London Borough of Hammersmith & Fulham

Pension Fund Committee

Agenda

Monday 20 June 2022 at 7.00 pm

Main Hall (1st Floor) - 3 Shortlands, Hammersmith, W6 8DA

MEMBERSHIP

Administration	Opposition
Councillor Ross Melton (Chair) Councillor Florian Chevoppe-Verdier Councillor Laura Janes Councillor Adam Peter Lang	Councillor Adrian Pascu-Tulbure
Co-optees	
Michael Adam Iain Cassidy	

CONTACT OFFICER: David Abbott
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Members of the public are welcome to attend and the building has disabled access.

Date Issued: 13 June 2022

London Borough of Hammersmith & Fulham

Pension Fund Committee
Agenda

Item		Pages
1.	**APPOINTMENT OF VICE CHAIR**	
2.	**APOLOGIES FOR ABSENCE**	
3.	**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.

4.	**MINUTES OF THE PREVIOUS MEETING**	5 - 13

To approve the minutes of the previous meeting held on 28 February 2022.

The exempt minutes of the previous meeting contains information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication. The exempt minutes have been circulated to Committee members only.

Any discussion of the exempt minutes 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.

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appendix which contains information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication.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

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appendix which contains information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication.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

Date of next meeting: 20 September 2022

PTO for exclusion of public and press

15. EXCLUSION OF THE PUBLIC AND PRESS (IF REQUIRED)

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

London Borough of Hammersmith & Fulham

Pension Fund Committee

Minutes

Monday 28 February 2022

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

PRESENT

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

Councillors Joined remotely: Councillors Matt Thorley, Jonathan Caleb-Landy

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

Officers in attendance: Phil Triggs (Director of Treasury and Pensions), Matthew Hopson (Strategic Investment Manager), Eleanor Dennis (Head of Pensions)

Officers joined remotely: Dawn Aunger (Assistant Director People and Talent), David Hughes (Director of Audit, Fraud, Risk and Insurance), Emily Hill (Director of Finance), Patrick Rowe (Pension Fund Manager)

External joined remotely: Kevin Humpherson (Deloitte) and Miriam George (Independent Consultant)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Guy Vincent.

Apologies for lateness were received from Michael Adam

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the open and exempt meeting held on the 23rd November 2021 were approved.

4. UPDATE ON THE LGPS PENSIONS ADMINISTRATION SERVICE

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the report and gave a summary of the key points. It was noted that the data migration from Surrey County Council (SCC) to Local Pensions Partnership Administration (LPPA) had been successfully completed and the new service being provided by LPPA went live on 26th January 2022.

SCC worked closely with Officers and had been cooperative and supportive throughout the exit process. The key milestone of transferring Member data from SCC to LPPA and commencing the new service had been successfully achieved within the timescale approved by the Committee. Fund Members received communications in December 2021 and January 2022 from LPPA regarding the new service. Employer and Member communications had also been sent out recently to enable registration for the relevant portals so that both Employers and Members could view and provide information online.

Further progress reports would continue to be provided to the Pension Fund Committee on all the key milestones achieved over the coming months on the new pensions administration service. The Commercial Director from LPPA would be invited to attend the next meeting of the Committee, when performance data for the new service would be presented.

David Hughes (Director of Audit, Fraud, Risk and Insurance) thanked Eleanor Dennis (Head of Pensions), and her Team for their contributions and hard work towards the project coordination, enabling a successful transfer to LPPA within the timescales set out.

The Chair enquired if any issues had been identified during the data transition process across to LPPA. In response David Hughes (Director of Audit, Fraud, Risk and Insurance) explained that the data transfer from SCC was successfully completed. Overall, a very clean migration of data took place and no issues had been identified in the data that had been transferred across to LPPA.

The Chair thanked Officers for all their hard work and efforts in ensuring a smooth transition to the new pension administration service.

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

5. PENSION ADMINISTRATION KPI PERFORMANCE

Eleanor Dennis (Head of Pensions) presented the report and gave a summary of the performance for SCC in providing a pension administration service to the Fund. The Key Performance Indicators (KPI's) as detailed in

Appendix 1 of this report covered the period October 2021 to January 2022 inclusive, remained steady.

SCC had continued to provide a satisfactory pension administration service to the Fund in most areas with some improvement in performance for this last full quarter of work processed, despite this being the exiting period.

The processing of deaths over the last 3 months had remained steady with most death cases processed within the agreed service level agreement of 5 days.

The processing of refunds remained steady but improved overall to meeting our set KPI's in January 2022. The processing of transfers saw some improvements most notably the processing of transfers ins rising from 41% in October 2021 to 80% in January 2022. With a 3% fall in transfer outs.

