and Performance. Andrea will lead on the newly acquired eVestment database, which will be used to help the investment team select and manage public investment. Andrea has 22 years' experience in a number of aspects of portfolio management and analytics.

Following quarter end, the London CIV are in the process of completing the procedure to hire a new Chair. The London CIV is not yet in a position to provide further information, but will likely make an official announcement in due course, should the background checks reveal no issues.

Following quarter end, 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.

Also, following quarter end, Rob Hall, Head of Public Markets and Deputy Chief Investment Officer, announced that he will be leaving the firm by the end of 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. In addition, following quarter end, the London CIV has confirmed that a new Senior Equities Portfolio Manager will join the firm on 12 July 2021.

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 £512m as at 31 March 2021, an increase of £8m over the quarter.

The Morgan Stanley Global Sustain Fund, which the LCIV Global Equity Core Fund is based upon, held assets under management of $4.0bn as at 31 March 2021, representing an increase of c. $0.9bn over the first quarter of 2021 following new investments into the strategy.

Personnel

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

At a firm level, on 1 March 2021 Morgan Stanley completed its acquisition of Eaton Vance. Morgan Stanley has stated that the acquisition brings together two organisations with highly complementary strengths in investment management, distribution and client service, and the acquisition will further strengthen the solutions delivered to clients, consultants and business partners on a global basis.

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

4.3 LGIM

Business

As at 31 December 2020, Legal & General Investment Management ("LGIM") had assets under management ("AuM") of c. £1,279bn, an increase of c. £38bn since 30 June 2020. LGIM provides AuM updates biannually.

Personnel

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

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

4.4 Ruffer

Business

As at 31 March 2021, Ruffer held £22.3bn in assets under management, an increase of c. £1.3bn over the quarter.

Personnel

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

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 £1.6tn in assets under management as at 31 March 2021, a decrease of c. £0.5tn over the quarter. The LCIV Global Bond Fund had assets under management of c. £343m as at 31 March 2021, representing a decrease of c. £11m over the quarter primarily as a result of negative market movements.

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

Personnel

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

At a wider firm level, PIMCO has announced the following changes over the quarter to 31 March 2021:

- In February 2021, PIMCO announced that Mohsen Fahmi, managing director and Portfolio Manager, has decided to retire from PIMCO at the end of 2021. Marc Seidner, managing director and CIO - Non-traditional Strategies, will oversee management of PIMCO's StocksPLUS strategy suite, with expanded contributions from the existing team comprised of Bryan Tsu and Jing Yang, both Executive Vice Presidents and Portfolio Managers and the co-PMs on the StocksPLUS suite with Mohsen. Marc, Bryan and Jing and other members of the team focused on non-benchmark strategies are well-placed to continue the success of the StocksPLUS suite and their roles reflect the team's approach to portfolio management. Mohsen is also part of the Dynamic Bond portfolio management team which includes senior portfolio managers Dan Ivascyn, Group CIO, Marc Seidner, CIO of Non-traditional, Mohit Mittal, managing director and Nidhi Nakra, Senior Vice President. The team will continue to work closely together, leveraging the entire firm for investment ideas.

- In March 2021, PIMCO announced that Jennifer Durham, managing director and Chief Compliance Officer, has decided to retire from PIMCO at the end of June 2021. Nadia Zakir, Executive Vice President and Deputy General Counsel, will become PIMCO's Chief Compliance Officer and Global Head of Compliance. Nadia will report to Sung-Hee Suh, managing director, whose current role as Global Head of Regulatory Risk and Compliance will expand to become PIMCO's General Counsel for Global Regulatory and Litigation.

- In March 2021, PIMCO announced that Michèle Flournoy, a U.S. defense policy advisor under two U.S. presidential administrations, would join PIMCO's Global Advisory Board. Michèle Flournoy served as Under Secretary of Defense for Policy under the Obama Administration and as Deputy Assistant Secretary of Defense for Strategy under the Clinton Administration. She is managing partner of WestExec Advisors, which she co-founded with U.S. Secretary of State Antony Blinken, and is the former Co-Founder and Chief Executive Officer of the Center for a New American Security (CNAS). In her role as Under Secretary of Defense for Policy, Michèle was the principal advisor to the Secretary of Defense in the formulation of national security and defense policy, oversight of military plans and operations, National Security Council deliberations and represented the U.S. in defense policy engagements around the world.

- In March 2021, PIMCO announced that Kimberley Stafford, managing director and Head of Asia-Pacific, will return to the U.S. mid-year to take up a new role as Global Head of the Product Strategy Group, overseeing PIMCO's product teams in both traditional and private strategies. Kim has served in almost every facet of the firm's business during her two decades working for PIMCO. Her expertise in managing client relationships will be helpful as PIMCO continues to evolve products and strategies for investors in traditional strategies and those seeking exposure to alternatives across PIMCO's private strategies. Alec Kersman, managing director and Head of U.S. GWM Strategic Accounts in New York, will relocate to Hong Kong to become the new Head of Asia-Pacific. Alec is well-equipped to build on the firm's growth in APAC given his proven capacity to develop new relationships with clients. He was instrumental in building PIMCO's Latin America business over more than a decade and, more recently, has played a major role in strengthening important strategic client relationships within U.S. GWM.

- In March 2021, PIMCO announced that David Fisher, managing director and Head of Traditional Product Strategies in Newport Beach, will relocate to New York to be Co-Head of U.S. GWM Strategic Accounts alongside Eric Sutherland, managing director and President of PIMCO Investments LLC. David, who has spent over 13 years in PIMCO's product teams and also serves on the board of PIMCO Closed End Funds, brings to his new role extensive knowledge of PIMCO's traditional product suite, a strong appreciation for the complex dynamics of the firm's major GWM client partnerships, and an analytical approach to business decisions. Eric's extensive experience in the wealth market, and deep industry and client relationships, complement David's talents.

- In March 2021, PIMCO announced that Ryan Korinke, managing director and Head of Hedge Fund and Quantitative Strategies, based in Hong Kong, will relocate back to Newport Beach and join PIMCO's Executive Office. Ryan has helped grow PIMCO's hedge fund business through periods of global volatility and changing investor sentiment. Ryan's detail-oriented and thoughtful approach has helped deepen many of the firm's relationships with hedge fund investors around the world.

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

4.6 Partners Group

Business

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

Multi Asset Credit

The Partners Group MAC Fund had a net asset value of c. £71.2m as at 31 March 2021, a decrease of £5.5m since the previous quarter end valuation at 31 December 2020 despite positive portfolio returns over the quarter, as a result of a £6.0m distribution issued back to investors in January 2021.

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 one further distribution over the quarter, as mentioned above, which totaled £6.0m across all investors. The London Borough of Hammersmith & Fulham Pension Fund received c. £1.2m from this distribution.

Following quarter end, on 29 April 2021, Partners Group issued a further distribution of £12.5m from the MAC Fund, shared between all investors. The London Borough of Hammersmith & Fulham Pension Fund received a total of c. £2.5m from this distribution.

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Direct Infrastructure

As at 31 March 2021, the Direct Infrastructure Fund had drawn down c. 64% of its total €1,081m commitment value for investment, with c. 92% of the total Direct Infrastructure Fund’s portfolio committed to investment opportunities as at 31 March 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 31 March 2021, an increase of c. £28m over the quarter.

The MSPC Fund has a robust indicative pipeline of private credit assets and has closed on one commercial real estate debt whole loan asset and two private placement assets over the first quarter of 2021, with an infrastructure debt asset, three senior commercial real estate debt investments and another commercial real estate debt whole loan asset in documentation as at 10 May 2021.

ASI expects the composition of the investment portfolio to be in line with its target allocation by the third quarter of 2021.

Personnel

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

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

4.8 Oak Hill Advisors – Diversified Credit Strategies (“DCS”)

Business

Oak Hill Advisors (“OHA”) held assets under management of c. $51bn as at 1 February 2021, an increase of c. $3bn since 1 November 2020.

As at 31 March 2021, the Diversified Credit Strategies Fund’s net asset value stood at c. $4.8bn, a decrease in value of c. £0.1bn with c. $225m of this decrease attributable to net inflows.

Personnel

At managing director level and above, OHA saw three new joiners and one leaver over the first quarter of 2021.

Matthew Borstein joined OHA as a partner within Real Estate, Philip Muller was appointed as Chief Financial Officer in Europe, covering Corporate Accounting, and Jeff Muehlethaler joined as a Managing Director within the Client Coverage team. Meanwhile, Ardian Dauti, a Portfolio Manager and Managing Director within Mortgage Strategies, left the firm over the quarter.

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

4.9 Aviva Investors

Business

The Aviva Investors Infrastructure Income Fund had a total subscription value of c. £1,268m as at 31 March 2021, remaining unchanged over the first quarter of 2021 as no new commitments were received. As at 31 March 2021, the undrawn amount for the AIIIF was c. £4m.

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Personnel

As reported last quarter, in January 2021, Aviva announced that four members of the Infrastructure Equity team were to leave the firm. Allan Vlah (Director), Fergus Helliwell (Director), Anne-Sophie Eveno (Associate Director) and Dan Wilcockson (Graduate) resigned on 26 January 2021, to take up positions at River & Mercantile and work alongside Ian Berry, Aviva Investors' former Head of Infrastructure Equity. This announcement came shortly after it was revealed that Ian Berry had taken on a position at River & Mercantile to establish the infrastructure business there.

Aviva confirmed that each of the leavers had been placed on gardening leave with immediate effect, rather than working through their notice period, as River & Mercantile intends to launch a competitor product similar in structure to the AIIIF in the near future.

All three senior leavers were on the asset origination side and so the asset management team remains unchanged. The asset management team is responsible for ongoing management of the existing assets in the portfolio and is led by Ian Shervell. Aviva states that the existing assets within the AIIIF will not be impacted as the individuals leaving did not have asset management responsibilities. As the vast majority of the assets have already been sourced for AIIIF, these originators leaving will have a limited impact on the Fund, particularly as it is soft closing to new investors. Aviva highlights that it has already future funded c. £150m of assets for the AIIIF for which it has to find investors to fund and so will be originating a small number of assets ahead of the soft close of the AIIIF. Saying that, Allan did have a focus on biomass and waste assets which Aviva will be looking to replace as part of the hiring process.

Aviva is pivoting the business towards having a European infrastructure focus and intends to launch a climate focused euro renewables fund in the near future. The loss of originators would have more of an impact on future products being launched. Aviva intends to use this opportunity to onboard new hires with a renewable energy focus and with experience in origination across Europe.

While the leavers were senior originators within the Aviva team, the AIIIF continues to be led by Sean McLachlan as Co-Portfolio Manager, reporting to Darryl Murphy as Managing Director, and with support from Barry Fowler. They are also still supported by Jolanta Touzard and Isaac Vaz in their capacity as Directors.

In response to these team changes, Aviva has sought to assure investors that infrastructure continues to be a key strategic priority for its Real Assets platform. There has been a focus on staff retention within the team and work has been carried out internally with the aim of team stability, through incentive programmes and setting a clear direction for the remaining team members for the future.

Aviva commenced the search for replacements immediately and, over the first quarter of 2021, has hired Charles Herriott as an associate director within the asset management team and Andrea Pelizzari as an associate within the origination team. Charles joins from Triple Point Investment Management, where he was Senior Asset Manager, and has a decade of experience in managing infrastructure and energy assets across a wide range of sectors. Andrea joins from SSE plc, where he worked in the corporate finance team that supported the distributed energy division of the company.

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4.10 Aberdeen Standard Investments – Long Lease Property

Business

As at 31 March 2021, the Aberdeen Standard Investments Long Lease Property Fund had a total fund value of c. £3.1bn, increasing by c. £0.4bn since 31 December 2020 largely as a result of four large purchases within the Fund over the first quarter of 2021 funded by drawing commitments from the queue of investors.

In a wider business update, Aberdeen Standard Investments announced on the 9th December 2020 that it agreed to acquire a 60% interest in Tritax Group LLP ('Tritax') with the aim to strengthen its offering in the growing logistics real estate market. While not immediately relevant to the Long Lease Property Fund, we include a summary of the acquisition below.

Tritax is a specialist logistics real estate fund manager with assets under management of approximately £5.1bn throughout the UK and Europe, with the acquisition strengthening the exposure of ASI Real Estate to the logistics sector. Tritax's management will lead a new Logistics team within ASI Real Estate and report in to Neil Slater (Global Head of Real Estate at ASI). It is expected that the Tritax team will bring enhanced expertise in the logistics space, including development capability and strong relationships in the investment and occupier markets, which ASI believes will improve its ability to access new deals.

ASI will initially acquire a 60% of ownership interest in Tritax, with both parties aligned on the future direction and growth trajectory of the business. The structure of the transaction ensures the long-term retention of existing Tritax clients, employees and partners. Tritax's dedicated teams will continue to service their existing mandates. The transaction is expected to close in Q2 2021, subject to the receipt of regulatory approvals.

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 12 May 2021, the Long Lease Property Fund had collected 95.8% of its Q1 2021 rent.

Personnel

There were no significant team or personnel changes over the quarter to 31 March 2021.

Deloitte View – We are closely monitoring the ASI Long Lease Property Fund following the announced departure of the Portfolio Manager, Richard Marshall – amid the substantial wider senior management restructure at ASI – given that Richard has been a key factor to the Fund's success and this development has the potential to change our view of the Fund. Another key issue that the team has been dealing with is the after-effects of COVID-19 with a number of tenants currently in arrears having made deferment requests. While we continue to have an overall positive view of the asset class and believe that income should return to normal in time, given this current issue, and the departure of Richard Marshall noted above, we will continue to monitor the Fund closely over the coming periods.

5 London CIV

5.1 Investment Performance to 31 March 2021

At the end of the first quarter of 2021, the assets under management within the 14 sub-funds of the London CIV was £11,088m with a further combined £1,381m committed to the Infrastructure, Inflation Plus, Renewable Infrastructure and Private Debt Funds, and The London Fund. The total assets under oversight (which includes passive investments held outside of the CIV platform) increased by c. £1.7bn to c. £25.0bn 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 Dec 2020 (£m)	Total AuM as at 31 Mar 2021 (£m)	Number of London CIV clients	Inception Date
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	3,612	3,691	13	11/04/16
LCIV Global Equity	Global Equity	Newton	696	725	3	22/05/17
LCIV Global Equity Focus	Global Equity	Longview Partners	861	917	5	17/07/17
LCIV Global Equity Core Fund	Global Equity	Morgan Stanley Investment Management	504	512	2	21/08/20
LCIV Equity Income	Global Equity	Epoch Investment Partners	133	141	2	08/11/17
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	498	497	6	11/01/18
LCIV Sustainable Equity Fund	Global Equity	RBC Global Asset Management (UK)	625	693	5	18/04/18
LCIV Sustainable Equity Exclusion Fund	Global Equity	RBC Global Asset Management (UK)	385	390	2	11/03/20
LCIV Global Total Return	Diversified Growth Fund	Pyrford	274	241	3	17/06/16
LCIV Diversified Growth	Diversified Growth Fund	Baillie Gifford	670	657	7	15/02/16
LCIV Absolute Return	Diversified Growth Fund	Ruffer	910	1,018	9	21/06/16
LCIV Real Return	Diversified Growth Fund	Newton	123	124	2	16/12/16
LCIV MAC	Fixed Income	CQS	1,105	1,137	12	31/05/18
LCIV Global Bond	Fixed Income	PIMCO	354	343	3	30/11/18
Total			**10,750**	**11,088**		

Over the quarter, one new London Borough invested in the LCIV Sustainable Equity Fund and another invested in the LCIV Absolute Return Fund, while one investor disinvested from the LCIV Global Total Return Fund. Following quarter end, the LCIV Equity Income Fund's remaining two investors elected to disinvest from the sub-fund, with the proceeds set to be invested with a different London CIV sub-fund. As such, the LCIV Equity Income Fund will formally terminate in due course, once accruals, including withholding tax receivable, have been realised.

6 LCIV – Global Equity Core

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

6.1 Global Equity Core – Investment Performance to 31 March 2021

	Last Quarter (%)
Net of fees	1.5
Benchmark (MSCI World Net Index)	3.6
Global Franchise Fund (net of fees)	0.7
Net Performance relative to Benchmark	-2.1

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

Over the quarter to 31 March 2021, the LCIV Global Equity Core Fund has delivered a positive return of 1.5% on a net of fees basis, underperforming the MSCI World Net Index by 2.1% over the three-month period.

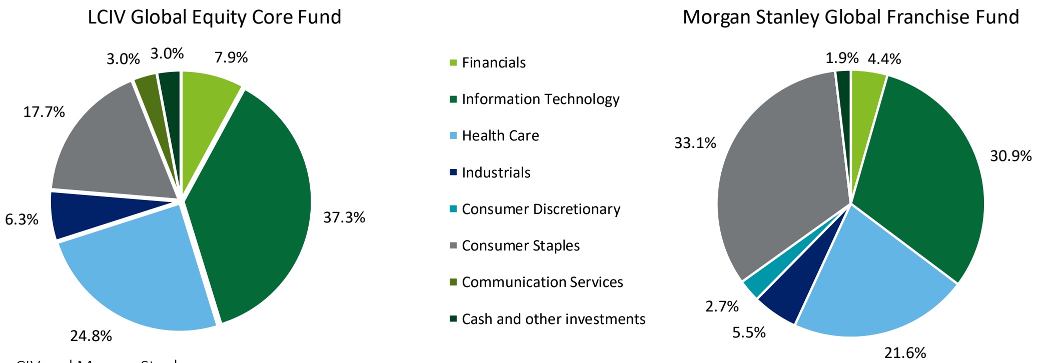
The LCIV Global Equity Core Fund's portfolio is predominantly comprised of quality franchises with strong recurring cash flows. While such a portfolio is expected to prove beneficial during volatile periods, the underperformance relative to the broader equity market over the quarter can primarily be attributed to the strategy's under allocation to cyclical stocks, with a partial resumption of global economic activity providing a particular boost for cyclical industries. The Fund's overweight positions to Consumer Staples and Health Care, relative to the MSCI-based benchmark, also detracted from relative performance with both sector allocations delivering flat returns in what was more widely a positive quarter for equity markets.

Morgan Stanley's positive absolute return over the quarter can be partially attributed to stock selection. In particular, the Fund's Alphabet holding has proved beneficial, with the company outperforming in recent periods. However, despite these positive returns, Morgan Stanley continues to reduce exposure to Alphabet due to the regulatory concerns faced by the company. The software company, SAP, was one of the largest detractors to performance for the second consecutive quarter, as a result of short-term headwinds following governance and business model changes. Morgan Stanley expects that SAP's transformation should lead to an improvement in the company's future earnings, and the manager continues to hold conviction in the stock.

The LCIV Global Equity Core Fund follows the same strategy and, in general, has the same investment principles as the Morgan Stanley Global Franchise Fund, but is subject to a greater number of restrictions, owing to the 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 outperformed the Global Franchise Fund over the three month period to 31 March 2021, with outperformance attributed to a higher allocation to financials and technology, and a lower allocation to beverage companies which continued to be adversely impacted by continuing social distancing measures.

6.2 Portfolio Sector Breakdown at 31 March 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 31 March 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 sustainable investment tilt.

As at 31 March 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 31 March 2021, compared with the Morgan Stanley Global Franchise Fund.

	LCIV Global Equity Core Fund	Global Franchise Fund
No. of Holdings	35	29
No. of Countries	7	5
No. of Sectors*	6	6
No. of Industries*	18	14

*Not including cash

Source: London CIV and Morgan Stanley

Holdings

The top 10 holdings in the Global Equity Core Fund account for c. 49.1% of the strategy and are detailed below.

Global Equity Core Fund Holding	% of NAV
Microsoft	7.2
Reckitt Benckiser	6.0
Visa	5.3
SAP	4.8
Henkel Vorzug	4.8
Accenture	4.8
Baxter International	4.4
Procter & Gamble	4.2
Automatic Data Processing	3.9
Medtronic	3.7
Total	**49.1***

Global Franchise Fund Holding	% of NAV
Microsoft	9.1
Philip Morris	8.5
Reckitt Benckiser	7.9
Visa	5.4
Accenture	5.1
Procter & Gamble	4.7
Baxter International	4.5
Automatic Data Processing	4.4
SAP	4.4
Abbott Laboratories	4.2
Total	**58.0***

*Note figures may not sum due to rounding

Source: London CIV and Morgan Stanley

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

7 Legal and General – World Low Carbon Equity

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

7.1 World Low Carbon Equity – Investment Performance to 31 March 2021

	Last Quarter (%)	One Year (%)
Net of fees	3.9	39.0
Benchmark (MSCI World Low Carbon Target)	3.9	39.2
MSCI World Equity Index	4.1	39.0
Net Performance relative to Benchmark	0.0	-0.2

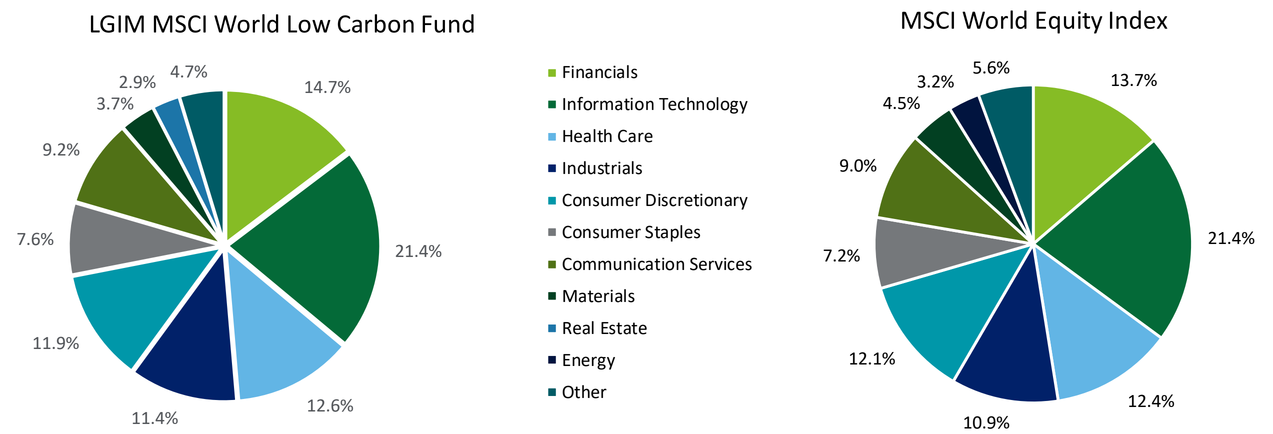
Source: LGIM and Northern Trust. Relative performance may not tie due to rounding.

Over the first quarter of 2021, the LGIM MSCI World Low Carbon Index Fund has successfully tracked its benchmark, delivering positive absolute returns of 3.9% on a net of fees basis. The strategy underperformed the MSCI World Equity Index benchmark by 0.2% over the quarter.

Over the one-year period to 31 March 2021, the LGIM MSCI World Low Carbon Index Fund delivered a strong positive absolute return of 39.0% on a net of fees basis, slightly underperforming its MSCI World Low Carbon Target benchmark by 0.2%, and performing in line with the MSCI World Equity Index. The Fund's large positive absolute returns over the year can be attributed to the sustained recovery in global equity markets, with the sharp market downturn experienced in Q1 2020, following the initial outbreak of COVID-19, falling out of the 12 month measurement period.

7.2 Portfolio Sector Breakdown at 31 March 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 31 March 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 lower allocation to materials and energy represents the low carbon nature of the Fund.

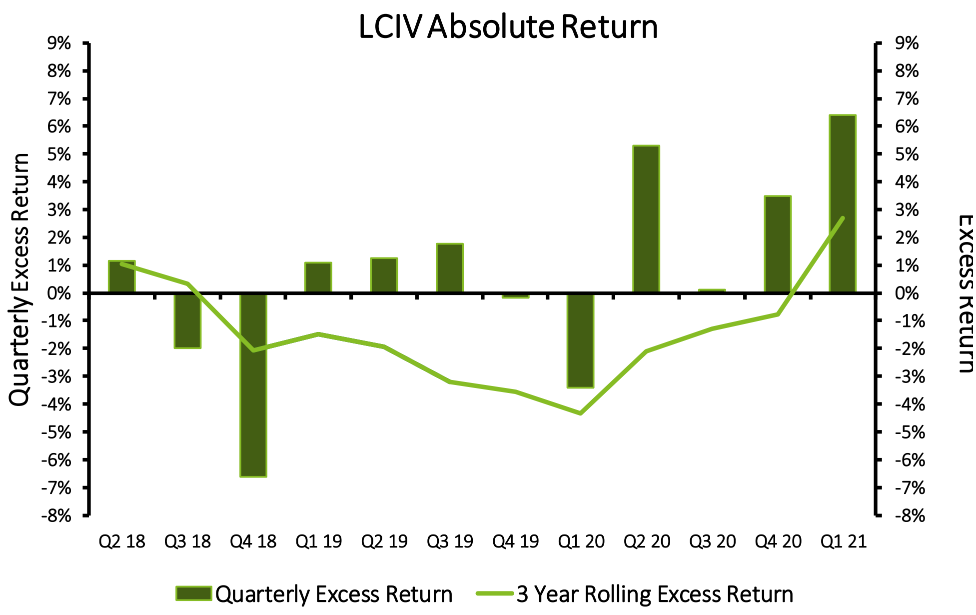
8 LCIV – Absolute Return

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 31 March 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	7.4	20.7	7.3	6.6
Target	1.0	4.1	4.6	4.5
Net performance relative to Target	6.4	16.6	2.7	2.1

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



The Absolute Return Fund returned 7.4% on a net of fees basis over the first quarter of 2021, outperforming its LIBOR+4% target by 6.4%. Over the year to 31 March 2021, the strategy has delivered a strong absolute return of 20.7% on a net of fees basis, outperforming its target by 16.6%. Over the longer three and five year periods to 31 March 2021, the strategy has delivered positive returns of 7.3% p.a. and 6.6% p.a. respectively on a net of fees basis, outperforming the LIBOR-based target by 2.7% p.a. and 2.1% p.a. respectively.

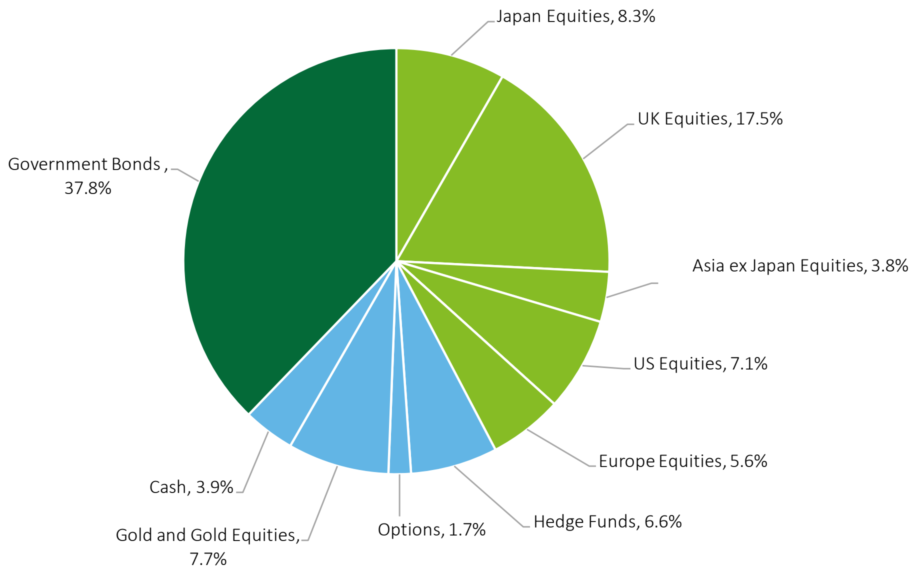
The strategy's equity selection was a key driver to positive performance, outperforming the wider market with the portfolio's average equity position rising by c. 14% over the quarter, compared with the c. 3% rise in the MSCI World Equity Index in sterling terms. With Ruffer anticipating that rising bond yields would hamper the progress of growth equities, the manager ensured that the portfolio's equity allocation held a tilt towards sectors with a stronger economic backdrop such as financials and energy stocks, with the strategy's UK stocks delivering particularly strong returns as a result of the successful start to the rollout of COVID-19 vaccinations.

Ruffer has gradually reduced the duration of the Absolute Return Fund's inflation-linked bond allocation, from around seven years in July 2020 to approximately zero at the beginning of the first quarter of 2021, through the use of interest rate options. This proved beneficial over the quarter to 31 March 2021. Rising yields resulted in decreases in value in the strategy's inflation-linked bonds, which make up a significant proportion of the portfolio, and in the strategy's gold allocations. However, these losses were more than offset by the interest rate options which rose in value in line with the rise in bond yields.

In addition, the strategy's bitcoin exposure doubled in price over the quarter, with Ruffer having previously made a small allocation to bitcoin over Q4 2020 via the Ruffer Illiquid Multi Strategies Fund. The bitcoin position serves as a hedge against inflation and general monetary instability, adding an additional layer of protection alongside the portfolio's inflation-linked bonds and gold allocations. Ruffer took substantial profits in the allocation over the quarter with the strategy holding a c. 1% position to bitcoin as at 31 March 2021.

8.2 Asset Allocation

The chart below represents the asset allocation of the LCIV Absolute Return Fund portfolio as at 31 March 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 31 March 2021

	Last Quarter (%)	One Year (%)
Net of fees	-3.1	9.5
Benchmark	-3.1	7.4
Net Performance relative to Benchmark	0.0	2.1

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

Over the quarter to 31 March 2021 the LCIV Global Bond Fund delivered a negative return of -3.1% on a net of fees basis, in line with its Barclays Aggregate – Credit Index Hedged (GBP) Index. The strategy delivered a positive return of 9.5% over the year to 31 March 2021, outperforming the benchmark by 2.1%.

With credit yields rising over the first quarter of 2021, largely driven by inflation expectations driving underlying gilt yields higher, the LCIV Global Bond Fund delivered a negative return in line with the wider credit market. The steepening of the yield curve has proved to be a particular headwind for long duration investments at the higher end of the quality spectrum. PIMCO, believes that inflation expectations are higher than the likely eventual level, but has taken the decision to reduce the strategy's duration position to a neutral level.

The strategy's security selection added value relative to the index over the quarter, particularly within the Financials sector, with a number of allocations which had contributed most to the underperformance of 2020, delivering positive returns over the first three months of 2021.

PIMCO has recovered the majority of the underperformance recognised over the first quarter of 2020, primarily through the strategy's duration positioning, high yield and financials exposures, having considerably contributed to positive returns since the end of the first quarter of 2020, after representing key detractors to performance over Q1 2020.

The strategy experienced no defaults over the quarter, although 25 issues, representing c. 2.6% of the portfolio, were downgraded over the period with one of these issues (representing c. 0.1% 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.

9.2 Performance Analysis

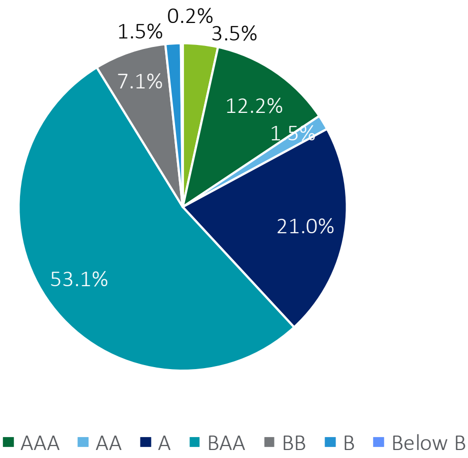
The table below summarises the Global Bond portfolio's key characteristics as at 31 March 2021.

	31 December 2020	31 March 2021
No. of Holdings	904	979
No. of Countries	45	45
Coupon	3.05	3.05
Effective Duration	6.92	6.71
Rating	A-	A-
Yield to Maturity (%)	1.79	2.67

Source: London CIV

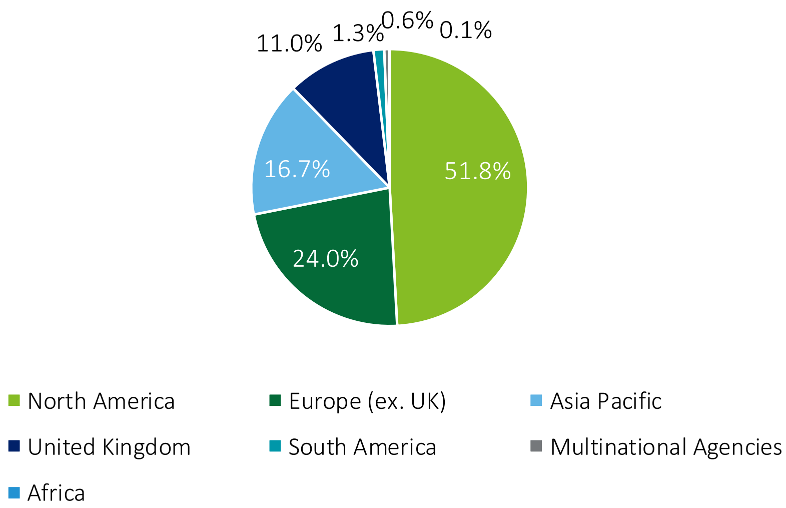
The number of holdings in the portfolio increased by 75 over the quarter, with the Global Bond Fund continuing to participate in an increased level of corporate debt issuance. As mentioned above, PIMCO has opted to reduce the strategy's overall duration positions to a more neutral level, with an underweight position to US duration countered, to some extent, by an overweight position to Emerging Markets.

The chart below represents the split of the Global Bond portfolio by credit rating. The Fund's investment grade holdings made up c. 91.2% of the portfolio as at 31 March 2021, a decrease of 0.4% over the quarter, with the Fund predominately invested in BAA and A rated bonds.



Source: London CIV

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



Source: London CIV

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

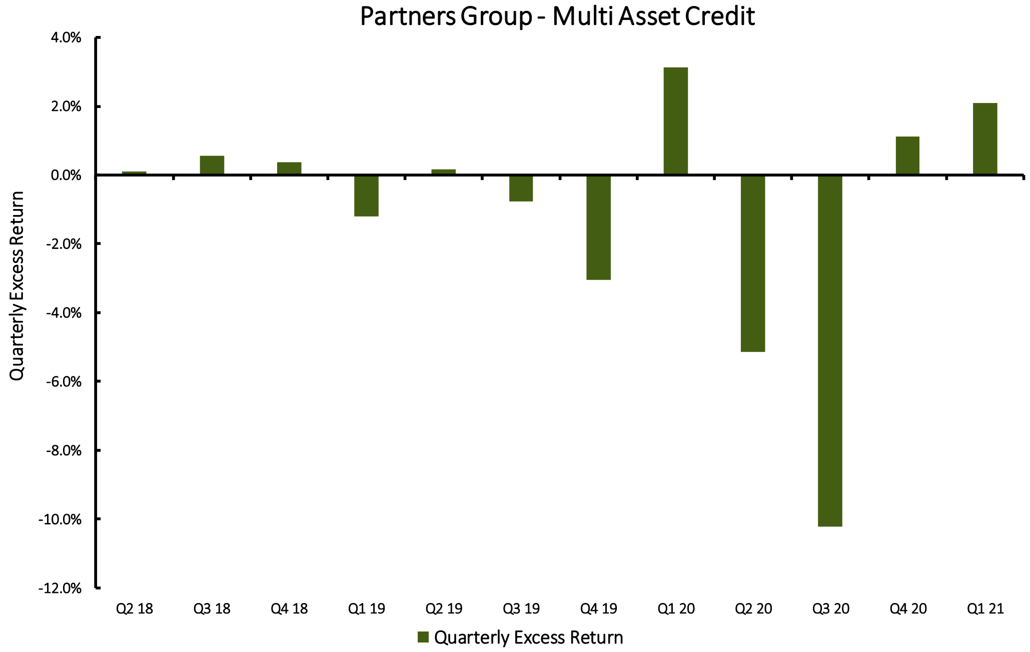
10 Partners Group – Multi Asset Credit

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

10.1 Multi Asset Credit - Investment Performance to 28 February 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	3.1	-8.3	0.0	2.2
Benchmark / Target	1.0	4.1	4.6	4.5
Net performance relative to Benchmark	2.1	-12.5	-4.6	-2.3

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



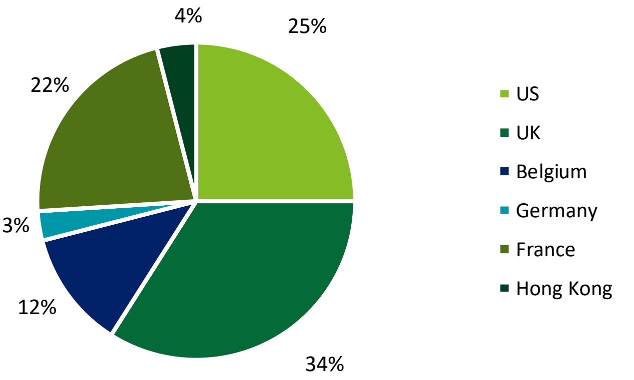
Please note, performance shown is to 28 February 2021.

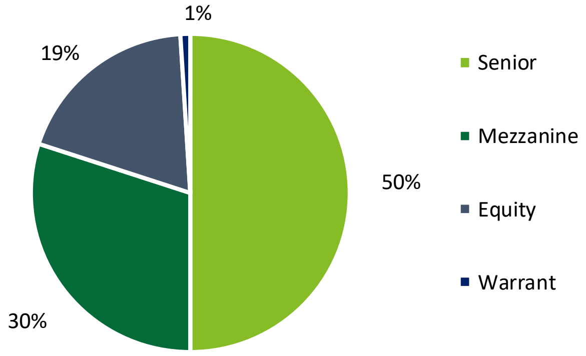
The Multi Asset Credit strategy delivered a positive return of 3.1% on a net of fees basis over the three month period to 28 February 2021, outperforming its 3 Month LIBOR +4% benchmark by 2.1%. Over the full first quarter to 31 March 2021, we expect the MAC Fund to have delivered a return of 0.7% on 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 December 2020 dropping out of the calculation period in what was a strong month for the Fund, returning 2.7%..

Over the year to 28 February 2021, the strategy has underperformed its benchmark by 12.5%, returning -8.3% on a net of fees basis. The negative performance can be primarily attributed to impairments to a number of the underlying investments of the portfolio, which were particularly impacted by the economic restrictions caused by COVID-19, such as the Cote Bistro debt investment in the hard-hit hospitality sector which experienced cashflow issues, and the investment subsequently suffered a significant write-down when Partners Group performed a 'pre packed administration' to purchase Cote Bistro's profitable assets into a newco with the aim to recover the business post COVID-19.

10.2 Asset Allocation

The charts below show the regional split of the Fund as at 31 March 2021.





Note: Based on information provided by Partners Group.

[redacted]

Investment	Description	Type of Debt	Tranche	Maturity Date	Current IRR (%)	NAV (£m)	% of Total NAV	Watchlist Rating
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		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		
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10.3 Fund Activity

As at 31 March 2021 the Partners Group Multi Asset Credit Fund had made 54 investments of which 44 have been fully realised. The Fund's three-year investment period ended in July 2017 and therefore, any investments realised have subsequently been repaid to investors.

Over the second quarter of 2020, the distribution period of the Fund was extended an additional year to 28 July 2021 to facilitate the wind-down of the portfolio given the changes to the market over the first quarter of 2020. Furthermore, Partners Group has recently formally 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.

Partners Group issued one further distribution over the quarter, with c. £1.2m distributed to the London Borough of Hammersmith & Fulham Pension Fund on 28 January 2021.

Following quarter end, on 29 April 2021, Partners Group issued a further distribution, with c. £2.5m 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 31 March 2021

	Last Quarter (%)
Net of fees	0.4
Benchmark / Target	-1.7
Net performance relative to Benchmark	2.1

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

The ASI Multi Sector Private Credit Fund delivered a positive absolute return of 0.4% on a net of fees basis over the quarter to 31 March 2021, outperforming the blended benchmark by 2.1%. The strategy continues to deploy invested capital, with non-deployed capital invested in a portfolio of cash and short term bonds until full investment is achieved.

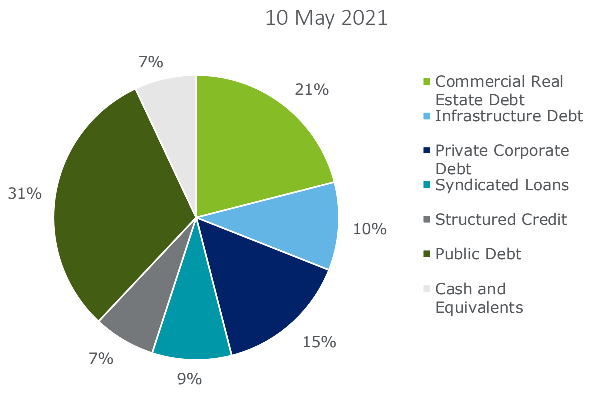
Once fully committed, the strategy will be measured against the ICE ML Sterling BBB Corporate Bond Index. While the strategy is in the process of deploying invested capital, the strategy is measured against a blended benchmark of 3 Month Sterling LIBOR and the ICE ML Sterling BBB Corporate Bond Index,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

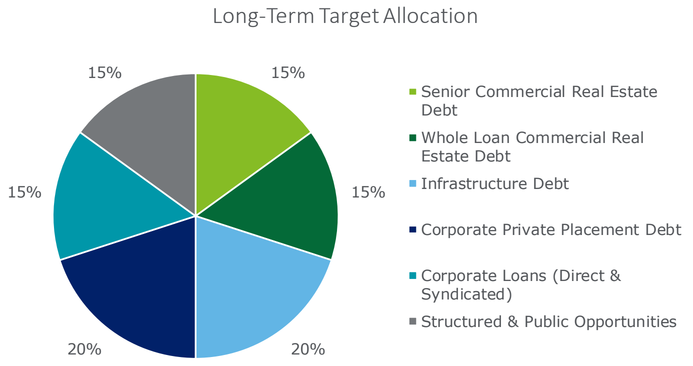
11.2 Portfolio Composition

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 10 May 2021, 68% of the MSPC Fund portfolio has been invested in illiquid assets that make up the long term portfolio, while the remaining 32% 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 10 May 2021 with that of the long-term target allocation.