The poor performance in October and November was a result of resources at SCC being diverted to focus on another Fund's exit. Overall SCC had remained committed to providing a satisfactory service in the months prior to the Fund's exit from their services in January 2022

The Chair asked for further clarification to be provided on the reasons for the poor performance in the processing of deferred retirement benefits and if any complaints had been received from Fund Members as a result of this. In response Eleanor Dennis (Head of Pensions) noted in addition to resources at SCC being diverted to focus on another Fund's exit, SCC were also in the process of a restructure, therefore felt there may have been issues relating to low staff morale. It was noted that no complaints had been received in relation to SCC to date. However, the Council had received some complaints around response times with the new provider. Officers were working closely with LPPA to manage and resolve these complaints.

Councillor Rowan Ree expressed concern about the complaints received for the new provider. He enquired if these were being addressed and if Officers were satisfied with the service currently being provided by LPPA. Eleanor Dennis (Head of Pensions) noted that work was being carried out to improve portal understanding amongst Fund Members. It was noted that LPPA were in the process of providing useful YouTube videos to improve members' understanding and usability of the information available on the portal. Officers were confident that the Council had chosen the right provider. Officers confirmed that regular meetings were being held between Officers and LPPA to address any initial start-up challenges, including response times as a result of switching to a new provider.

Councillor Helen Rowbottom queried when the performance data would be available to the for the new provider. Eleanor Dennis (Head of Pensions) noted that the performance with LPPA was monitored on a quarterly basis, and this would be presented to the Committee at the next meeting.

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

6. GOVERNANCE LOG OF RECOMMENDATIONS

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. The report made 32 recommendations, which had been recorded in a progress log to demonstrate the various stages of completion of the recommendations. The log showed that good progress had been made, with 21 recommendations implemented, and 7 commenced.

Councillor Rowan Ree enquired when the outstanding recommendations would be completed. Eleanor Dennis (Head of Pensions) explained that she acknowledged the urgency of completing the pension administration recommendations. However, managing the exit from SCC and the onboarding with LPPA and associated activities remained a key priority and the most urgent tasks for completion at this stage. Any outstanding recommendations would be progressed as a priority within the coming months.

Councillor Jonathan Caleb-Landy asked for further clarification to be provided on recommendation 19 and when this would be completed in light of Covid-19 and the current geopolitical factors. In response Phil Triggs (Director of Treasury and Pensions) noted that if the Committee were minded approving the Risk Management Policy (Item 8) then recommendation 19 would be marked as complete. A further update would be provided under item 8.

RESOLVED:
That the Pension Fund Committee noted the log.

7. PENSION FUND QUARTERLY UPDATE PACK

Matthew Hopson (Strategic Investment Manager) presented the report and gave a summary of the key points. He noted that the risk register was last reviewed on the 16th February 2022 and this would be reviewed and updated in light of the current geopolitical situation and how this would impact the Fund.

Officers and Deloitte attended a manager review day on the 24th February 2022. An update would be circulated to Members in due course.

Action: Matthew Hopson

Kevin Humpherson ((Deloitte) provided an update on the Pension Fund's investments and performance, included in Appendix 2. It was noted that global markets performance performed positively, with global equity indices increasing by 7% in local currency terms over the quarter. Overall, the investment performance report showed that over the quarter to 31st December 2021, the market value of the assets increased by £43.7m to £1,320.5m. The Fund outperformed its benchmark net of fees by 0.7% in delivering a return of 4.4% over the quarter to 31st December 2022, and the estimated funding level was 93.0% as at 31st December 2022. Over the year to 31st December 2022, the fund overperformed against its benchmark by 3%, returning 14.0% overall. The highlights over the quarter to 31st

December 2022 came from the LCIV Global Equity Core Fund, contributing 0.40% of outperformance.

The Chair asked if the Fund had any exposure to Russian markets. Phil Triggs (Director of Treasury and Pensions) explained that Officers had made enquiries with Fund Manager's and consulted the LGPS Cross Pools Group in England and Wales and Russian exposure to the Council's Pension Fund and the LGPS in general was very minimal. However, the situation would be monitored closely, and an update would be circulated to the Committee if there were any further developments.

RESOLVED:
That the Pension Fund Committee

1. Approved that appendix 2b was not 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).
2. Noted the update.

8. PENSION FUND RISK MANAGEMENT POLICY

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. It was noted that as part of the independent review of the Pension Fund, a recommendation was made to compile and approve a Risk Management Policy.

The policy detailed the risk management strategy for the Fund, including, the risk philosophy for the management of the Fund, how risk management was implemented, risk management responsibilities, the procedures that were adopted in the Fund's risk management process and the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund. By ensuring effective risk management the Pension Fund could ensure good and effective governance and minimise any risks that resulted from a failure in governance.

The Chair queried if anything further was required to ensure that this recommendation was complete. In response Phil Triggs (Director of Treasury and Pensions) confirmed that all actions had now been executed for this recommendation. However, Officers would continue to review and implement any feedback received from Members to the risk register that was presented to the Committee on a quarterly basis.