Source: Aberdeen Standard Investments

[redacted]

[redacted]

Project Name	Date Completed	MSPC Investment	Total Debt Raised	Maturity	Credit Rating	Illiquidity Pick Up*	Yield
[redacted]							
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
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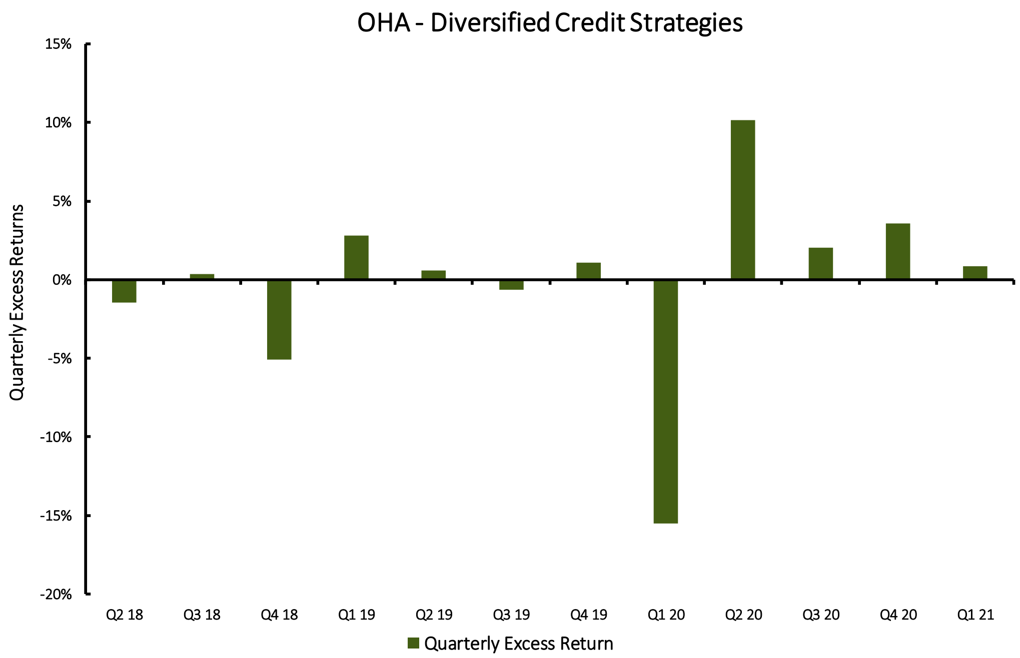
12 Oak Hill Advisors – Diversified Credit Strategies Fund

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

12.1 Diversified Credit Strategies - Investment Performance to 31 March 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	1.9	22.1	3.4	5.2
Benchmark / Target	1.0	4.1	4.6	4.5
Net Performance relative to Benchmark	0.9	17.9	-1.2	0.7

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



Over the first quarter of 2021, the Oak Hill Advisors Diversified Credit Strategies Fund delivered a positive absolute return of 1.9% on a net of fees basis, outperforming its 3 Month Sterling LIBOR +4% p.a. benchmark by 0.9%. Over the year to 31 March 2021, the strategy delivered a strong positive absolute return of 22.1% on a net of fees basis, outperforming the benchmark by 17.9% over the period, with the particularly volatile Q1 2020 returns, following the outbreak of COVID-19, falling out of the 12 month measurement period. As the strategy is measured against a cash-plus benchmark, we would expect relative performance differences over shorter time horizons.

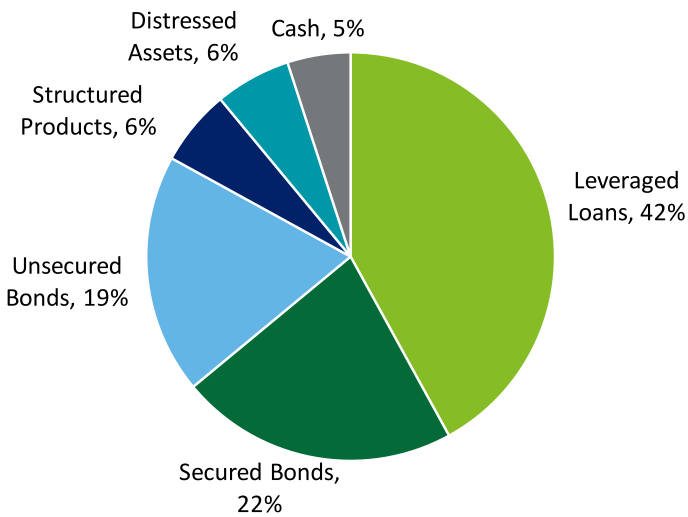
The strategy's high yield bonds and leveraged loans exposures delivered positive returns for the fourth quarter in succession, with US and European credit spreads continuing to narrow over the first quarter of 2021. The strategy's high yield and leveraged loans exposures have now more than made up the losses realised over the first quarter of 2020.

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 31 March 2021 as a result of the general relaxation in lockdown restrictions since the beginning of the calendar year.

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

12.2 Asset Allocation

The below chart shows the composition of the Diversified Credit Strategies Fund's Portfolio as at 31 March 2021.



Source: Oak Hill Advisors

Over the quarter, the Diversified Credit Strategies Fund simultaneously increased its allocation to leveraged loans whilst decreasing 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 31 March 2021

Activity

Partners Group closed on the acquisition of a significant equity stake in Telepass S.p.A ("Telepass"), a leading electronic toll collection services provider in Europe, over the first quarter of 2021, following agreement in October 2020. Following the acquisition, Partners Group has become joint owner of Telepass with its current investor Atlantia, a global leader in the transport sector. The transaction values Telepass at an enterprise value of over €2bn. The Direct Infrastructure Fund has committed €67.9m to Telepass.

In addition, in February 2021, Partners Group announced that it had agreed to acquire Resilient Infrastructure Group, a water infrastructure platform focused on acquiring, developing, financing and operating distributed water-related facilities in the US and China. The platform targets assets with highly contracted stable cash flows and operates in an attractive sector benefiting from strong market tailwinds due to transformative structural trends. Partners Group will work closely with Resilient's management team on key transformative initiatives, including expanding the platform through ground-up development projects and new acquisitions, implementing practices to increase operating efficiencies at acquired assets, and securing strategic partnerships to provide tailored solutions for municipal, institutional, commercial, and industrial customers. The Direct Infrastructure Fund has committed $37.4m to Resilient.

Also, in February 2021, Partners Group announced that it had agreed to acquire Parmaco Oy, a leading provider of premium quality modular education buildings in the Nordics. Parmaco designs, builds and leases fully assembled and ready-to-use quality wooden modular buildings that are used as schools and day care centers primarily in Finland and Sweden. At acquisition, Parmaco comprised 353 modular buildings, with a total leasable area of 280,000sqm that is able to host over 35,000 children. The Direct Infrastructure Fund has committed €80.3m to Parmaco Oy.

As at 31 March 2021, the total capacity of the Direct Infrastructure Fund was €1.08 billion. Of this, c. 92% has been committed to investments as at 31 March 2021, with 64% (c. €0.7bn) of the total capacity drawn down from investors as at 31 March 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 causes for concern as a result of the COVID-19 pandemic.

Capital Calls and Distributions

The Fund issued one capital call over the quarter to 31 March 2021, and a further capital call following quarter end:

- On 22 March 2021, the Fund issued a capital call for €102.7m, of which the London Borough of Hammersmith & Fulham was entitled to pay €5.3m. The capital call was issued to enable the Fund to invest in Telepass and Resilient Infrastructure Group; and

- 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. The capital call was issued to enable the Fund to invest in Parmaco Oy. Following this capital call, the Direct Infrastructure Fund was c. 68% drawn for investment.

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

Pipeline

Partners Group currently has 10 transactions in due diligence, representing investment opportunities totaling c. $4.2bn across the whole group. The opportunities are predominately within the Communication, Energy Infrastructure, Renewable Power and Transportation sectors, with c. 85% of the pipeline split between Europe and North America.

13.2 Investments Held

[redacted]

Investment	Description	Type	Sector	Country	Commitment Date	Watchlist Rating
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
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14 Aviva Investors – Infrastructure Income

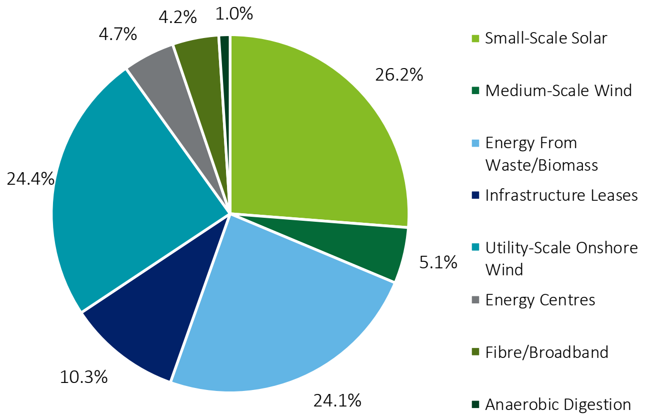
Aviva Investors was appointed to manage an infrastructure income mandate with the aim of outperforming the 3 month Sterling LIBOR benchmark by 6% p.a. The manager has an annual management fee and performance fee.

14.1 Infrastructure Income - Investment Performance to 31 December 2020

The Fund has recognised a decrease in valuation over the first quarter of 2021, with valuations negatively impacted by an increase in corporation tax alongside ongoing delays to some biomass operations.

Sector Breakdown

The chart below shows the split of the portfolio by sector as at 31 December 2020.



Source: Aviva Investors.

Small-scale solar and utility-scale onshore wind make up c. 51% of the portfolio.

Holdings

The top 10 holdings in the Infrastructure Income Fund account for c. 54.3% of the Fund and are detailed below.

Top 10 holdings as at 31 December 2020	Asset	Proportion of Fund
Brockloch Rig Wind Farm	Utility-scale Onshore Wind	7.6%
Biomass UK No.1	Energy from Waste	7.5%
Hooton Bio Power	Energy from Waste	6.8%
Biomass UK No.3	Energy from Waste	5.5%
Aviva Investors Energy Centres No.1	Energy Centres	4.8%
HomeSun	Small-scale Solar PV	4.7%
Turncole Wind Farm	Utility-scale Onshore Wind	4.4%
Biomass UK No.2	Energy from Waste	4.4%
Minnygap Energy	Utility-scale Onshore Wind	4.3%
EES Operations No.1	Small-scale Solar PV	4.3%
Total		**54.3%**

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

Source: Aviva Investors.

Pipeline

As at 31 March 2021, the queue for the Infrastructure Income Fund was c. £4m, with no new investor commitments received over the quarter. Aviva currently has a “priority pipeline”, representing transactions which the Fund has exclusivity on, are in due diligence for or are strongly positioned to complete on due to Aviva’s leading position in the relevant sector or relationship with the opportunity partner. The opportunities within the priority pipeline amounted to c. £363.8m as at 31 December 2020 and are generally expected to reach a close within 9-12 months.

Aviva did not complete any transactions over the first quarter of 2021.

We reported last quarter that Aviva had confirmed that the Infrastructure Income Fund will “soft close” to investors once a further c. £350m of capital has been raised. In March, Aviva updated investors that it will now soft close the Fund once c. £325m has been raised – to meet c. £175m of existing commitments and obligations of the Fund, and to provide c. £150m of funding to extend the business plans of the existing fibre assets. More information can be found in the Manager Update section of this report.

15 Aberdeen Standard Investments – Long Lease Property

Aberdeen Standard Investments was appointed to manage a long lease property mandate with the aim of outperforming the FT British Government All Stocks Index benchmark by 2.0% p.a. The manager has an annual management fee.

15.1 Long Lease Property - Investment Performance to 31 March 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	1.4	3.8	5.5	6.8
Benchmark / Target	-6.8	-3.7	4.5	4.9
Net Performance relative to Benchmark	8.1	7.5	1.1	1.9

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

The ASI Long Lease Property Fund delivered an absolute return of 1.4% on a net of fees basis over the first quarter of 2021, outperforming its FT British Government All Stocks Index Benchmark by 8.1%.

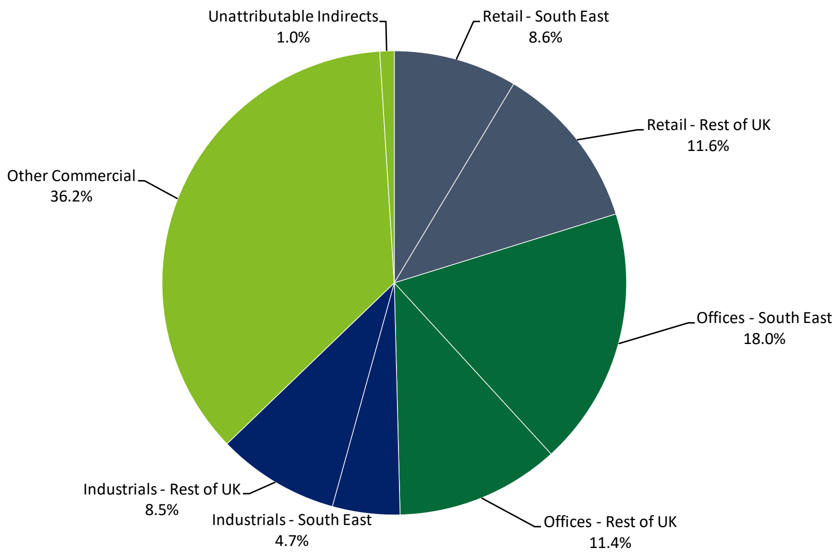
The Long Lease Property Fund has underperformed the wider property market, as measured by the MSCI (formerly IPD Monthly) UK All Property Index, by 0.7% over the quarter on a net of fees basis.

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

Rent collection statistics remained relatively unchanged over the first quarter of 2021 as ASI realised Q1 collection rates of 95.8% (as at 12 May 2021). Over the first quarter of 2021, 1.3% of the Long Lease Property Fund's rental income was subject to deferment arrangements, with 2.9% unpaid or subject to ongoing discussions with tenants. As at 12 May 2021, ASI has collected 93.0% of its Q2 2021 rent (typically paid quarterly in advance), with 0.7% subject to deferment arrangements and 6.4% of rent unpaid or subject to ongoing discussions with tenants.

15.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 31 March 2021 is shown in the graph below.



Over the quarter to 31 March 2021, the ASI Long Lease Property Fund's allocation to the office sector increased by 4.2% to 29.4%, owing to the Fund's acquisitions over the quarter, as discussed below. The allocations to the retail and industrials sectors decreased by 1.8% to 20.2% and by 1.4% to 13.2% respectively over the quarter, while the allocation to other commercial properties increased by 0.1% to 36.1%

The Long Lease Property Fund completed four acquisitions over the first quarter of 2021: an office in Bristol; a ground rent investment over a holiday park in Cornwall; a 50-year income strip in London; and a London office building that will be redeveloped to form the UK's largest blood sorting facility, totaling c. £370m and enabling ASI to draw down the entire existing investor queue. ASI states that these acquisitions have significantly increased the Fund's exposure to government-backed income and investment-grade covenants.

Two pre-let funding hotel projects which have had construction suspended in line with government advice, equating to 2.5% of total Fund value, remain in the construction phase. Also, the sale of the Interserve facilities management business was concluded over the first quarter of 2021.

Q1 and Q2 2021 rent collection, split by sector, as at 12 May 2021 is reflected in the table below:

Sector	Proportion of Fund as at 31 March 2021 (%)	Q1 2021 collection rate (%)	Q2 2021 collection rate (%)
Alternatives	6.1	100.0	100.0
Car Parks	3.7	100.0	100.0
Car Showrooms	2.9	100.0	78.6
Hotels	7.9	63.4	90.1
Industrial	15.0	100.0	88.0
Leisure	3.3	100.0	100.0
Public Houses	5.6	77.3	77.3
Offices	27.4	100.0	91.3
Student Accommodation	9.6	100.0	100.0
Supermarkets	18.5	100.0	100.0
Total	**100.0**	**95.8**	**93.0**

As at 31 March 2021, 0.9% of the Fund's NAV is invested in ground rents via an indirect holding in the ASI Ground Rent Fund, with 15.5% of the Fund invested in income strip assets.

The hotels and public houses sectors have expressed the poorest rental collection statistics over Q1 and Q2 2021 as at 12 May 2021. However, the Fund's investments in the leisure sector, previously the most impacted by the COVID-19 outbreak, have seen 100% rental collection statistics over Q1 and Q2 2021 as a result of a relaxation in lockdown restrictions.

As at 31 March 2021, six tenants have issued requests to ASI for rent deferment, representing 13.7% of Fund income:

- Marstons' plc deferred its rent payments for Q2 2020, to be repaid over 12 months. Q3 and Q4 2020 rent is to be paid monthly. However, with pubs starting to reopen, Marstons' has now largely cleared all of its previous deferred rent and will revert to quarterly payments from Q2 2021 onwards.

- Park Holidays had 50% of its rent deferred for Q2 2020 which was repaid in Q4. All payments are up to date as at 31 March 2021 and the company has received strong levels of bookings for 2021.

- Caprice (The Ivy) having previously re-opened, has again closed for trade. An 18 year lease extension has been negotiated in exchange for 3 months rent free.

- Z-hotels has re-opened. Rent has been deferred for Q2 2020, to be repaid over 12 months. Rent has been partially deferred for Q4 2020.

- Merlin Attractions' Legoland park and hotel is preparing to re-open. Rent deferment has been agreed for Q3 2020, having paid rent in full for Q2 and Q4.

- Napier University, following the impact of the loss of summer trade as a result of no summer schools and the cancellation of the Edinburgh Fringe Festival, alongside COVID-19 restrictions on the academic year, has deferred 50% of its Q3 2020 rent and 25% of its Q4 2020 rent.

ASI expects to collect 100% of rent due. ASI states it has only agreed to rent deferments and no rent free periods, except in a very limited number of situations where tenants have agreed to lease extensions.

The table below shows details of the top ten tenants in the fund measured by percentage of net rental income as at 31 March 2021:

Tenant	% Net Income	Credit Rating
Tesco	7.1	BBB
Secretary of State for Communities	5.8	AA
Whitbread	5.4	BBB
Sainsbury's	4.4	BB
Marston's	4.2	BB
Asda	3.6	BBB
Salford University	3.4	A
QVC	3.3	BB
Save the Children	3.3	BB
Lloyds Bank	3.2	AA
Total	**43.7***	

*Total may not equal sum of values due to rounding

As at 31 March 2021, the top 10 tenants contributed 43.7% of the total net income of the Fund. Of which 15.1% 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 increased from 24.3 years as at 31 December 2020 to 25.7 years as at 31 March 2021. The proportion of income with fixed, CPI or RPI rental increases rose by 0.7% over the quarter to 91.3%.

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 – Fee Benchmarking

The table in this Appendix compares the annual management charges that the Fund is subject to for each of the funds held in the investment portfolio, and the market average annual management charges for each of these funds – detailing the ongoing investment fee savings that the Fund has been able to achieve.

Manager	Fund	Annual Management Charges (% p.a.)	Market Average Annual Management Charges (% p.a.)	Annual fee saving (£m)*
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
			[redacted]	[redacted]

[redacted]

Appendix 4 – MiFID II Cost Summary

On 3 January 2018, the Markets in Financial Instruments Directive II (“MiFID II”) was introduced. A key component of this legislation is for fund managers to disclose all costs incurred, with the view to increasing transparency. MiFID II Costs and Charges disclosures are performed annually and will be provided during the first quarterly report of each year. A summary over the year to 31 March 2021 can be found below:

CLIENT NAME: London Borough of Hammersmith & Fulham Pension Fund
Reporting Period: 1st April 2020 - 31st March 2021
Value of Scheme as at 31st March 2020: £1,006,397,078

Aggregation of all Costs and Charges incurred during the reporting period:

Cost Category	Amount (£)	% of investment as at 31 March 2021
Investment services and/or ancillary services	109,150	0.01
Third Party payments received by the Investment Firm	-	-
Investment product costs	7,498,283	0.75
Total costs and charges	**7,607,433**	**0.76**

Totals may not sum due to rounding.

Cumulative effect of costs and charges on return

The illustration below uses Reduction in Yield (RIY) methodology to show impact of the total costs you have incurred on the return of your investment. The amounts shown are the cumulative costs of investment services and products.

	Amount (£)	Percentage (%)
Cumulative effect of costs and charges on return	9,258,627	0.92

Annual performance figures sourced from Northern Trust.

Description of the illustration.

The following is an example of the cumulative effect of costs over time:
An investment portfolio with a beginning value of £1,006m, gaining an annual return of 22.3%, and subject to a fee of 0.76% per annum (calculated and paid monthly), would grow to £6,996m after 10 years.
In comparison, an investment portfolio with a beginning value of £1,006m, gaining an annual return of 22.3% but not subject to any fees would grow to £7,534m after 10 years.
The annualised returns over a 10-year period would be 22.3% (gross of fees) and 21.4% (net of fees).
Therefore, the cumulative impact of costs (fees) on investment return (reduction in yield) would be 0.90% per annum.

Appendix 5 – 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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Pension Fund Current Account Cashflow Actuals and Forecast for period: Jan 2021 to Mar 2021

	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	F'cast Annual Total	F'cast Monthly Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s		
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast		
Balance b/f	**1,008**	**1,615**	**1,971**	**2,692**	**1,077**	**262**	**2,147**	**532**	**1,718**	**603**	**988**	**173**	**£000s**	**£000s**
Contributions	2,455	2,452	2,489	2,600	2,600	**5,600**	2,600	2,600	2,600	2,600	2,600	2,600	**33,796**	**2,816**
Pensions	(2,791)	(2,795)	(2,858)	(2,815)	(2,815)	(2,815)	(2,815)	(2,815)	(2,815)	(2,815)	(2,815)	(2,815)	**(33,778)**	**(2,815)**
Lump Sums	(1,115)	(547)	(1,586)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	**(8,648)**	**(721)**
Net TVs in/(out)	(376)	(423)	477	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	**(3,022)**	**(252)**
Net Expenses	3	(50)	(67)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	**(1,914)**	**(160)**
Net Cash Surplus/(Deficit)	**(1,825)**	**(1,363)**	**(1,545)**	**(1,315)**	**(1,315)**	**1,685**	**(1,315)**	**(1,315)**	**(1,315)**	**(1,315)**	**(1,315)**	**(1,315)**	**(13,566)**	**(1,130)**
Distributions	0	1,401	602	-	800	500	-	800	500	-	800	500	**5,903**	**492**
Net Cash Surplus/(Deficit) including investment income	**(1,825)**	**38**	**(943)**	**(1,315)**	**(515)**	**2,185**	**(1,315)**	**(515)**	**(815)**	**(1,315)**	**(515)**	**(815)**	**(7,663)**	**(639)**
Withdrawals from Custody Cash	2,000	0	1,400		400	-	-		2,000	2,000	-	2,000	**9,800**	**980**
Balance c/f	**1,158**	**1,196**	**1,653**	**339**	**224**	**2,409**	**1,094**	**579**	**1,765**	**2,450**	**1,935**	**3,120**	**2,137**	**341**

Current Account Cashflow Actuals compared to forecast for period: Jan 2021 to Mar 2021

	Jan-21		Feb-21		Mar-21		Jan-Mar 21
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Contributions	2,600	2,455	2,600	2,452	2,600	2,489	(404)
Pensions	(3,300)	(2,791)	(3,300)	(2,795)	(3,300)	(2,858)	1,456
Lump Sums	(600)	(1,115)	(600)	(547)	(600)	(1,586)	(1,448)
Net TVs in/(out)	200	(376)	200	(423)	300	477	(1,022)
Expenses	(200)	3	(200)	(50)	(200)	(67)	486
Distributions	-	-	2,000	1,401	500	602	(497)
Withdrawals from Custody Cash	2,000	2,000	-	-	-	1,400	1,400
Total	**700**	**175**	**700**	**38**	**(700)**	**457**	**(30)**

Notes on variances during quarter:

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

Pension Fund Custody Invested Cashflow Actuals and Forecast for period: Jan 2021 to Mar 2021

	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	F'cast Annual Total	F'cast Monthly Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s		
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast		
Balance b/f	**5,432**	**4,722**	**4,879**	**7**	**2,507**	**607**	**407**	**2,407**	**4,407**	**5,207**	**3,207**	**5,207**	**£000s**	**£000s**
Sale of Assets	-	-	1,000			1,000		2,000	2,000		2,000	2,000	**10,000**	**1,250**
Purchase of Assets	(4)	(4)	(4,472)		(1,500)	(1,200)			(1,200)				**(8,380)**	**(1,397)**
Net Capital Cashflows	**(4)**	**(4)**	**(3,472)**	**0**	**(1,500)**	**(200)**	**0**	**2,000**	**800**	**0**	**2,000**	**2,000**	**1,620**	**135**
Distributions	1,295	161	0	2,500	-	-	2,000	-	2,000	-	-	1,000	**8,956**	**746**
Interest	(1)	(0)	(0)										**(2)**	**(1)**
Management Expenses	0	0	0										**0**	**0**
Foreign Exchange Gains/Losses	0	0	0										**0**	**0**
Class Actions	-	-	-										**0**	**0**
Net Revenue Cashflows	**1,294**	**161**	**(0)**	**2,500**	**0**	**0**	**2,000**	**0**	**2,000**	**0**	**0**	**1,000**	**8,955**	**746**
Net Cash Surplus/(Deficit) excluding withdrawals	**1,290**	**157**	**(3,472)**	**2,500**	**(1,500)**	**(200)**	**2,000**	**2,000**	**2,800**	**0**	**2,000**	**3,000**	**10,575**	**881**
Withdrawals from Custody Cash	(2,000)	0	(1,400)	0	(400)	0	0	0	(2,000)	(2,000)	0	(2,000)	**(9,800)**	**(817)**
Balance c/f	**4,722**	**4,879**	**7**	**2,507**	**607**	**407**	**2,407**	**4,407**	**5,207**	**3,207**	**5,207**	**6,207**	**775**	**65**

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

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. Valuations of illiquid assets such as property and infrastructure are increasingly difficult to determine.	5	4	1	10	4	44	40	↓	**TREAT** 1) Officers will continue to monitor the impact lockdown measures have on the fund's underlying investments and the wider economic environment 2) The Fund will continue to review its asset allocation and make any changes when necessary 3) The Fund holds a well diversified portfolio, which should reduce the downside risks of adverse stock market movements.	3	30	15/06/2021
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	15/06/2021
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	3	27	24	↓	**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	15/06/2021
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	15/06/2021
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	15/06/2021
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	15/06/2021

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**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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**	15/06/2021

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**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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	4	**40**	**40**	↔	**TREAT** 1) The fund holds investment in index-linked bonds (RPI protection which is higher than CPI) and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection. 2) Officers continue to monitor the increases in CPI inflation on an ongoing basis.	3	**30**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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**	15/06/2021

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**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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	2	**14**	**14**	↔	**TREAT** 1) Review at each triennial valuation and challenge actuary as required. 2) Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	1	**7**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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**	15/06/2021

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	15/06/2021
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	15/06/2021
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	15/06/2021
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	15/06/2021
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	15/06/2021
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	15/06/2021
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	15/06/2021
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	15/06/2021
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	15/06/2021
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	15/06/2021

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	15/06/2021
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	15/06/2021
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	50	30	↓	**TREAT** 1) A task force of key stakeholders has been assembled. Officers to feed into the internal processes necessary for the setup of an effective retained pensions team 2) Recruitment is underway for the the retained team 3) Officers to receive a handover pack from the departing RBKC retained pensions team. 4) Members have chosen the new service provider as the London Pensions Partnership, with a project team established to manage the transition. 5) A number of staff have been recruited with few posts unfilled.	3	30	15/06/2021
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	2	27	18	↓	**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	15/06/2021
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	15/06/2021
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	15/06/2021
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	15/06/2021
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	15/06/2021

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**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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. 3)Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	**11**	15/06/2021
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**	15/06/2021
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**	15/06/2021
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**	15/06/2021

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**	15/06/2021
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**	15/06/2021

London Borough of Hammersmith and Fulham

Report to: Pension Fund Committee

Date: 21 July 2021

Subject: Investment Strategy Update

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

Summary

This paper provides 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.

The Committee will also need to consider in the next six to twelve months whether it wishes to maintain a 5% allocation to infrastructure. The current Partners Group allocation is almost fully committed and will begin to return capital from next year, thus an additional allocation will need to be allocated to maintain a 5% Fund allocation over the medium term.

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

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

Recommendations

The Sub Committee is requested to:

1. Note the strategy update.
2. Invite Darwin to the next committee meeting to present their leisure development fund offering.

Wards Affected: None

LBHF Priorities

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

Financial Impact

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

Legal Implications

None

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Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

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1. Background

1.1. The Pension Fund Committee made three investment decisions at its meeting of 11 March 2021 which are as follows:

- Invest 5% of the Fund in Alpha Real Capital's ground rents fund.
- Invest 2.5% of the Fund in Man Group's social housing fund.
- Invest 2.5% of the Fund in Henley's secure income fund, subject to the fund achieving satisfactory statistics on certain factors and improved metrics by the first close deadline.

1.2. The Fund's investment consultant, Deloitte, has provided an update of the latest asset allocation attached at Appendix 1.

2. Investment Strategy

2.1. The two investment allocations to Alpha Real Capital and Man Group have been successfully agreed in principle, with all due diligence completed and paperwork now signed. Officers are waiting for the relevant capital calls before making the initial investments, which are expected to occur within the next few months.

2.2. However, the required improvements to the Henley fund that members were seeking have not been achieved by the fund closing period. As such, officers have not committed to the investment.

2.3. Henley have informed officers of their intention to raise a new fund should it be of interest. However, no commitment has been made to this new prospect as it was not discussed at the previous committee meeting. Members may wish to give some consideration to this new fund at a later date.

2.4. Members were provided with a short paper on Darwin's Leisure Development Fund at the previous committee meeting. A reminder of the benefits and risks to the Fund's strategy are listed below:

Benefits

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

Risks

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

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

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

2.5 Should members be comfortable with the fund, it is recommended that Darwin be invited to the next committee meeting to present their fund offering in more detail as a potential replacement for the Henley allocation.

3. Risk Management Implications

3.1. Risks are outlined in the report and attached appendices.

4. Other Implications

4.1. None

5. Consultation

5.1. None

List of Appendices:

Appendix 1: Investment Strategy Update
Appendix 2: Partners Group Infrastructure
Appendix 3: Asset Class Review – Darwin Alternatives (exempt)

Deloitte.

London Borough of Hammersmith and Fulham Pension Fund

Investment Strategy Update

June 2021

Introduction

This paper has been prepared for the Pensions Fund Committee ("the Committee") of the London Borough of Hammersmith & Fulham Pension Fund ("the Fund"). The purpose of which is to provide the Committee with information on the Fund's current investments and analysis estimating the current interest rate and inflation exposure of the assets in relation to the liabilities.

Background

The Fund's overall investment strategy allocation has undertaken some changes since the previous review in January 2020 due to changes in market views during the global pandemic and the need for swift action. In addition, over the period since the last review, several of the Fund's current investments have been in the process of drawing or returning capital as part of their investment life cycles alongside all assets delivering their respective returns further affecting the overall allocation.

In order for the Committee to understand the impact of each of these factors on the Fund's strategic allocation, the table overleaf has been prepared using values provided by Northern Trust as at 31 March 2021 with future allocations estimated based on committed capital. Within the table, the Fund's current and expected future asset allocation is shown alongside the current and expected future benchmark, with notable changes highlighted in green which are further explained below.

Manager	Asset Class	31 Mar 2021 (£m)	31 Mar 2021 (%)	Current B'mark (%)	Future Allocation (£'m)[1]	Future Allocation (%)[1]	Future B'mark (%)
LCIV	Global Equity Core	174.8	14.4	15.0	174.8	14.4	15.0
LGIM	Low Carbon Equity (passive)	381.4	31.4	30.0	381.4	31.4	30.0
	Total Equity	**556.2**	**45.8**	**45.0**	**556.2**	**45.8**	**45.0**
LCIV	Absolute Return	280.7	23.1	10.0	160.7	13.2	12.5[3]
LCIV	Global Bond	107.3	8.8	10.0	107.3	8.8	10.0
	Total Dynamic Asset Allocation	**388.0**	**32.0**	**20.0**	**268.0**	**22.1**	**22.5**
Partners Group	Multi Asset Credit	13.9	1.1	0.0	0.0	0.0	0.0
Oak Hill Advisors	Diversified Credit Strategy	80.0	6.6	7.5	80.0	6.6	7.5
Partners Group	Direct Infrastructure	32.0	2.6	5.0	48.8[2]	3.9	5.0
Aviva	Infrastructure Income	25.5	2.1	2.5	25.5	2.1	2.5
ASI	Multi Sector Private Credit	55.9	4.6	5.0	55.9	4.6	5.0
	Secure Income	**207.4**	**17.1**	**20.0**	**210.4**	**17.2**	**20.0**
M&G	Inflation Opportunities	0.0	0.0	10.0	0.0	-	0.0
ASI	Long Lease Property	61.2	5.0	5.0	61.2	5.0	5.0
ARC	Ground Rents	-	-	-	60.0	4.9	5.0
Man GPM	Affordable Housing	-	-	-	30.0	2.5	2.5
	Total Inflation Protection	**61.2**	**5.0**	**15.0**	**181.2**	**15.0**	**12.5**
Northern Trust	Trustee Bank Account	-	-	0.0	-	0.0	0.0
	Total	**1,213.2**	**100.0**	**100.0**	**1,216.2[2]**	**100.0**	**100.0**

Source: Northern Trust, note figures may not sum due to rounding
[1]Estimated based on 31 March 2021 figures and proposed allocations
[2]The Fund's commitment to the Partners Group Direct Infrastructure 2015 Fund is denominated in Euro thus any drawn down amount will fluctuate in GBP terms over time. As such the future figure to be drawn down in GBP terms has been estimated by Deloitte based on remaining commitment figures provided by Partners Group and the GBP:Euro exchange rate as at 31 March 2021.
[3]Includes 2.5% of the 10% M&G disinvestment, yet to be allocated elsewhere.

The notable developments to the Fund's strategy and allocation that are expected to occur in the coming periods include:

- The further realisation of the Partners Group MAC investment following the end of the fund's investment period in July 2017, with subsequent distributions occurring since. Partners Group have proposed to extend this by three years until 28 July 2024.

- The continued draw down of the Partners Group Direct Infrastructure 2015 Fund following the Fund's commitment in 2015, which is expected to occur predominantly over the remainder of 2021. Further details of which can be found in the *'Partners Infrastructure Update'* paper.

- On 1 September 2020, the Fund fully disinvested from the M&G Inflation Opportunities V Fund, with the decision to disinvest a result of the Fund's high exposure to the UK commercial property market as well as the impact the global pandemic was having on commercial property and M&G's rental collection. On 1 October 2020, the disinvestment proceeds were subsequently received from M&G, and on 16 October 2020, the proceeds were transferred into the LCIV Absolute Return Fund (c. £113m), managed by Ruffer, as a temporary allocation.

- 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 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).

- In addition, the Committee made a 'decision in principal' to allocate c. 2.5% to the Henley Secure Income Fund ("Henley SIPUT Fund") within the supported living asset class subject to Henley showing that certain factors and metrics had developed to a level the Committee were comfortable with within an appropriate time frame. Such factors and concerns have not been satisfied and with the fund holding a final close on 30 June 2021, the decision to invest was not taken. Further details of the developments of this decision can be found below.

Henley Update

The Henley Secure Income Property Unit Trust ("SIPUT") presentation during the manager selection exercise focused on the fund's approach to the supported living sector, development and construction of purpose-built residential accommodation.

The questions from the Committee at the meeting to Henley mainly focused on the some of the fund's characteristics, notably the current occupancy rates and how the manager would approach and address this going forward.

Following the meeting, as part of the formal decisions taken by the Committee a 'decision in principal' was taken with respect to the Henley SIPUT Fund such that Fund would make an allocation to Henley providing that the underlying characteristics including occupancy improved. The Committee delegated the monitoring of Henley to the Officers and Deloitte, with the view to final decision by the Committee during at a Pension Fund Committee meeting later this year.

There was a call on 29 April 2021 between Henley, Deloitte, Officers and Michael Adam. On this call, Henley shared their projections for occupancy improvements, diversification of registered providers and capex completion. The occupancy level was c. 83% excluding capex and c. 77% including capex. Henley stated the fund was on track to reach 90% occupancy by year end.

While the reasoning for occupancy rates to be below expected/target levels was understood, as well as the rationale for this to continue improving throughout the year, it was still not at a level deemed satisfactory by Officers (in agreement with Deloitte and Mike). With the SIPUT closing on 30 June 2021, the Officer recommendation is to not make an investment in Henley SIPUT.

Interest Rate and Inflation Exposure

To analyse the current and future investment strategy and opportunities of the Fund, one area that can be considered is the impact of changes in interest rates and inflation. When either increases or decreases it is likely that the present-day value of both the Fund's assets and liabilities will change, creating an element of funding volatility as the relative movement of each may be different.

Although the Fund's liabilities are valued through a "best-estimate minus" discount rate by the Scheme Actuary, which considers the allocation of the Fund's assets and their return assumptions, due to the market interactions between these assets and changes in interest rates, the underlying expected return on each may change. A proportion of the Fund's liabilities will also be valued with an inflation assumption that will change with economic developments and expectations.

Overall, it is expected that as interest rates increase/decrease (increasing/decreasing the discount rate used), the value of the Fund's liabilities will fall/rise. Conversely, as expected inflation increases/decreases, the value of the Fund's liabilities will be expected to rise/fall.

Changes in interest rates and expected inflation can also impact the value of assets within investment markets. For asset classes that are underpinned by a series of future cashflows such as bonds, the present value of these assets will often be dependent on a discount rate that itself is dependent on current interest rates plus a spread (representing credit risk for example). Similarly, if the future cashflows are linked to inflation such as index-linked gilts, then the present-day value will be discounted at an expected rate of inflation.

As assets are generally not just valued using a discounted cashflow model and are dependent on other factors, as highlighted earlier, the asset's values may change to a different extent than the underlying changes in interest rates or inflation.

Relative Hedging

A method used to analyse a pension schemes sensitivity to interest rate and inflation movements relative to liabilities is to estimate the value change that would occur if either interest rate was to increase/decrease by the same value across both assets and liabilities.

The value change is generally estimated by taking the cashflow component of an asset or liability and changing either the interest rate or inflation assumption within the discount rate, with long-dated cashflows more sensitivity to the assumption changes due to increased levels of discounting. The sensitivity change that is generally used is a 1 basis point ("bp") shift, denoted by PV01 for changes in interest rate and IE01 for changes in inflation. By comparing the total change of the assets relative to the total change of the liabilities, a hedging level can be obtained.

We asked the Fund's investment managers to estimate the PV01 and IE01 of their respective portfolios. In some instances, where a 1bp change to interest rates or inflation did not have any material impact on the present valuation, the managers have used a larger discount rate adjustment (35bp or 50bp) and scaled back to get the impact of a 1bp move. In instances where PV01 and IE01 was not available, we have made an estimation using the duration of the portfolio and expected inflation linkage where appropriate. Given most of the Fund's investments are assets where values will be impacted by other market forces and cashflows are to an extent uncertain, this is not a precise hedge by any means, but does give some indication of the extent to which the Fund's assets will be impacted by changes in interest rates and inflation expectations.

The latest available sensitivity estimates of the Fund's liabilities are given in the 31 March 2019 valuation report. Based on the information provided by the investment managers we estimate that the Fund had c. 19% hedging level to interest rates and c. 46% inflation hedging level based on 31 March 2021 values. When including the future allocations to the Alpha Real Capital ground rents and Man Group affordable housing mandates, the interest rate and inflation hedging levels is expected to increase to c. 34% and c. 79% respectively. It should however be highlighted that these may be slightly inflated, given we are comparing the value of the assets as at 31 March 2021 with the value of the liabilities at 31 March 2019. If the value of the liabilities has increased since 2019, the estimated hedge levels will be lower.

The Fund's overall higher inflation hedging level is partly attributed to the liabilities being less sensitive to changes in inflation, with total assets being roughly equal in terms of interest rate and inflation sensitivity in estimated absolute terms.

It should also be noted that the majority of inflation sensitivity from the assets is via the ARC ground rents allocation and the ASI Long Lease allocation, both of which provider inflation-linked income through rental leases. As mentioned earlier, the inflation 'hedge' from both funds can be impacted by other market forces (such as defaults and occupancy levels), but is also not necessarily a true inflation hedge, given rental uplifts are often relatively infrequent (typically annual). Therefore, changes to inflation expectations would have not have an immediate impact on these assets to the same extent as it would on the Fund's liabilities.

The Fund's has a relatively small exposure to assets which we would expect to move more closely with the liabilities in terms of reacting to changes in interest rates and inflation expectations. Only the Fund's investment with PIMCO, which invests predominantly in investment grade corporate bonds, and Ruffer, which holds a significant allocation to index-linked Gilts would hold the characteristics we would expect of true hedging assets. Both funds combined deliver hedge levels of c. 7% and c. 25% relative to changes in interest rates and inflation expectations respectively.

Deloitte Comments

Firstly, given the caveats around using asset and liability valuations at inconsistent dates, we would recommend this analysis is undertaken again in line with the latest actuarial valuation to give a clearer picture. That said, this should give the Committee an idea of how the assets are likely to move and the degree of which the assets are exposed to changes to interest rates and inflation, relative to the liabilities.

From an overall allocation perspective, the Committee should consider the 2.5% allocation that remains with Ruffer, following the M&G disinvestment last year. We have prepared a separate paper on the Leisure Property Sector and will also be having a call with Henley on 22 June 2021 regarding a new fund opportunity which they believe may eradicate some of the concerns raised. We will provide a verbal update to the Committee at the Committee meeting on 28 June 2021.

Deloitte Total Reward and Benefits Limited

June 2021

Risk Warnings

- 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.

Deloitte.

London Borough of Hammersmith and Fulham Pension Fund

Partners Infrastructure Update

June 2021

Introduction

This paper has been prepared for the Pension Fund Committee ("the Committee") of the London Borough of Hammersmith & Fulham Pension Fund ("the Fund"). The purpose of which is to provide the Committee with information on the Fund's current investment within the Partners Group Direct Infrastructure 2015 Fund, including details on expected cashflows and the current underlying portfolio, and to provide details on Partners Group current direct infrastructure offering, the Partners Group Direct Infrastructure 2020 Fund.

This paper will outline considerations the Committee may wish to take with respect to their allocation to the infrastructure asset class as the Fund's current investment evolves and highlight any potential risks and issues that might arise. The information provided in this paper has been provided by Partners Group, with Deloitte partaking in a call with the manager on 8 April 2021.

Background

Following an investment strategy review in November 2014, the Fund agreed to a c. 5% allocation to infrastructure. During March 2015, a manager selection exercise was carried out with the Fund choosing to invest within the Partners Group Direct Infrastructure 2015 Fund, with a total commitment value of €55.0m.

At final close the Direct Infrastructure 2015 Fund had total commitments of €1,080.6m, with an expected 4-year drawdown period with the option to extend this by a further 12-months, if required. The total fund term was 12 years, with the option of a further three one-year extensions. The Fund made its first investment into the Direct Infrastructure 2015 Fund during August 2015, with the final close to new investors occurring in August 2017.

The Direct Infrastructure 2015 Fund is expected to achieve both a yield and capital return through a portfolio diversified by sector, global geography and stage of development with a focus on risk-adjusted returns. The fund is also able to invest in both infrastructure equity and debt opportunities.

Current Position

Since August 2015, the Direct Infrastructure 2015 Fund has issued 25 capital calls, as it draws down funds to invest, with the latest occurring in April 2021. For earlier investments, Partners Group has also been able to realise some of these investments, with London Borough of Hammersmith and Fulham Pension Fund subsequently receiving three distributions through three realisations, with two occurring during the fourth quarter of 2020.

As at 31 December 2020, the Partners Group has made 16 unrealised investments, which are predominantly within the energy infrastructure sector including within renewable energy generation and transmission, alongside communication and transportation based assets.

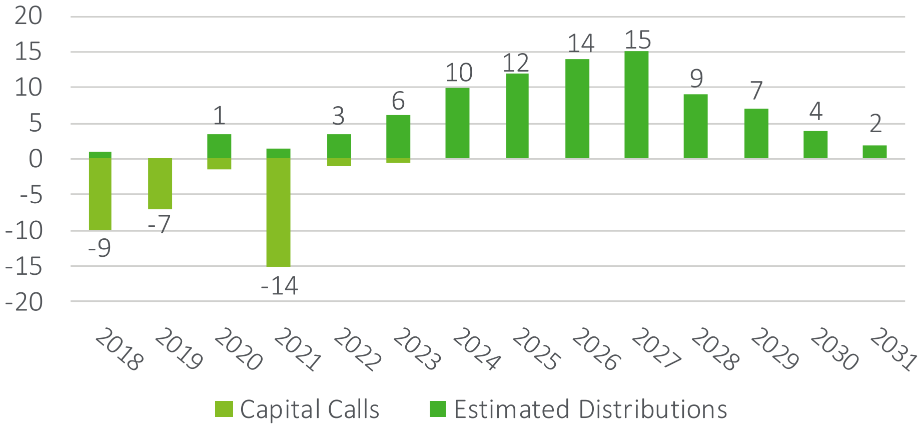
Partners Group have stated that the infrastructure fund is now c. 92% committed to opportunities and investments, with Partners Group likely to only make one or two future investments to fully commit all capital.

Despite the challenges to certain infrastructure sectors that have occurred due to the pandemic, the Direct Infrastructure 2015 Fund has benefitted from Partners Group strategy to invest in opportunities that are not dependent on GDP and for those that are, for them to be an essential service or with strong contractual backing. Resultantly since inception to 28 February 2021, the Fund's allocation has delivered a c. 7.1% p.a. return.

Expected Future Cashflow

As with any infrastructure investment, as the Direct Infrastructure 2015 Fund's investments begin to reach their maturity, the cashflow profile of the overall investment will begin to change from calling the remaining capital to higher amounts of distribution until the investments are all fully realised.

Partners Group have currently called a total c. €37.6m or c. 68% of the total commitment made by the Fund, with a further c. €17.4m expected to be drawn down over the remainder of the year. Partners Group have provided the following estimation of future cashflows for the Fund's investment as an illustrative guide dependent on future investment performance and market conditions:



Post 2022, it is expected that the Direct Infrastructure 2015 Fund will become a net distributor and return a significant proportion of capital between 2022 and 2027. As such this presents both a re-investment risk to the LBHF Pension Fund if the funds are not appropriately re-invested into assets, which occurs with the majority of infrastructure investments, and an opportunity to consider where to re-invest this capital.

One consideration that the Committee could choose to explore is to re-invest this capital into a newer vintage infrastructure fund to allow for a continuation of the Fund's current infrastructure allocation.

Partners Group Direct Infrastructure 2020 Fund

The Partners Group Direct Infrastructure 2020 Fund is the third vintage in the Direct Infrastructure series and resultantly follows a similar process and approach to the Fund's current investment.

As the sector has evolved since 2015, the target assets and themes have also developed to address areas of the market that Partners Group deems attractive, including decarbonisation, digitisation and 'new living', which includes mobility, water sustainability and other social infrastructure.

The latest fund continues to have a strong focus on ESG, which has been incorporated into Partners Groups four step approach to delivering investor return through sourcing, due diligence, holding and reporting. Sourcing includes the negative screening of illegal and harmful products/services and high-level ESG trends and themes, whilst Partners due diligence stage involves the identification and mitigation of material ESG risks. To ensure that future assets continue to meet ESG related metrics, continued management and responsible investment is continued over the lifetime of the investment, including necessary monitoring and reporting.

At a high level, the 2020 Fund is expected to have a similar geographic allocation to the 2015 Fund, predominantly across Europe and the Americas, with a small allocation to the Asia Pacific region.

Similarly, it is expected to target the same sectors, with investments across communication, energy infrastructure, renewable power, transportation, social infrastructure and waste/water management. Resultantly, Partners Group has sourced six seed assets that are expected to exceed $1bn in commitment value, which are expected to close during Q2 2021.

As a comparison, the terms of the 2015 and 2020 Funds as given by Partners Group are provided below:

	Direct Infrastructure 2015 Fund	Direct Infrastructure 2020 Fund
Fund size/AuM	€1,080.6m final close, €738.1m funded as at 3 May 2021	$5bn target, $3bn closed, $1.2bn committed as at May 2021
Liquidity	12-year close ended fund term with option for three 1-year extensions following final close. 4-year investment period with option for 1-year extension.	12-year close ended fund term subject to extensions. 4-year investment period subject to extensions.
No. of assets	19 (3 realised) as at 31 December 2020	c. 20 target
Performance/expected return	Since Inception: 10.5% p.a. as at 31 December 2020	Target: 8-12% p.a. with a 4-6% p.a cash yield
Management Fees	0.75% p.a. (the London Borough Hammersmith and Fulham received an early investor discount in 2015)	1.05% p.a. (LGPS discount)
Performance Fees	15% of performance above a preferred return of 6% p.a.	20% of performance above a preferred return of 7% (with 80/20 catch up)

[1]Source: Partners Group. EUR returns.

Deloitte Comments

The Fund's infrastructure allocation is likely to reduce from next year. Although this is expected to happen over a period of 8-10 years, by 2025 we would expect the allocation to almost half. Should the Committee wish to maintain this allocation, it would be worth considering over the next 6 - 12 months, given the relatively slow ramp up that a new allocation would take.

Partners Group have delivered strongly with the 2015 fund in terms of deployment, diversification and return. The 2020 fund looks to follow a similar structure but given changing market opportunities, may have more exposure to green/renewable energy sectors.

As part of any review, the Committee should also consider any infrastructure fund available through the London CIV.

Deloitte Total Reward and Benefits Limited

June 2021

Risk Warnings

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- 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.

London Borough of Hammersmith and Fulham

Report to: Pension Fund Committee

Date: 21 July 2021

Subject: Tri-Borough Section 113 Agreement Review

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

Summary

1.1 This paper presents the Tri-Borough Section 113 (S113) Agreement review of the Tri-Borough Treasury and Pensions and Treasury Services, as undertaken by an independent consultant during August 2020.

Recommendations

The Pension Fund Committee is requested to:

1. Note the report.

Wards Affected: None

LBHF Priorities

Our Priorities	Summary of how this report aligns to the LBHF priorities
• 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

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Position: Director of Treasury and Pensions
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Email: ptriggs@westminster.gov.uk

Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

Overview

1. Background

1.1. The London Borough of Hammersmith and Fulham, Westminster City Council, and the Royal Borough of Kensington and Chelsea operate Treasury and Pensions services through a Tri-Borough joint working arrangement established under S113 of the Local Government Act 1972.

1.2. The agreement for shared Treasury and Pension services commenced in February 2012, and the Council commissioned an independent consultant to review this agreement in August 2020.

1.3. The scope of this review covered the following areas, with particular focus on development of the performance management and cost recharging arrangements:

- Governance arrangements
- Identifying key tasks and processes
- Oversight of third party activities
- Quality standards and internal audit coverage
- Key performance indicators (KPIs)
- Added value

- Staff structures, liaison and communication
- Contract monitoring
- Cost recharging arrangements

2. Recommendations for the Pension Service

2.1 The following key recommendations have arisen from the review:

- Governance Arrangements:
  - S113 agreement expanded to reflect current expectations in key processes undertaken by the Tri-Borough team, quality standards/KPIs, cost recharging and added value identification and delivery.

- Identifying key tasks and processes:
  - Key tasks, as shown within Appendix 1 of the S113 Review, should be included within the S113 agreement and form the basis for performance management.

- Oversight of third party activities:
  - S113 agreement updated to reflect that the Tri-Borough team is not directly responsible for delivering pensions administration but has a role of oversight and performance monitoring.

- Quality standards and internal audit coverage:
  - The agreement requires all staff to hold or be working towards Central Council of Accounting Bodies (CCAB) qualifications and attend regular technical training. It should be noted that all Tri-Borough pension managers and treasury managers currently meet this recommendation.
  - S113 agreement amended to include specific requirements for regular internal audit and controls assurance reports from all third party service providers. It should be noted that the Pension Fund already requests these reports from third party providers and is subject to an internal audit every two to three years.

- KPIs:
  - It is recommended that the following KPIs are included in the S113 agreement:

Key performance target	Measured by
Funding level at least equal to LGPS averages	Actuarial revaluation every three years
Investment management costs under 0.5% of year end net asset value (NAV) of each fund	Calculate based on year end fund accounts
Maintain asset allocations in line with strategy approved by members	Confirmed (or otherwise) by the independent investment advisor's quarterly review
All contributions due from employing bodies are collected promptly	Reported quarterly to members and monthly to S151 officer
Sufficient cash is available to	Reported quarterly to members

pay pension benefits as they fall due	and monthly to S151 officer

- Added value:
    - The Strategic Investment Manager should spend at least a third of their time on added value activities, determined in principle at the start of each financial year.

- Staff structures, liaison and communication:
    - S113 agreement updated to reflect the current staffing structure.
    - Key tasks in regard to communication and engagement across the Tri-Borough, as shown within Appendix 1 within the S113 review, should be included within the S113 agreement and form the basis for performance management.

- Contract monitoring:
    - The Council is provided with a short dashboard report each month, summarising key transactions/balances, that these are in line with strategies and whether key performance targets have been met. This should form the basis as of an annual review of the S113 agreement with each S151 officer. A suggested format is provided within Appendix 3 of the S113 review. It should be noted that the Fund is provided with a performance report every month from the custodian, Northern Trust. Alongside this, the Fund reports monthly to ELT on asset values, funding position, cashflows, investment/administration updates and performance.

- Cost recharging arrangements:
    - Annual cost reallocations should be increased to cover accommodation, overheads and other direct expenditure. Shared posts should be allocated in proportion to the relative value of the assets and liabilities under management, as shown below:

Westminster	40%
Hammersmith and Fulham	30%
Kensington and Chelsea	30%

It should be noted that the Fund already includes such overheads and accommodation charges within its annual cost recharging exercise. In addition to this, the Fund has amended the reallocation as a result of this exercise from 2020/21 onwards.

    - Recharges are agreed at the start of the year, based on approved revenue budgets and monitored by the Council. It should be noted that this process is already undertaken by the Council's departmental finance teams.

2.2 A more detailed analysis of the review undertaken can be found within Appendix 1 of this report. In addition to this an updated version of the S113 agreement, to reflect the recommendations arising from the review, is included within Appendix 2.

3 Risk Management Implications

3.1 None

4 Other Implications

4.1 None

5 Consultation

5.1 None

List of Appendices:

Appendix 1: S113 Review August 2020
Appendix 2: Tri-Borough S113 updated agreement

DATED 2021

(1) THE LORD MAYOR AND CITIZENS OF THE CITY OF WESTMINSTER

AND

(2) THE MAYOR AND BURGESSES OF THE LONDON BOROUGH OF HAMMERSMITH AND FULHAM

AND

(3) THE MAYOR AND BURGESSES OF THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

TRI-BOROUGH JOINT WORKING AGREEMENT

PENSIONS AND TREASURY SERVICES

Peter Large
Head of Legal Services
Westminster City Council
City Hall
64 Victoria Street
London SW1E 6QP

SECTION 1 - DATE OF AGREEMENT, PARTIES AND BACKGROUND

THIS AGREEMENT is made on **the** day of X 2021

PARTIES

(1) THE LORD MAYOR AND CITIZENS OF THE CITY OF WESTMINSTER of City Hall, 64 Victoria Street, London SW1E 6QP

(2) THE MAYOR AND BURGESSES OF THE LONDON BOROUGH OF HAMMERSMITH AND FULHAM of the Town Hall, King Street, London, W6 9JU

(3) THE MAYOR AND BURGESSES OF THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA of The Town Hall, Hornton Street, London W8 7NX

1. **BACKGROUND**

1.1 The Parties wish to realise future efficiencies and resilience through the combination, sharing and closer integration of a range of services including pensions and treasury services.

1.2 Although the Parties wish to combine and integrate the Services, they wish to do so initially through a process of alignment, joint working and co-location rather than through the appointment of a lead authority to whom all relevant functions are delegated and staff transferred. The Parties intend that the pension fund and other investment funds of each authority shall remain separate and segregated and shall not be pooled. The Parties have given a Sovereignty Guarantee to ensure that the independence of the authorities as political and legal entities is protected.

1.3 To combine and integrate the Services in the manner described in Paragraph 1.2, the Parties have agreed to develop a bespoke joint working arrangement. The terms of this arrangement are documented in this Agreement and includes the exercise of powers contained in Section 113 of the 1972 Act so that officers of each authority are made available to the other authorities for the purposes of performing functions as an officer of the other authorities for the purpose of co-locating and integrating the future marketing and delivery of the Pensions and Treasury Service. In the future it is intended that the arrangements described in this Agreement will be further developed to improve the resilience of the team and its capacity to take on additional work from other London Boroughs.

SECTION 2 - INTERPRETATION, DURATION & THE ARRANGEMENTS

2. DEFINITIONS AND INTERPRETATION

This Agreement shall be interpreted in accordance with **Schedule 1**.

3. DURATION OF THE AGREEMENT

This Agreement shall commence on the Commencement Date and shall continue in force until it is terminated in accordance with **Clause 25**.

4. THE ARRANGEMENTS

4.1 The Parties agree that **Schedule 2** sets out the:

4.1.1. aims, benefits and intended outcomes of the Parties in entering into the Arrangements; and

4.1.2. high level principles which underpin the delivery of the Parties' obligations under this Agreement

4.1.3. key tasks and activities to be provided as part of these arrangements

4.1.4. key performance targets and quality standards anticipated.

4.2 The Parties agree that the aims, benefits and intended outcomes and the principles set out in **Schedule 2** are aspirational and are not intended to give rise to legally binding rights and obligations between the Parties.

4.3 Subject to and in accordance with the terms of this Agreement and with effect from the Commencement Date, the Parties have agreed to implement the Arrangements, being:

4.3.1 the arrangements regarding Combined Teams in **Section 3**

4.3.2 the governance arrangements in **Section 4;** and

4.3.3 the financial arrangements in **Section 5**;

4.4 The Arrangements shall not affect the liabilities of the Parties to any third parties for the exercise of their respective functions and obligations.

5. DELEGATION OF FUNCTIONS

5.1 Nothing in this Agreement has (or is intended to have) the effect of transferring statutory functions from one Party to another. This means that the performance by a Post Holder of their S113 Duties is done in their capacity as an officer of the Non-Employing Party. That Post Holder is not exercising functions delegated by the Non-Employing Party to the Employing Party.

5.2 Parties may only delegate their statutory functions to each other in exercise of the powers contained in S101 of the Local Government Act 1972 and S17 of the Local Government Act 2000. In the event that any of the Parties agree to enter into such an arrangement it will be recorded in a separate agreement that has been signed by participating Parties.

SECTION 3 – SECTION 113 ARRANGEMENTS

6. SHARING EMPLOYEES

6.1 With effect from the Commencement Date, it is agreed that, in exercise of the powers contained in Section 113 of the 1972 Act and in accordance with **Schedule 5** the Parties will make those individuals identified in **Schedule 5,** available to the other Parties for the purposes of enabling each Post Holder to deliver the Services through the combined performance of their Employee Duties and, in accordance with their individual Agreement, their S113 Duties.

6.2. **Tri-borough Director of Pensions and Treasury Post**

6.2.1. The Employing Party shall at its absolute discretion deal with any management issues relating to the Tri-borough Director of Pensions and Treasury, including but not limited to those relating to capability, performance and conduct, as it considers appropriate in consultation with the Non-employing Parties. Before taking any decision to act, or to decline to act, the Employing Party shall consider any representations from the Non-employing Parties and, if requested by either of them, provide reasons for its decision in writing.

6.2.2 The Non-employing Parties will provide information with structured comment and feedback on the performance reviews of the Tri-borough Director of Pensions and Treasury which shall be conducted using the Employing Party's appraisal and performance management scheme in force from time to time. The Employing Party undertakes to take the Non-employing Parties views and representations into consideration in conducting the performance review.

6.2.3 The Parties may carry out joint supervisions of the work of the Tri-borough Director of Pensions and Treasury. at six monthly intervals or as otherwise agreed..

6.2.4 Without prejudice to Clause 6 1-3 above, if a Non-employing Party is dissatisfied with the capability, performance or conduct of the Tri-borough Director of Pensions and Treasury it may request a meeting with the Employing Party by giving five (5) working days notice to that effect.

6.2.5 At such a meeting the Parties will discuss and agree an action plan under which the Employing Party and the Tri-borough Director of Pensions and Treasury will be give a reasonable period of time to resolve the Non-employing Party's concerns ("the agreed period").

6.2.6 Where the Non-employing party is not reasonably satisfied that their concerns have been resolved within the agreed period they may initiate the Dispute Resolution Procedure.

6.2.7 The Non-employing Parties shall provide any information, documentation, access to their premises, employees and assistance (including but not limited to providing witnesses to attend before any committee, court or tribunal) as may reasonably be required by the Employing Party to enable it to deal with any management issues in relation to the Tri-borough Director of Pensions and Treasury whether under its own procedures or before any court or tribunal.

SECTION 4 – GOVERNANCE, ACCOUNTABILITY, MONITORING AND REVIEW

7. ACCOUNTABILITY

7.1 For the purposes of these Arrangements, the Post Holder will be accountable to:

7.1.1 the Non-Employing Party for the performance of their S113 Duties; and

7.1.2. the Employing Party for the performance of their Employee Duties

8. ANNUAL REVIEW

8.1 The Tri-borough Director of Pensions and Treasury shall carry out an annual review of the Arrangements for the purpose of evaluating;

8.1.1 performance of the Arrangements against the targets, priorities and outcomes specified in this Agreement (or such other targets, priorities and outcomes as may be agreed between the Parties in writing from time to time);

8.1.2 targets and priorities for the next Financial Year;

8.1.3 the operation and effectiveness of the Arrangements;

8.1.4 delivery of agreed outcomes and benefits and the role of the arrangements in relation to such delivery.

8.2 Following a review held in accordance with **Clause 8.1**, the Tri-borough Director of Pensions and Treasury will make recommendations to the Parties in respect of Arrangements.

8.3 The Parties will consider the recommendations made by the Tri-borough Director of Pensions and Treasury pursuant to **Clause 8.2** with a view to agreeing an "Annual Pensions & Treasury Services Strategic Business Plan" summarising the priorities, targets, budgets for the next Financial Year together with any variations to the Arrangements.

SECTION 5 – FINANCIAL & HR ARRANGEMENTS

9. FINANCIAL ARRANGEMENTS FOR POST HOLDERS

9.1 In respect of each Post Holder, the Employing Party shall be responsible for the payment (**subject to Clause 9.2 and 12**) of all sums due and payable to that Post Holder in accordance with their Employment Contract, including (without limitation) all tax, national insurance and pension contributions.

9.2 The Non-Employing Party will reimburse the Employing Party for all expenses incurred by a Post Holder in the performance of their S113 Duties (where such expenses are recoverable from the Employing Party's expenses policy). In the event that expenses relate to both S113 Duties and Employee Duties, the Non-Employing Party will reimburse the Employing Party for such proportion as is agreed between the Parties.

9.3 The costs of any training which a Post Holder is required or requested by the Non-Employing Party to attend for purposes connected with the performance of a Post Holder's S113 Duties, or which is requested by the Post Holder and agreed to by the non-Employing Party, will be funded by the Non-Employing Party.

10. FINANCIAL PROTOCOL

10.1 As part of the Parties wider commitment to combination, integration and joint working, the Parties have developed a Financial Protocol set out in **Schedule 4** that establishes the principles of their financial relationship with effect from the Commencement Date. The Parties agree to be bound by the terms of the Financial Protocol and to fulfil their respective obligations there under.

10.2 The Parties may agree to vary the Financial Protocol from time to time in accordance with **Clause 26**.

11. HUMAN RESOURCES (HR) PROTOCOL

11.1 The Parties have jointly developed the HR Protocol set out in **Schedule 3** for the ongoing management of the combined teams arising out of or in relation to the Arrangements. This protocol is designed to support the Arrangements but is not intended to be (and, unless the Parties expressly agree otherwise in writing, will not have the effect of being) a substitute for a Party's existing HR policies and procedures.

11.2 The Parties agree to be bound by the terms of the HR Protocol and to fulfil their respective obligations there under.

11.3 The Parties may agree to vary the HR Protocol in accordance with **Clause 26**.

SECTION 6 - LIABILITIES AND INSURANCE

12. INDEMNITIES, LIABILITIES AND INSURANCE

12.1 Each Party shall indemnify the other Party against any Loss (excluding Indirect Loss) suffered or incurred by the indemnified Party arising out of or in connection with:

12.1.1 the indemnifying Party's negligence or breach of contract; and

12.1.2 any claim made by a third party arising out of or in connection with the indemnifying Party's negligence or breach of contract, in each case in connection with the performance or failure of performance of the indemnifying Party's obligations under this Agreement, except to the extent that such Loss has been caused by any negligence, act or omission by, or on the part of, or in accordance with the instructions of the other Party.

12.2 Subject to clause 12.3 the Parties agree that they will be responsible for the activities of a Post Holder as follows:

12.2.1 the Non-Employing Party will be responsible for the acts or omissions of any Post Holder when performing their S113 Duties or otherwise acting in their capacity as an officer of the Non-Employing Party; and

12.2.2 the Employing Party will be responsible for the acts or omissions of any Post Holder when performing their Employee Duties or otherwise acting in their capacity as an officer of the Employing Party.

12.3 Subject to **Clauses 12.4 to 12.7**, any Loss incurred in relation to or arising from a Post Holder's employment whether or not following termination of employment of a Post Holder or termination of this Agreement including any award by a court or tribunal shall be the responsibility of the Employing Party. As between the Parties to this Agreement, the Non-Employing Party shall have no liability in respect of such Loss and the Employing Party agrees to indemnify the Non-Employing Party against any such Loss.

12.4 The Parties hold the view that TUPE will not apply on the commencement of this Agreement, during the term of the Agreement or on the expiry or termination of this Agreement (in whole or in part). However if TUPE operates so as to transfer the contract of employment of any Post Holder due to a Relevant Transfer from one Party ("the Transferor Party") to the other Party ("the Transferee Party"), the Parties shall comply with their legal obligations under TUPE.

12.5 Subject to **Clause 12.7**, the Transferor Party shall be liable for and shall indemnify the Transferee Party against any Employee Liabilities incurred by the Transferee Party which arise before on or after the Relevant Transfer and out of an act or omission of the Transferor Party in connection with:

12.5.1 the Post Holder's employment with the Transferor Party;

12.5.2 any failure to comply with the obligations under Regulations 13 and 14 of TUPE (including any claim brought by an employee representative for breach of Regulations 13 and/or 14 of TUPE) except where such failure arises from the Transferee Party's failure to comply with its obligations under Regulations 13 and/or 14 of TUPE.

12.6 Subject to **Clause 12.7** the Transferee Party shall be liable for and shall indemnify the Transferor Party against any Employee Liabilities incurred by the Transferor Party which arise before on or after the Relevant Transfer caused by an act or omission of the Transferee Party in connection with:

12.6.1 the Post Holder’s employment with the Transferee Party;

12.6.2 any failure to comply with the obligations under Regulations 13 and 14 of TUPE (including any claim brought by an employee representative for breach of Regulations 13 and/or 14 of TUPE.

12.7 Where any Employee Liabilities arise partly as a result of any act or omission of the Transferee Party and partly as a result of any act or omission of the Transferor Party whether before on or after the date of the Relevant Transfer, the Parties shall indemnify each other against only such part of the Employee Liabilities sustained by the other Party as is reasonably attributable to the act or omission of that Party.

Mitigation

12.8 In relation to the indemnities of this **Clause 12**, the Parties agree to co-operate with each other and take all reasonable steps to mitigate any costs and expenses and any adverse effect on industrial or employee relations.

13. INSURANCE

13.1 Each Party may choose to maintain policies of insurance in respect of all potential liabilities arising from these Arrangements (as outlined in the Financial Protocol). A decision not to insure does not relieve a Party of its responsibilities under this Agreement.

13.1.1 Each Party agrees to ensure that:

13.1.2 where they are the Non-Employing Party, the insurance policies maintained pursuant to **Clause 13.1** cover liabilities that may be incurred through the performance, by a Post Holder , of their S113 Duties;

13.1.3 where they are the Employing Party, the insurance policies maintained pursuant to **Clause 13.1** cover liabilities that may be incurred through the performance, by a Post Holder, of their Employee Duties.

SECTION 7 - OVERARCHING OPERATIONAL ISSUES

14. STANDARDS OF CONDUCT

14.1 The Parties will comply and will ensure the Arrangements comply with all statutory requirements national and local and other guidance on conduct and probity and good corporate governance (including the Parties' respective Constitutions and Standing Orders).

14.2 The Parties will review and, where permitted and appropriate, amend their Constitution including but not limited to Standing Orders, Financial Standing Orders Schemes of Delegation, Banking Mandates and other relevant documents as necessary to ensure compliance with their obligations under this Agreement and to enable the Arrangement to operate as smoothly and efficiently as practicable. Nothing in this clause shall require a Party to make amendments which in its reasonable belief would be inconsistent with the Sovereignty Guarantee.

15. CONFLICT OF INTEREST

15.1 The Parties acknowledge that conflicts of interest may arise during the course of this Agreement. The Parties agree that circumstances in which a conflict of interest may arise include, but are not limited to, the following:

15.1.1 when the private interests of a Post Holder conflict with the interests of the Non-Employing Party in the context of the Arrangements (a “**Private Interest Conflict**”);

15.1.2 when the duties of a Post Holder arising under or in connection with the furtherance of integrated working conflict with the duties owed by that Post Holder to the Employing Party (a “**Combined Working Conflict**”).

Private Interest Conflict

15.2 In the event that a Private Interest Conflict arises, or a Post Holder suspects that it will arise, the Employing Party shall procure that full details of such Private Interest Conflict shall as soon as possible be reported to and recorded by the Employing Party in accordance with the Employing Party’s policies and procedures for handling conflicts of interest.

15.3 When an Employing Party receives notification or otherwise becomes aware of a Private Interest Conflict pursuant to **Clause 17.2** the Employing Party shall as soon as possible notify the Chief Executives of such Private Interest Conflict who shall take such action as is appropriate in the circumstances to resolve the conflict.

15.4 In the event that the Chief Executives receives notification of a Private Interest Conflict pursuant to **Clause 17.3** and any Chief Executive considers that he is likewise subject to that or another conflict of interest that Chief Executive shall as soon as possible notify the Leaders of the relevant Parties.

15.5 Upon receiving notification from a Chief Executive pursuant to **Clause 17.4** the Parties shall ensure that the Leaders of the relevant Parties shall do what is required in order to ensure that the interests of the Parties are protected in accordance with applicable best practice for the management of conflicts of interests and having due regard to the employment policies and procedures of the Employing Party.

Combined Working Conflict

15.6 In the event that a Combined Working Conflict arises and which affects the Tri-borough Director of Pensions and Treasury's or member of the Pension and Treasury team ability to act in the best interests of both Parties, the Tri-borough Director of Pensions and Treasury shall as soon as possible inform Parties that a Combined Working Conflict exists.

15.7 On receiving notice from the Tri-borough Director of Pensions and Treasury pursuant to **Clause 15.6** the Non Employing Party or Parties shall appoint an interim Director on such terms and for such duration as they believe is reasonably necessary and appropriate in the circumstances.

15.8 In the event that a Combined Working Conflict arises which is not covered by **Clause 15.6**, the Parties will ensure that the Tri-borough Director of Pensions and Treasury shall ensure that immediate steps are taken to promote and protect the interests of all Parties and their respective employees and where necessary the Parties shall use reasonable endeavours to procure that the Tri-borough Director of Pensions and Treasury seeks appropriate independent professional advice.

15.9 The Parties acknowledge that a Combined Working Conflict arising may require each of the Parties to seek separate and independent legal advice.

15.10 The Parties acknowledge and agree that nothing in this **Clause 15** replaces either Party's obligations to comply with all relevant Law in relation to conflicts of interest.

16. COMPLAINTS

16.1 Subject to **Clause 17**, complaints by third parties arising out of or in connection with these Arrangements will be dealt with in accordance with the complaints policy of the appropriate Party in force from time to time.

16.2 Subject to all relevant law and guidance, the Parties reserve the right to agree a combined complaints procedure(s). Any such procedure(s) shall be documented in writing and signed by the Parties.

17. OMBUDSMAN

The Parties will co-operate with investigations undertaken by their respective Ombudsman.

18 INTELLECTUAL PROPERTY

18.1 The Parties shall to the extent permissible by law grant to each other a licence to use the other Party's relevant IPR solely and exclusively for the purposes of and in connection with this Agreement and the Arrangements.

18.2 Subject to **Clauses 18.1 and 18.3**, neither Party shall acquire from the other Party any rights to that other Party's IPR.

18.3 If any IPR is created, brought into existence or acquired in relation to anything jointly developed by the Parties in relation to the Agreement or the Arrangements, the Parties shall negotiate in good faith and use all reasonable endeavours to agree the rights that each Party shall have in relation to such IPR. Following any such agreement the Parties shall to the extent permissible by law do all things and execute all documents necessary to give full effect to the agreement. If the

Parties are unable to reach agreement the matter shall be referred to the Dispute Resolution Procedure.

19. CONFIDENTIALITY & DATA PROTECTION

19.1 Subject to the disclosure requirements of any Laws, nothing in this Agreement shall oblige a Party or a Post Holder to disclose information where such disclosure would be in breach of:

19.1.1 any contract; and/or

19.1.2 any other relevant and applicable internal or external policies or codes of conduct in relation to a confidentiality and disclosure of information

19.2 Each Party agrees at all times during the continuance of this Agreement and after its termination to keep confidential all information or data that it receives or otherwise acquires in connection with the other Parties and which by its nature is confidential or which has reasonably been marked with such words signifying that it should not be disclosed, except where:

19.2.1 the disclosure is made in connection with the Dispute Resolution Procedure or any litigation between the Parties;

19.2.2 the disclosure is required to comply with Law (including the FOIA);

19.2.3 the disclosure is made to a Party's professional advisors who owe a similar obligation of confidentiality; or

19.2.4 the information was in the possession of the Party without obligation of confidentiality or was in the public domain (otherwise than by breach of this Agreement) before receiving it from the other Party.

19.2.5 The Employing Party shall take reasonable steps to procure that staff who process any Personal Data or Sensitive Personal Data in accordance with or in the course of this Agreement, and

19.2.6 the Non-Employing Party shall take reasonable steps to procure that Post Holders who, while undertaking S113 Duties, process any Personal Data or Sensitive Personal Data in accordance with or in the course of this Agreement, to do so in accordance with the provisions and principles of the 1998 Act and any other relevant data protection legislation and guidance (including but not limited to the Employment Practices Data Protection Code).

20. FREEDOM OF INFORMATION

20.1 The Parties will each comply with their respective obligations pursuant to the FOIA but, without prejudice to this general obligation, will consult the other Parties prior to the disclosure of any information relating to these Arrangements.

20.2 Each Party will co-operate fully with the other Party for the purposes of enabling that other Party to properly fulfil its obligations under the FOIA.

SECTION 8 - DEFAULT, DISPUTES AND TERMINATION

21. DEFAULT

21.1 In the event of a Party (the **"Defaulting Party"**) being, in the reasonable opinion of the either or both Parties (the **"Other Party"**), in breach of its obligations under this Agreement and such breach being capable of remedy, the following procedure will apply:

21.1.1 the Other Party may request a meeting with the Defaulting Party by giving five (5) Working Day's written notice to that effect. The meeting will include the Representative of each Party.

21.1.2 following such a meeting, the Parties will discuss and agree an action plan under which the Defaulting Party will be given a reasonable period of time to remedy the default to the satisfaction of the other Party (the **"Remedial Action Plan"**).

21.1.3 Where an Other Party is not reasonably satisfied that the Defaulting Party has complied with the Remedial Action Plan, the Other Party will have the right, at its discretion, either to initiate the Dispute Resolution Procedure or to exercise its right to terminate this Agreement in accordance with **Clause 23.6.2**.

22 DISPUTES

22.1 In the event of a dispute between the Parties in connection with this Agreement the Parties shall refer the matter to their Representatives (or their nominated deputies) who shall endeavour to settle the dispute between themselves.

22.2 In the event that the Representatives (or their nominated deputies) cannot resolve the dispute between themselves within a reasonable period of time having regard to the nature of the dispute, the matter will be referred to the responsible cabinet members of the Parties for resolution. In the event that the dispute cannot be resolved within a reasonable period of time (having regard to the nature of the dispute) by the relevant cabinet members, the matter will be referred to the Leaders of the Parties for resolution.

22.3 In the event that the dispute cannot be resolved in accordance with **Clause 22.2** within a reasonable period of time (having regard to the nature of the dispute) the Parties will attempt to settle it by mediation in accordance with the CEDR Model Mediation Procedure or any other model mediation procedure as agreed by the Parties ("Mediation").

22.4 To initiate the Mediation, a Party or Parties may give notice in writing (a "**Mediation Notice**") to the other Party or Parties requesting mediation of the dispute and shall send a copy thereof to CEDR or an equivalent mediation organisation as agreed by the Parties asking them to nominate a mediator. The Mediation shall commence within twenty Working Days of the Mediation Notice being served.

22.5 The Parties will co-operate with any person appointed as mediator, providing him or her with such information and other assistance as he or she shall require and will pay his or her costs as he or she shall determine or in the absence of such determination such costs will be shared equally between the participating Parties.

22.6 No Party may commence any court proceedings/arbitration in relation to any dispute arising out of this Agreement until it has attempted to settle the dispute by mediation and either the mediation has terminated or the other Party or Parties have failed to participate in the mediation, provided that the right to issue proceedings is not prejudiced by a delay.

23 TERMINATION

General

23.1 This Agreement may be terminated (in whole or in part) at any time by written agreement between the Parties.

23.2 Any Party shall have the right to terminate this Agreement at any time by service of 12 Months' written notice to the other Parties.

23.3 This Agreement may be terminated immediately at any time in respect of any or all of the Post Holders by written agreement between the Parties.

23.4 This Agreement, in respect of any individual Post Holder, will terminate forthwith in respect of that particular Post Holder upon the dismissal or resignation of the Post Holder from their Employing Party or upon the Post Holder withdrawing their consent to being made available pursuant to these Arrangements where applicable.

23.5 This Agreement will terminate in respect of any individual Post Holder upon any reorganisation or reconstruction affecting any Party whereby the Post Holder no longer holds office with their Employing Party.

23.6 A Party may at any time by notice in writing to an other Party terminate this Agreement upon service of 20 Working Days written notice if:

23.6.1 the other Party commits a material breach of any of its obligations hereunder which is not capable of remedy; or

23.6.2 the other Party commits a material breach of any of its obligations hereunder which is capable of remedy but has not been remedied in accordance with **Clause 21**.

23.7 A Party may by written notice to an other Party in accordance with **Clause 24.8** terminate this Agreement if:

23.7.1 as a result of any change in law or legislation it is unable to fulfil its obligations under this Agreement;

23.7.2 its fulfilment of its obligations hereunder would be in contravention of any guidance from any Secretary of State issued after the Commencement Date;

23.7.3 its fulfilment of its obligations would be ultra vires or otherwise unlawful, and the Parties shall be unable to agree a modification or variation to this Agreement (which may include termination in part only) so as to enable the Parties to fulfil its obligations in accordance with law and guidance.

23.8 In the case of notice pursuant to **Clause 23.7.1 or 23.7.2**, the Agreement shall terminate after such reasonable period as shall be specified in the notice having regard to the nature of the change referred to in **Clause 23.7.1** or the guidance referred to in **Clause 23.7.2** as the case may be. In the case of notice pursuant to **Clause 23.7.3,** the Agreement shall terminate with immediate effect.

23.9 Notices served pursuant to **Clause 23.6 or 23.7** will result in termination of the whole of the Agreement unless the Parties agree otherwise in writing.

CONSEQUENCES OF TERMINATION

23.10 Termination of this Agreement in whole or in part (whether by effluxion of time or otherwise) shall be without prejudice to the Parties' rights in respect of any antecedent breach and the provisions of this Clause and **Clauses 2, 14, 15, 19-25 (inclusive), and 27-34 (inclusive)** shall continue in full force and effect.

23.11 In the event of termination of this Agreement, the Parties will use all reasonable endeavours to agree arrangements which will minimise disruption to:

23.11.1 the continued delivery of the Services to service users;

23.11.2 staff working within the Arrangements.

23.12 In the event that this Agreement is terminated in part only, the Parties will agree appropriate variations to the Agreement. Such variations will be documented in writing and signed by all Parties.

23.13 Where the Agreement is terminated in part, then except for that part of the Agreement that has been terminated, this Agreement shall continue in full force and effect.

SECTION 9 - GENERAL PROVISIONS

24 VARIATIONS

24.1 The Parties may agree to vary the Agreement including for the avoidance of doubt the HR Protocol and the Financial Protocol, from time to time in accordance with this **Clause 24.**

24.2 Any Party may propose a variation to the Agreement and the Parties shall use reasonable endeavours to agree the variation. In the event of any disagreement in relation to the variation any Party may refer the matter to the Dispute Resolution Procedure.

24.3 Any variation of the Agreement, the HR Protocol and Financial Protocol must be in writing and signed by, or on behalf of, each of the Parties.

25. NOTICES

25.1 Any notice of communication shall be in writing.

25,2 Any notice or communication to the relevant Party shall be deemed effectively served if sent by registered post or delivered by hand at an address set out in **Clause 25.4** and marked for the Representative or to such other addressee and address notified from time to time to the other Parties.

25.1 Any notice served by hand delivery shall be deemed to have been served on the date it is delivered to the addressee if delivered before 15.00hrs on a Working Day. Hand delivery after 15.00 and or on a weekend or English public holiday shall be deemed served on the next Working Day. Where notice is posted it shall be sufficient to prove that the notice was properly addressed and posted and the addressee shall be deemed to have been served with the notice 48 hours after the time it was posted.

25.2 For the purposes of this **Clause 25**, the addresses at which notice must be served are, unless either Party is notified otherwise in writing as follows:

25.2.1 CEO

Westminster City Council
City Hall
64 Victoria Street
London
SW1E 6QP

25.2.2 CEO
The London Borough of Hammersmith and Fulham
Town Hall
King Street
London
W6 9JU

25.2.3 CEO
The Royal Borough of Kensington & Chelsea
Town Hall
Hornton Street
London
W8 7NX

26 WAIVERS

26.1 The failure of any Party to enforce at any time or for any period of time any of the provisions of this Agreement shall not be construed to be a waiver of any such provision and shall not in any way affect the right of that Party thereafter to enforce such provision.

26.2 No waiver in any one or more instances of a breach of any provision hereof shall be deemed to be a further or continuing waiver of such provision in other instances.

27 SEVERANCE

27.1 If any provision of this Agreement becomes or is declared by any court of competent jurisdiction to be invalid or unenforceable in any way, such unenforceability shall in no way impair or affect any other provision of this Agreement all of which will remain in full force and effect.

28 TRANSFERS

28.1 A Party may not assign, mortgage, transfer, sub-contract or dispose of this Agreement or any benefits and obligations hereunder without the prior written consent of the other Parties except to any statutory successor in title to the appropriate statutory functions.

29 NO PARTNERSHIP

29.1 Nothing in this Agreement shall create or be deemed to create a legal Partnership or the relationship of employer and employee between the Parties or render any Party directly liable to any third party for the debts, liabilities or obligations of an other party.

29.2 Save as specifically authorised under the terms of this Agreement no Party shall hold itself out as the agent of another party.

30 ENTIRE AGREEMENT

30.1 The terms contained in this Agreement together with the contents of the Schedules and Appendices constitute the complete agreement between the Parties with respect to the Arrangements and supersede all previous communications, representations, understandings and agreement and any representation, promise or condition not incorporated herein shall not be binding on any Party.

30.2 No agreement or understanding varying or extending any of the terms or provisions hereof shall be binding upon a Party unless in writing and signed by a duly authorised officer or representative of each Party.

31 THE CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Unless the right of enforcement is expressly provided, no third party shall have the right to pursue any right under this Agreement pursuant to the Contracts (Rights of Third Parties) Act 1999.

32 GOVERNING LAW

This Agreement shall be governed by and construed in accordance with English law and, without prejudice to **Clause 22**, shall be subject to the exclusive jurisdiction of the English courts.

IN WITNESS whereof this Agreement has been executed by the Parties on the date of this Agreement

EXECUTED BY
THE CITY OF WESTMINSTER
by:

Signed (Authorised Officer):..

Name/Position: ....

Signed (Authorised Officer):..

Name Position: ....

EXECUTED BY
THE LONDON BOROUGH OF HAMMERSMITH AND FULHAM
by:

Signed (Authorised Officer):..

Name/Position: ....

Signed (Authorised Officer):..

Name/Position: ....

EXECUTED BY
THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
by:

Signed (Authorised Officer):..

Name/Position: ....

Signed (Authorised Officer):..

Name/Position: ....

SCHEDULE 1: DEFINITIONS AND INTERPRETATION

In this Agreement the following expressions shall have the following meanings:

"1972 Act"
the Local Government Act 1972;

“2018 Act”
the Data Protection Act 2018;

"Agreement"
this agreement and the Schedules annexed as may be varied from time to time;

"Arrangements"
the arrangements made by the Parties for combination and integration pursuant to this Agreement, as summarised in **Clause 4**;

“Cabinet Member”
a member appointed by the Leader of a Party to its executive pursuant to Part II of the Local Government Act 2000

"CEDR"
Centre for Effective Dispute Resolution;

“Chief Executive Officer”
a Party’s Head of Paid Services designated pursuant to s.4 of the Local Government & Housing Act 1989.

“Combined Team”
a team created by the Parties in accordance with Section 113 of the 1972 Act and established pursuant to **Clause 12 and 13**;

“Combined Working Conflict”
has the meaning given to it in **Clause 15.1.2**;

.

"Commencement Date"

20th February 2012“Dispute Resolution Procedure”

the procedure set out in **Clause 24**;

"Employee Duties"

the duties which a Post Holder performs on behalf of the Employing Party as determined in accordance with their Employment Contract;

“Employee Liabilities”

all damages, losses, liabilities, claims, actions, costs, expenses (including the cost of legal or professional services, legal costs being on an indemnity basis), proceedings, demands and charges whether arising under statute, contract or at common law;

"Employing Party"

in respect of each individual Post Holder the Party that employs that Post Holder. Subject to the subsequent operation of TUPE, the Parties shall agree which Party shall be the Employing Party in accordance with the HR Protocol;

"Employment Contract"

the contract of employment between the Post Holder and the Employing Party;

“Financial Protocol”

the financial protocol included at **Schedule 4** as amended or replaced by the Parties from time to time;

“FOIA”

the Freedom of Information Act 2000;

“HR”

human resources;

“HR Protocol”

the document entitled "HR and Management Protocol for Establishing and Working in Combined Teams" included at **Schedule 3** as amended or replaced by the Parties from time to time;

"Indirect Loss"

loss of profits, loss of use, loss of production, increased operating costs, loss of business, loss of business opportunity, loss of reputation or goodwill or any other consequential or indirect loss of any nature, whether arising in tort or any other basis;

"Intellectual Property Rights" or "IPR"

all patents, rights to inventions, utility models, copyright and related rights, trade marks, service marks, trade, business and domain names, rights in trade dress or get-up, rights in goodwill or to sue for passing off, unfair competition rights, rights in designs, rights in computer software, database right, topography rights, moral rights, rights in confidential information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications for, and renewals or extensions of, such rights, and all similar or equivalent rights or forms of protection in any part of the world;

"Internal Governance Documents"

each Party's internal governance documents which includes its constitution, maintained pursuant to s.37 of the Local Government Act 2000, standing orders and procedure rules;

"Law"

(a) any applicable statute or proclamation or any delegated or subordinate legislation;

(b) any enforceable community right within the meaning of section 2(1) European Communities Act 1972;

(c) any applicable guidance, regulations, direction or determination with which the Parties are bound to comply to the extent that the same are published and publicly available or the existence or contents of them have been notified to it by the other Party; and

(d) any applicable judgement of a relevant court of law which is a binding precedent in England;

in each case in force in England;

“Loss”
all damage, loss, liabilities, claims, actions, costs, expenses (including cost of legal or professional services), proceedings, demands and charges whether arising under statute, contract or at common law;

“

"Non-Employing Party"
in respect of each individual Post Holder the Party that is not the Employing Party;

"Ombudsman"
the Local Government Commissioner for England (or any successor to their functions);

"Party"
each of the parties to the Agreement;

“Personal Data”
as defined in Section 1(1) of the 1998 Act;

"Post Holders"
individuals made available by the Parties for a Combined Team in accordance with the HR Protocol;

“Private Interest Conflict”
has the meaning given to it in **Clause 15.1.1**;

"Relevant Transfer"
a relevant transfer for purposes of TUPE;

“Representative”
the individual appointed by the Council from time to time (and notified to the other parties) as its representative for the purposes of the Arrangements;

“Sensitive Personal Data”
as defined in Section 2 of the 1998 Act;

“Services”
Pensions and Treasury Services

“Sovereignty Guarantee”
the principles agreed by the Parties confirming their independence set out in **Schedule 5**

"S113 Duties"
those duties which a Post Holder will perform for and on behalf of the Non-Employing Party being the duties identified in the documentation establishing the Combined Team under the HR Protocol (subject to such variations as may be agreed between the Parties (and, where appropriate, the Post Holder) from time to time);

“Term”
the duration of the Agreement in accordance with **Clause 3**.

“Tri-borough Director of Pensions and Treasury”
The shared Tri-borough Director of Pensions and Treasury Services appointed by the Parties to lead and manage the co-located Teams;

"TUPE"
the Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006 No. 246) as amended;

"Transferee Party"

the Party to whom, subject to Regulations 4 (7) and 4 (9) of TUPE, a Post Holder's employment contract transfers, or a Post Holder contends that his or her employment contract transfers, due to a Relevant Transfer;

"Transferor Party"

the Party who immediately before the Relevant Transfer was the employer of a Post Holder whose contract of employment, subject to Regulations 4 (7) and 4 (9) of TUPE, is subject to a Relevant Transfer or of a Post Holder who contends that, subject to Regulations 4 (7) and 4 (9) of TUPE, his or her contract of employment is subject to a Relevant Transfer;

"Working Day"

8.00am to 6.00pm on any day except Saturday, Sunday, Christmas Day, Good Friday or a day which is a bank holiday (in England) under the Banking & Financial Dealings Act 1971.

References to statutory provisions shall be construed as references to those provisions as respectively amended or re-enacted (whether before or after the Commencement Date) from time to time.

The headings of the Clauses in this Agreement are for reference purposes only and shall not be construed as part of this Agreement or deemed to indicate the meaning of the relevant clauses to which they relate.

References to Clauses, Sections and Schedules are references to the clauses, sections and schedules to this Agreement respectively and a reference to a Paragraph is a reference to the paragraph in the Schedule containing such reference.

References to a person or body shall not be restricted to natural persons and shall include a company corporation or organisation.

Words importing the one gender only shall include the other genders and words importing the singular number only shall include the plural.

References to the Parties shall include any statutory successors to those local authorities.

SCHEDULE 2: AIMS, INTENDED OUTCOMES AND PRINCIPLES

Objective

1. To form a single delivery service that provides Treasury Management and Pension Fund services within a combined team to improve service resilience and mutual support.

Key Elements

2. That services are to be provided by the combined team by mutual agreement and in accordance with Appendix 1, with Westminster as the Lead Borough.

3. That the quality targets and performance indicators set out in Appendix 2 will apply

4. That both Treasury and Pension Fund monies will continue to be managed separately (**not pooled**) in accordance with the strategies agreed by the home boroughs

5. That benefits will arise from having a larger team to provide resilience and give support to the other team members and share skills, knowledge and expertise.

6. That the Tri-borough Director of Pensions & Treasury reviews the future potential for generating income, or reducing costs through the:

   (a) Rationalisation of the use of current software/applications;
   (b) Rationalisation or price reduction of treasury advisers;
   (c) Rationalisation or price reduction Pension Fund Investment Advisers, Custodians, Actuaries and Fund Managers;
   (d) Increased returns which may be obtainable on larger tranches of investment will be explored where possible;
   (e) Offering the combined service to other local authorities in the future;
   (f) Reviewing staffing arrangements in the event of retirement or resignation of team members.

7. That the combined team will not be directly responsible for delivering pension administration services but will have an oversight role in terms of ensuring that:

   (a) contracts with third party providers are subject to market testing via appropriate tendering and procurement processes at least once every five years;
   (b) clear and consistent standards are in place regarding speed and accuracy of transactions processing (see below);
   (c) regular performance reports are presented to pensions committee and local pension board;
   (d) action is taken to address any performance issues identified.

8. The combined team will be located at Westminster City Hall. Westminster will be the Host Borough.

Appendix 1 - Key tasks and activities undertaken by the combined Treasury Management and Pension Fund services

1) Treasury and Investment Management

Key Task for each Council	Timing
Treasury Management (TM) Strategy to be discussed and agreed with s151 officers (including key prudential indicators, expected CFR, MRP policy and overall financing of the expected capital programme)	By 31 December each year
Investment Strategy to be discussed and agreed with s151 officers (including overall investment allocation strategy, due diligence/credit rating requirements and benchmark returns for each category of investments	By 31 December each year
TM and Investment Strategies drafted and reviewed by s151 officers	By 31 January each year
Confirm that content of TM and Investment Strategies meet relevant CIPFA and MHCLG requirements	By 31 January each year
Ensure TM Strategy is consistent with the Capital Budget and other Council plans	By 31 January each year
TM and Investment Strategy approved by members following pre-meeting briefing, and presented to Full Council as part of budget reports pack	As part of budget setting each year
Agree and deliver a programme of added value activities with each s151 officer. Report monthly to s151 and quarterly to members on work done and outcomes achieved.	Strategic Finance Manager to spend 33%- 50% of their time on these activities
TM and Investments year-end report discussed with s151 and presented to members	By 30 April each year
Evaluate the potential for, and value for money offered by, current opportunities for early debt repayment or rescheduling	Quarterly
TM monitoring reports discussed with officers and presented to members	Quarterly
Investment monitoring reports discussed with officers and presented to members	Quarterly
Hold regular meetings with Link Asset Management and other TM advisers to identify new borrowing and investment opportunities (s151 officers to attend)	Quarterly
No breach of Prudential Indicators set out in TM Strategy and monitoring reports	Monitor quarterly
Reconcile TM Strategy to capital outturn reports and update as necessary	Monitor quarterly
Ensure full compliance with agreed due diligence policies	Monitor quarterly
No late payments or default events on investment balances and counterparty loans	Monitor quarterly
All investment and loan transactions processed in line with strategies once agreed	Monitor monthly
100% accuracy rate in posting treasury and investment journals to relevant GL	Monitor monthly
Counterparty list ratings in line with TM and Investment Strategies	Monitor monthly
Average bank balances maintained in line with TM Strategy approved by members.	Monitor weekly
No overdrawn cash balances outside of agreed limits	Monitor weekly
Ensure each Council has sufficient liquid funds available to make payments as liabilities fall due	Monitor weekly
Counterparty list ratings updated within 24 hours of notification of change	Monitor weekly
All bank transfers, CHAPS payments and treasury management transactions processed within 24 hours of receiving authorisation/ request	Monitor weekly
100% accuracy rate in processing cash, bank and treasury transactions	Monitor weekly
Ensure each investment portfolio achieves diversification/asset allocation targets	Cover in year-end report
Confirm that CFR disclosures in each council's year end Statement of Accounts are consistent with Prudential Indicators	As part of year end close

2) Pensions

Key Task for each pension fund	Timing
Ensure adequate arrangements are in place to review and re-tender contracts for pensions administration services, including appropriate performance targets where required.	At least once every 5 years
Update strategy statements and policies as follows - obtain member approval following s151 review: • Pensions Administration Strategy • Funding Strategy Statement and Investment Policy • Communications Policy • Policies on local discretions • Policy for managing conflicts of interest	Update each key policy document at least once every 2 years
Ensure relevant legal and corporate requirements are met when appointing fund managers, custodians and other advisers	As part of ongoing work programme
Draft annual Governance Compliance Statement and obtain member approval following s151 review	By 31 March each year
Commission external training and ensure that the agreed training programme is delivered as planned	By 31 March each year
Complete training needs assessment and agree training programmes with each committee and pension board	By 1 April each year
Review and update pensions administration contract with third party provider(s), including new performance targets where required.	By 1 April each year
Update annual business plan for each LGPS, including forward work programmes for pension/investment committees and local pension boards	By 1 April each year
Liaise with Actuary and employing bodies to provide information for triennial revaluations and IAS 19 reports	Each year in line with timetable set by actuary
Obtain third party assurances from fund managers, custodians, and administration providers	By 31 May each year
Draft pension fund accounts and disclosure notes	By 31 May each year
Draft pension fund annual report and	By 30 September each year
Publish annual report following s151 review and member approval	By 1 December each year
Update ESG policy and keep under review as a regular agenda item for members	At least twice a year
Ensure that a formal review of pensions administration performance is presented to each pension board and committee, and that any remedial action required has been put in place.	Every 6 months
Prepare agendas for committee meetings and pension boards	Quarterly
Liaise with independant advisor to obtain reports and address any issues arising	Quarterly
Prepare summary budget and cash flow report comparing actual vs expected fund transactions and balances to committee and board members	Quarterly
Ensure correct recovery of early retirements and other employing body costs	Monthly
Post Valuations and Fund movements to relevant GL	Monthly
Review payroll reports and post journals to the relevant GL	Monthly
Clear pension transactions from suspense accounts	Monthly
Reconcile actual and expected contributions received. Chase up late or missed contributions	Monthly
Reconcile Fund Manager and Custodian Reports	Monthly
Post LGPS transactions to relevant GL (including early retirement and other costs)	Monthly
Prepare and monitor cash flow forecasts (short and long term)	Monthly
Prepare and monitor annual budget for administration, IM and governance costs	Monthly

3) Generic

Key Task	Timing
Independent review of LGPS governance to ensure compliance with The Pension Regulator's Code of Practice 14	At least once every 3 years
Annual review of performance against agreement for shared service activities, discuss/agree key performance indicators, cost sharing arrangements and budgets for the forthcoming year	Annual meeting with s151 officers
Monitor MIFID II compliance and update annual assessment of professional investor status for each council's TM and pension functions	Formal review at least once a year
Complete annual staff survey	Satisfaction good or better
Monitor average sickness per FTE	5 days absence or less per FTE each year
Ensure Council finance staff are seconded to shared service teams (especially CIPFA trainees)	At least 1 secondment each year
Draft and present committee and pension board reports as required. Ensure all reports are presented in an appropriate format and on time.	Quarterly meetings
Attend all committee and board meetings and training events relevant to treasury and pensions functions	All events
Informal briefing sessions to take place between Tri-borough Director and committee chairs/portfolio holders	At least twice a year
Director to meet with or teleconference all 3 s151 officers regularly. Meetings to be minuted and informed by follow-up action plans.	At least monthly
Prepare monthly "dashboard" reports and discuss with s151 officers	Within 2 weeks of each month end
Arrange interim cover for long term sick and other absences	All absences over 20 days
Ensure all shared service staff hold, or are working towards, recognised CCAB or TM qualifications	Ongoing
Ensure all staff attend regular update training and participate in local TM and pensions networks	Ongoing
Participate in appropriate benchmarking activities for TM and pension functions and report on outcomes and benefits achieved	Ongoing, with annual report to members
Staff from Tri-borough team to work at RBKC and LBHF offices	At least one day per week

Appendix 2 - Quality targets and performance indicators:

Quality Standards

1. All work undertaken by the combined team will meet the following quality standards:

- full compliance with statutory requirements and MHCLG guidance
- all CIPFA Code of Practice requirements met in full
- all functions maintain MIFID II professional client status
- all LGPS meet the Pension Regulator's Code of Practice requirements
- all staff to hold, or be working towards, recognised CCAB or Treasury Management qualifications
- all staff to attend regular technical training and participate in local Treasury Management and LGPS networks
- all team members comply with their own professional bodies' requirements
- all services provided will be subject to regular Internal Audit coverage
- obtain annual independent assurance reports from 3rd party service providers
- no significant issues raised by Internal Audit work
- no material errors identified by external audit.

Key Performance Indicators

2. The following key performance targets will be applied:

Pensions

Key performance target	***Measured by***
Funding level at least equal to LGPS averages	Actuarial revaluation every 3 years
Investment management costs under 0.5% of year end net asset value (NAV) of each fund	Calculate based on year end Fund Accounts
Maintain asset allocations in line with strategy approved by members	Confirmed (or otherwise) by the independent investment advisor's quarterly review
All contributions due from employing bodies are collected promptly	Reported quarterly to members and monthly to s151
Sufficient cash is available to pay pension benefits as they fall due	Reported quarterly to members and monthly to s151

Treasury management

Key performance target	***Measured by***
No breach of Prudential Indicators	Confirmed by year end Treasury Management report
Each Council has sufficient funds to make payments as they fall due	Reported monthly to s151
Investment income matches or exceeds budget	Confirmed by year end revenue outturn report
Interest paid does not exceed budget levels	Confirmed by year end revenue outturn reports
New borrowing does not exceed Bank of England base rate +2%	Confirmed by year end Treasury Management report
Annual investment yield exceeds LIBID 7-day rate	Confirmed by year end Treasury Management report

Schedule 3 HR Protocol

HR Protocol for Establishing and Working in Integrated Teams

In terms of employment legislation the procedure is for guidance only and does not form part of an employee's contractual rights.

The contents may be subject to revision as required.

Contents

1. Purpose of the Protocol

1.1 Guiding principles are:

- To protect the rights and duties of our staff under their contract of employment
- To ensure staff within integrated teams are treated fairly and equitably
- To resolve any difficulties and other issues as far as is practicable at local management level
- To develop a shared set of working standards
- To ensure managers receive clear guidance and advice from the respective Human Resource Departments on how to apply HR policies and procedures appropriately.

2. Clarity in the contractual relationship

2.1 The HR policies, procedures and terms and conditions of staff and the statutory obligations of the partner organisations are unchanged by this protocol. Staff employed in integrated teams (WCC & RBK&C) will continue to be contracted to their current employer on the same terms and conditions provided under the respective individual and organisations contract of employment. Plus:

- The employing organisation remains responsible for exercising the rights and duties of the employer
- The HR Protocol requires parties to liaise with each other regarding the contracts of employment of those they manage and to take advice from HR staff of the employing organisation where interpretation or formal action under the contract of employment is required
- Existing and established posts that have become part of an integrated team arrangement should normally be filled on the same and continuing basis unless otherwise agreed between the partners.

3. The status of the Protocol

3.1 This protocol :

- will complement, but not replace, the HR Policies and Procedures of the partner organisations. However, where any conflict/disagreement occurs between the protocol and any HR Policies/Procedures, then the HR Policy/Procedure will take precedence;

- In no way affects the statutory obligations of the Partner organisations;
- In no way affects the contracts of employment or terms and conditions of the staff of the Partner organisations; and
- Is designed to support those working in joint or integrated teams.

4. What is an integrated Team?

4.1 For the purposes of building a partnership between LBH&F, RBK&C and WCC, an integrated team will usually be based on a mix of the 2 Council's staff (WCC & RBK&C) who:

- Will retain their employment role and status with no material changes to their terms and conditions, which means that employees of RBK&C and WCC will work alongside each other on the different terms and conditions of each organisation, staff working on LBH&F will be employed by WCC;
- Will be managed by the Tri-Borough Director of Treasury & Pensions, whom is employed by WCC;
- May be co-located with the rest of the team;
- May include colleagues from other partnership organisations;
- Will be part of an identified Team who report through to a designated Director, Executive Director or Chief Executive;
- Will share team goals and objectives but will continue to be subject to the staff / individual performance review process relating to the organisation that employs them;
- Work within a team that can be integrated as part of an organisational restructuring; and
- Can be part of organisation under a joint budgeting agreement.
- Will work under a S113 arrangement agreed between the three Boroughs

4.2 An integrated team at this point in time will not usually be:

- A team where all members are employed by the same organisation;
- A team involving TUPE processes: roles/employment will not be transferred; and
- A team made up solely of secondees.

5. Recording agreement to create an integrated team

5.1 When agreement has been reached to create an integrated team, the details of such team, must be recorded using the template.

5.2 The template should be signed by the appropriate lead Directors of the 3 Boroughs and the completed copy will be kept by the HR Departments on behalf of all 3 organisations.

5.3 Any subsequent changes to the financial arrangements must be updated on the template.

6. Recruitment to an integrated team

6.1 In all cases, whether for new posts, reorganisations or replacements RBK&C and WCC agree that the terms of the employing organisation will prevail and the integrity of the terms and conditions and job evaluation processes to determine those terms will be upheld. No individual shall be subject to a hybrid set of terms and conditions.

6.2 Regardless of the sources of funding for posts within the team, all staff will be treated fairly and equitably and in accordance with the policies of RBK&C and WCC.

- In relation to the appointment of a new member of staff, managers should refer to local policies on recruitment and should work with the appropriate Human Resources team who will advise on applying the following criteria: How the vacancy is to be managed and the nature of the replacement post
- Job descriptions should reflect the integrated nature of the structure, the role and duties expected of the post-holder in accordance with integrated team and service requirements.
- The evaluated salary range
- The process of advertising; and
- Recruitment costs.

6.3 There might be a joint appointment. Where the post is a joint appointment, the contract of employment will reside with one of the 3 Boroughs and should detail the role and accountabilities reflecting the integrated nature of the joint appointment

6.4 The recruitment process will be in accordance with the employing Borough’s policies and procedures and will conform to the principles for safer recruitment.

6.5 The manager designated to lead the recruitment process will ensure appropriate use of employer brand, logo and internal / external vacancy circulation appropriate to the posts being advertised. Recruitment literature to reflect the joint nature of the service.

6.6 There are separate job evaluation schemes in place in the three Boroughs. The employing Borough will evaluate the post where appropriate.

7. Management Arrangements

7.1 This protocol sets out the line management arrangements for an integrated team. The manager of an integrated team:

- Shall have the right to give any reasonable instructions to staff of the Boroughs, who are members of the team
- Will manage staff in accordance with the expectations of the 3 Boroughs (reflecting the relevant policies and procedures) in matters relating to a range of areas, including but not exclusively relating to :

    - Health and safety;
    - Training and Development;
    - Code(s) of Conduct;
    - Conflict of Interests/Confidentiality;
    - Communications;
    - Performance Management & Appraisal;
    - Recruitment and selection;
    - Sickness Management;
    - Annual leave;
    - Grievance and discipline;
    - Whistle-blowing;
    - Bullying and harassment;
    - Work life balance/Improving Working Lives policies;
    - Equal opportunities; and
    - Staff and Trade Union Consultation.

- It must be acknowledged that the management of integrated teams, particularly those that are not co-located, will place additional demands upon the manager of the team. Knowledge of many aspects of the 3 Boroughs HR policies and procedures will be a pre-requisite to applying staff management processes across the team. This will require training and support, with guidance from HR and line management, encouraging the development of managerial confidence and skill
- The team manager must clarify roles and set clear outcomes for the team as a whole and ensure that there are regular meetings balanced with one to ones in order to develop team skills and coherence

- Clear lines of accountability must be established, including responsibilities and reporting requirements.

8. Training and Development

8.1 The manager of the integrated team should be able to access development opportunities for staff they manage across the 3 Boroughs unless exceptional circumstances prevail where funding is identified (ring fenced) for specific service areas and/or staff groups.

9. Induction

9.1 Consistent induction should be developed across integrated teams.

9.2 Newly appointed team members should participate in a full induction, within their employing organisation, which will be tailored to individual need, to ensure they can operate effectively within the integrated environment.

9.3 Managers of integrated teams must ensure that they undertake a familiarisation session with each team member based on filling in the gaps regarding the knowledge needed to function effectively in the host organisation.

9.4 Managers will receive appropriate induction/management development in accordance with their individual need. All existing, as well as new managers, who are managers of staff from across the 3 Councils, must familiarise themselves with the key policies and procedures of LBH&F, RBK&C and WCC.

10. Performance Appraisal Process

10.1 Staff will be performance managed in accordance with their employing Council's contractual policies and procedures.

10.2 All of the staff across the 3 Boroughs are subject to the annual appraisal process which should also include, at least, a mid-year review.

10.3 Key objectives will be set which support the aims of the team, the organisational priorities and the integrated arrangement. Individual training and development needs will be identified through the process. The 3 Boroughs will provide appropriate training to supervisors to enable them to effectively undertake the relevant appraisal processes for their staff.

10.4 To ensure all staff are appraised according to their employing organisations' procedures, all managers of integrated teams, regardless of their own employment status, must ensure that they have good working knowledge of the appraisal procedures applicable for staff at all levels in each of the 3 Boroughs.

10.5 This means that the manager of the integrated service/team must clarify his/her responsibilities under their own Council's appraisal scheme as well as those in each of the 2 other Boroughs. Support should be accessed through the local HR team do we mean local or employing.

11. Poor Performance

11.1 The capability procedure for the relevant employing Borough should be used to manage any problems that arise, irrespective of the employing organisation of the line manager concerned.

11.2 Managers contemplating taking formal poor performance action will take advice from the employee's HR service to ensure adherence to contractual procedures.

11.3 Any decision to dismiss can only be taken by a senior manager, as identified within the employing organisation's HR policy, based on the recommendation and case presented by the manager of the integrated team, allow the concerned the opportunity to full representation.

12. Grievance

12.1 Any grievance issues will be dealt with under the appropriate employing organisation's grievance procedure.

12.2 It is essential that managers of integrated teams make themselves aware of the timescales under the procedure.

12.3 HR advice will be provided, from within the employing organisation on the application of the grievance procedure.

12.4 Where one Council employee in an integrated team submits a grievance about an employee in another HR in the two Councils will identify how the investigation and resolution process should be managed; practically applying the relevant grievance procedure

12.5 Collective grievances or disputes can only be raised by trade unions.

12.6 Pay and Terms & Conditions remains the province of the relevant Council, therefore there can be no shared dispute on these grounds.

13. Disciplinary

13.1 Any formal action against an employee will be taken under their employing Borough's Disciplinary Policies and Procedures. Where these procedures state the immediate line manager, this will mean the employee's line manager, regardless of the line manager's employing organisation.

13.2 Appropriate HR advice from the employing organisation must be sought, but always in the following instances:

- in all cases of potential gross misconduct;
- when there is police, fraud or safeguarding involvement;
- where a trade union representative is involved; and
- where there is an allegation of bullying or harassment made by an employee of one organisation against an employee of another organisation.

14. Job Evaluation

14.1 The Councils use the GLPC job evaluation schemes at various levels in the separate organisations.

14.2 Market supplements may be paid across the 2 Boroughs (WCC & RBK&C) in line with the employing boroughs policy

14.3 These arrangements will continue, as at present, and will therefore apply to each team member of an integrated team, as appropriate and in line with the policy of their employing organisation

15. Sickness/Absence Management

15.1 Any issues arising from the sickness and/or absence of members of staff within the integrated team will be managed in accordance with the employing organisation's policies and procedures and contract of employment.

15.2 Managers will need to be mindful of the relevant trigger points for consideration, under the relevant sickness procedure, in line with the HR and Occupational Health advice available. Appropriate direction will be provided through the relevant HR function.

15.3 Line managers will have access to advice from the relevant HR Team/Occupational Health service representing the employing organisation on issues of long-term sickness line

16. Smoking and the Consumption of Alcohol or Drugs

16.1 The rules of the employing organisation must be followed with regard to the consumption of alcohol during working hours.

16.2 Smoking whilst on duty is allowed only in accordance with the employing organisation's policies and procedures and also in accordance with the policies and procedures of the organisation in whose premises staff are working.

17. Leave

17.1 The policies of the employing organisation apply.

17.2 The immediate line manager, regardless of employing organisation, can authorise flexi/annual leave for staff. It is the immediate line manager's responsibility to ensure that this is done in a planned manner according to the exigencies of the service. It is the line manager's responsibility to keep a record of staff leave and to ensure that this information is forwarded as required to the relevant payrolls and/or HR Teams.

17.3 The immediate line manager, regardless of employing organisation, should in the first instance refer to the appropriate policy and ultimately seek guidance, from the HR team of the employing organisation, regarding Special Leave, Compassionate Leave, Maternity Leave, Paternity Leave and other forms of paid and unpaid leave.

17.4 For matters of Maternity and Paternity Leave, the integrated team manager must seek advice as soon as possible. This should be from the relevant HR section of the employer of the member of staff concerned.

17.5 For matters concerning Sabbaticals or employment breaks, the integrated team manager must seek advice from the relevant HR section according to the employing organisation of the member of staff concerned.

18. Shared policies and procedures

18.1 In adopting the principle of best practice in an integrated service, it is determined that some policies, procedures and protocols may be adopted jointly, regardless of their employing organisation. Individual policies and procedures will make it clear if this applies. Opportunities to integrate and harmonise policies and procedures will be maximised, as will partner organisations commitment to respond joint to new legislation and initiatives.

19. Whistleblowing

19.1 The policy of the organisation employing the whistleblower will apply. However, it is accepted that if the member of staff reveals concerns that are related to one or both of the other Boroughs, these will be shared on a confidential 'need to know'/'need to act' basis and managed in accordance with best practice.

20. Code of Conduct

20.1 The code of conduct of the employing organisation will apply to its own staff regardless of their place of work and their team/managerial arrangements.

20.2 Any local protocols as part of the integrated teams will apply.

21. Equal Opportunities/ Equalities and Diversity

21.1 Staff will adhere to the relevant organisation's policy and comply with the requirements regarding Race/Equality Impact Assessments.

22. Bullying and Harassment

22.1 The Bullying and Harassment Policies of the relevant organisations will be used and applied in relation to the staff concerned in any bullying/harassment allegations and/or situations.

23. Staff Consultation

23.1 Staff consultation processes within each organisation will continue, namely informal sessions, and formal meetings. Joint meetings will also be arranged as the HR and Integrated Managers determine, in consultation with the trade unions.

24. Sharing of Information

24.1 Information will be shared across the 3 organisations, in relation to the effective operation of the integrated team, with due adherence to any legal requirements e.g. data protection act and any logistical/ICT restraints

25. Notes

25.1 Action initiated under one procedure may be changed to an alternative procedure if investigation of the circumstances indicates this would be more appropriate.

25.2 In applying this protocol the council will pay due regard to providing reasonable adjustments under the Disability Discrimination Act 1995 to an employee who has a disability.

26. Compliance

26.1 Failure to follow the procedure set out in this protocol may impact on good employee relations and the reputation of the council as a good employer. In addition, it may result in the council breaching employment legislation, incurring financial penalties and / or damage to its reputation.

27. Impact on individual Council Key Priorities

27.1 The protocol provides the cornerstone for developing integrated teams, which will be one of the key elements in enabling the 3 Boroughs to deepen and strengthen their partnership working. This underpins service provision and enables each organisation to effectively meet its key priorities.

28. Training and Awareness Requirements

28.1 Managers and employees will be informed about this policy and procedure via relevant communication channels.

28.2 HR will liaise with directorate management teams to establish and agree support arrangements to assist managers to carry out their responsibilities.

29. Monitoring

29.1 HR will be notified of any cases where it is concluded that the policy was breached. The notification will indicate whether there are any changes or improvements required to the policies, procedure, training, support or any other aspect of the council's approach to dignity at work matters.

29.2 HR will monitor the effectiveness of the policy through information received via feedback from managers and employees through, for example, management team meetings, Employee Surveys and exit interviews, as well as the numbers of employees using this procedure.

30. Review

30.1 This document will be regularly reviewed to ensure relevance and fitness for purpose.

APPENDIX 1

HEALTH AND SAFETY FRAMEWORK

1 INTRODUCTION

- This agreement supplements, but does not replace the Health and Safety policies and procedures of each of the 3 Councils.
- This agreement in no way dilutes or undermines the statutory duties of each of the partner organisations.

AIMS OF LOCAL AGREEMENT

- The aim of the local agreement is to ensure that whilst the statutory duties of Health and Safety are met by the 3 Councils, they work together in an integrated manner to assess and manage the risks to the Health and Safety of their staff and others who may be affected by work activities.

GENERAL PRINCIPLES

- LBH&F, RBK&C and WCC are committed to achieving the highest level of Health and Safety management.

- Every effort will be made to harmonise the Health and Safety policies and procedures of the 3 Councils and to provide clarity for staff of each of the 3 Councils.
- The 3 organisations will work towards harmonising the risk assessment process.
- The 3 organisations will work toward harmonising the accident /incident reporting and investigation process.
- All relevant information obtained from accident/incident investigation will be shared between the 3 organisations.
- The 3 organisations will work towards harmonising Health and Safety Training.
- The 3 organisations will share between them all relevant Health and Safety information.

POLICIES AND PROCEDURES

- The Health and Safety policies and procedures of the relevant organisation will be available to staff in all places of integrated working. This information will be updated and maintained by a designated responsible manager.

- A designated manager will be responsible for the fire and emergency arrangements at each integrated location.

2 RISK ASSESSMENT

- Designated managers will be responsible for the implementation of the risk assessment process at all integrated workplaces.

3 INCIDENT REPORTING

- Until harmonisation of accident/ incident reporting investigation procedures are established, the existing arrangements of the partner organisation will continue.

- Where appropriate the results and follow up actions of any investigation will be shared by health and safety managers of each partner organisation.

TRAINING

- All line managers will be provided with familiarisation in the Health and Safety procedures and protocols of each partner organisation.

- A designated manager at each integrated workplace will be responsible for the arrangement of fire and emergency training and drills in respect of all staff based at the premises.

INDUCTION

The senior manager, regardless of employing organisation, will be responsible for ensuring that all staff receive a comprehensive local Health and Safety induction, as soon as is practicable on joining the integrated team.

SCHEDULE 4: FINANCIAL PROTOCOL

1. In principle, it is agreed that the total cost of the combined team, including:

   - staff costs and training
   - employers national insurance and superannuation contributions
   - IT provision
   - Accommodation, and
   - Other support service costs

   are apportioned across all three participating boroughs in line with ratios agreed at the start of each financial year.

2. For financial periods commencing on and after 1 April 2021, these ratios will be:

   (a) For staff costs relating to shared posts:

   - Westminster City Council 40%
   - Royal Borough of Kensington and Chelsea 30%
   - London Borough of Hammersmith and Fulham 30%

   (b) For IT, accommodation and overhead costs incurred by Westminster City Council, the Royal Borough of Kensington and Chelsea and the London Borough of Hammersmith and Fulham shall each pay 24% of budget charges allocated to the Tri-borough team.

3. Recharges between authorities will be adjusted to reflect any expenditure pertaining to the activities of the combined team which has been incurred directly eg staff currently employed by Royal Borough of Kensington and Chelsea.

4. Recharges will be calculated based on the annual revenue budget for the combined team and will be fixed and agreed as part of the corporate budget setting process at the start of each financial year.

5. As the host authority, Westminster City Council will be responsible for managing actual costs against budget and will be accountable for any under or overspends that might occur.

SCHEDULE 5: S113 ARRANGEMENTS

1. The permanent shared posts subject to the Arrangements are as follows:

Role	FTE	Employing Party	Allocated to
Director of Pensions and Treasury	1	WCC	Shared post
Strategic Finance Manager	1	WCC	Shared post
Strategic Investment Manager	1	WCC	Shared post
Pension Fund Manager	1	RBKC	RBKC
Treasury Manager	1	RBKC	RBKC
Pension Fund Manager	1	WCC	WCC
Treasury Manager	1	WCC	WCC
Pension Fund Manager	1	WCC	LBHF
Treasury Manager	1	WCC	LBHF
Pensions Reconciliation Assistant	1	WCC	Shared post

2. The management arrangements for the combined team are set out in Schedule 6.

3. The Director of Pensions and Treasury will be authorised to recruit engage new staff within this overall structure and to engage agency staff as necessary to fill vacancies in the above structure for the purposes of the Arrangements.

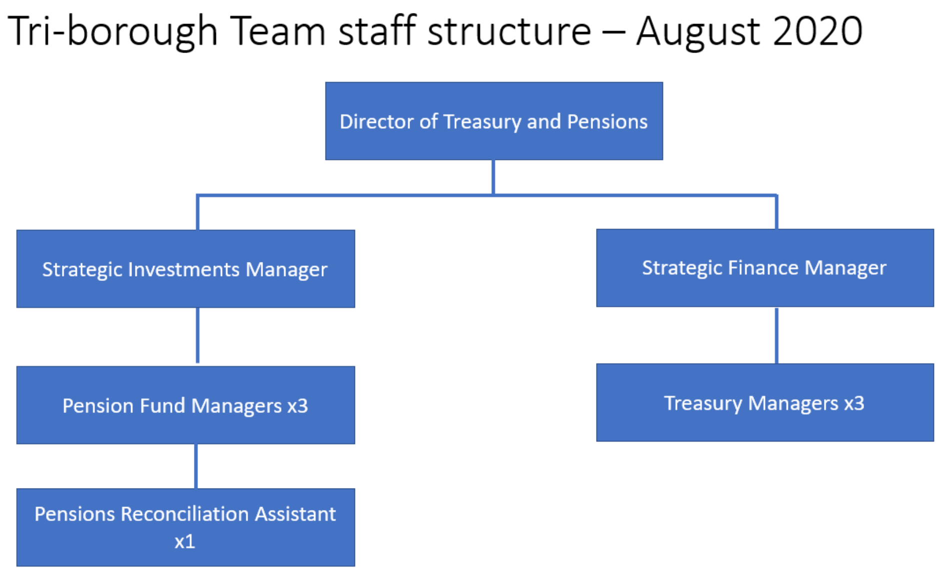
4. Recharging mechanisms for shared posts and for staff employed by one borough but allocated to the activities of another borough are set out in Schedule 4.

5. The combined team will provide each authority with a monthly report to:

- summarise key transactions and balances
- confirm that these transactions and activities have taken place in line with strategies and policies approved by s151 officers and elected members
- confirm that the key tasks, activities and processes set out in Schedule 2 are taking place as anticipated.
- confirm that the quality assurance processes set out in Schedule 2 Appendix 2 are in place
- confirm that key performance targets set out in Schedule 2 Appendix 2 have been met.

6. Monthly reports, together with outcomes from monthly meetings, will be used as the basis for each s151 officer to carry out annual reviews of the Arrangements and, where necessary, changes to service requirements for the following financial year.

SCHEDULE 6: TRI-BOROUGH DIRECTOR PENSIONS AND TREASURY AND COMBINEDTEAM



SCHEDULE 7: SOVEREIGNTY GUARANTEE

All three Councils are committed to continuing to represent the needs, priorities and ambitions of local people in their neighbourhoods.

They are exploring reducing costs by working together. They are also keen to take new devolved responsibilities from Government and manage these together, where this makes sense.

Commissioning or delivering services together is not designed to change how residents experience services. It is about how to get things done more efficiently.

To safeguard local autonomy the Council confirm:

1. Local residents will continue to elect the same number of councillors to each Council.

2. Each Council will retain its own constitution, setting out how it makes decisions, organises scrutiny and delegates authority.

3. Each Council will continue to set its own council tax and publish its own budget and accounts.

4. Each Council will continue to be able to set out its own spending priorities.

5. No Council can be 'out-voted' by the two other Councils in a way which requires that Council to adopt a policy, accept a cost or change a priority that its decision makers are not willing to support.

6. There will be no change in the name of any of the Council.

7. The costs of changes and the benefits achieved from change will be fairly attributed and shared to the satisfaction of all three Councils, if necessary using mediation.

8. No Council will be obliged to break an existing contract.

9. The boundaries of the areas for which each Council is responsible will not change. Each Council will continue to speak up for its own residents, even where there is an apparent conflict of interest between the boroughs.

10. Each Council will be able to set its own policy for how services are delivered.

11. The Councils will commission service from contractors, voluntary bodies and others together, but can also decide to commission, or grant aid, on their own.

12. Nothing in these proposals is intended to stop Councils developing local ideas about how to support their local communities.

A commitment to shared learning, innovation and value for money

13. The Councils will share what works in service delivery and encourage their neighbours to learn from successful innovation.

14. The Councils will adopt common specifications where these are compatible with each Council's policy objectives and budget preferences and where these are likely to give best value to taxpayers.

15. The Councils commit to a continuing process of exploring how working together might lower costs; be a better platform for developed responsibilities from Government; and/or improve the quality of service delivery.

16. The Councils will commit to exploring how by working together, councillors can enhance the ways in which their Councils deliver their responsibilities.

17. The Councils will expect to keep these arrangements under review, in order to ensure they remain fit for purpose.

18. Any of the arrangements that constitute agreements between the Councils can be ended on notice, though any Council withdrawing will be responsible for its own consequent costs. Any joint external contracts will be covered by the same legal considerations as now.

19. Where shared services arrangements are brought to an end then the notice period will be twelve months, unless a shorter period is expressly agreed by the other parties and the costs arising from termination will be fairly shared between the Councils in a pre-agreed manner.

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 21 July 2021

Subject: Actuarial Service Procurement

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

Responsible Director: Emily Hill, Director of Finance

Summary

1.1. The Pension Fund contract for Actuarial Services, currently with Barnett Waddingham, expired at 31 December 2020. Officers have conducted a joint procurement exercise with the City of Westminster and the Royal Borough of Kensington and Chelsea, which has now concluded. This was conducted using the National LGPS framework, a well-established framework, giving the Fund access to the best available providers in the space.

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

Recommendations

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

1.2. That the Committee ratifies 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 is £177,000.

1.3. That the Committee delegates 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 in 1.2

Wards Affected: None

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

Financial Impact

1.1. The costs of this contract will be met by the Pension Fund.

1.2. Although there are no immediate financial implications arising from this report, pension fund revenue expenditure will have an impact on the Council's future employer contributions to the Pension Fund from the General Fund.

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

Legal Implications

1.1 This report recommends that the Committee note and ratify a contract award to Hymans Robertson LLP for the provision of actuarial services. The contract term is 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 is £177,000.

1.2 The relevant contract award letter has been sent to Hymans Robertson LLP. As a matter of local government law, a decision cannot be taken retrospectively. The approval should have been obtained prior to the service provider being advised it was being awarded the contract. Therefore, the recommendation is to note and ratify the award that has already been made as opposed to approving it.

1.3 The Procurement has been carried out using the National LGPS framework agreement and was conducted using the capitalEsourcing system and was conducted by the Westminster City Council Legal and Procurement teams. LBHF has signed an access agreement for the exploitation of this framework agreement.

1.4 The Pension Fund Committee has the power to award this contract under its terms of reference.

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Background Papers Used in Preparing This Report

None.

Risk Management Implications

None.

Other Implications

None.

Consultation

None.

List of Appendices:

Appendix 1 – Actuarial Services Scoring and Recommendation (Exempt)