Councillor Rowan Ree, referring to page 99 of the agenda pack (Appendix 1) enquired if the Committee was provided with sufficient information to carry out its responsibilities around risk management. He requested that further information be included in the risk register going forward to ensure that the Committee was carrying out its responsibilities as set out in Appendix 1. Phil Triggs (Director of Treasury and Pensions) noted that Officers were confident that the risk register was updated comprehensively for each meeting. Officers welcomed feedback from Members on how the risk register could be enhanced and improved to meet the requirements of the Committee, following the meeting.

Action: Phil Triggs

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

RESOLVED:
That the Pension Fund Committee approved the Risk Management Policy included at Appendix 1.

9. PENSION FUND BUSINESS PLAN

Matthew Hopson (Strategic Investment Manager) presented the report and gave a summary of the key points. This was the second Pension Fund business plan presented to the Committee and sets out the short-term objectives and a financial forecast for 2022/23. An outturn report for 2021/22 would be presented to the Committee to update Members on progress and present outcomes with an outturn cost summary.

The Chair asked for feedback to be provided on the previous business plan and enquired whether this was a useful process to implement. Matthew Hopson (Strategic Investment Manager) explained that it was proven to be best practice to have a business plan in place, ensuring that the Council was successfully meeting its objectives.

Councillor Rowan Ree enquired if the Council had received many freedom of information requests (FOI's) in relation to the Pension Fund. Matthew Hopson (Strategic Investment Manager) noted that the Council received a significant number of FOI's, mainly from private companies asking a varied range of questions relating to the Fund's investment allocations and associated performance data.

Michael Adam (Co-opted Member) asked for further clarification to be provided on the increase in contract fees and how these compared to other Funds. Matthew Hopson (Strategic Investment Manager) noted that it was often difficult to compare and evaluate fees across other Funds, due to the difference in investment strategies which meant you were not comparing like with like. Certain Funds across the LGPS may have simpler, cheaper strategies or be seeking higher risk for example which had an impact on investment fees. Changes to investment strategies in-year would also result in higher fees due to greater transaction costs. Therefore, comparing two Fund's fees for investment management did not lead to helpful conclusions by itself.

Councillor Helen Rowbottom enquired if there was a document available that provided a summary of the Fund's investments for FOI requests. Matthew Hopson (Strategic Investment Manager) noted that a Pension Fund Annual report was available which contained a comprehensive overview of the Fund's investments. A shorter, more user-friendly document which contained the responsible investment statement was also available. However, this was last updated in 2020. A revised version of this document would be brought to the next Committee for Members to review.

Action: Matthew Hopson

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

RESOLVED:
That the Pension Fund Committee considered and approved the 2022/23 business plan (included at Appendix 1)

10. PENSION FUND CONSULTANT REVIEW

Matthew Hopson (Strategic Investment Manager) presented the report and gave a summary of the key points. In December 2019, the Competition and Markets Authority's Investment Consultancy and Fiduciary Management Investigation Order 2019 came into effect, following an extensive review into the industry. This required all Pension Funds to set formal aims and objectives for their investment consultants. The Committee approved its set of investment consultant aims and objectives on 26th November 2019, against which the consultant performance for 2021 had been reviewed.

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

RESOLVED:
That the Pension Fund Committee noted the report.

11. AVIVA INFRASTRUCTURE INCOME FUND UPDATE

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. It was noted that the purpose of this report was to update the Committee on the Pension Fund's investment in the Aviva Infrastructure Income Fund. Specifically, the Fund's investment advisor, Deloitte, had produced a report relating to various issues Aviva was facing in relation to biomass and energy from waste assets including the subsequent position Aviva had on its rated list as a result.

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

RESOLVED:
That the Pension Fund Committee

1. Approved that Appendix 1 was not 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).
2. Noted the Deloitte report, shown at Appendix 1

12. CESSATION OF FULHAM PALACE TRUST

Eleanor Dennis (Head of Pensions) provided a brief update and noted that the recommendation of this report was to pay Fulham Palace Trust an exit credit as set out in the exempt appendix 1.

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

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

RESOLVED:
That the Pension Fund Committee

1. Approved that Appendices 1 & 2 were not 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).
2. Approved to pay Fulham Palace Trust an exit credit as set out in the exempt Appendix 1.

13. EXCLUSION OF THE PUBLIC AND PRESS

The 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.

14. LONDON LGPS CIV LTD REGULATORY CAPITAL CLASSIFICATION UPDATE - EXEMPT

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

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

RESOLVED:
That the Pension Fund Committee approved the recommendations included in the exempt report.

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

Chair ....

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Agenda Item 5

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: **Pension Fund Committee**

Date: 20/06/2022

Subject: Pension Administration Update

Report author: **Eleanor Dennis, Head of Pensions**

Responsible Director: Emily Hill, Director of Finance

SUMMARY

The Hammersmith & Fulham Pension Fund began its new partnership with the Local Pension Partnership Administration (LPPA) on 26 January 2022. The commencement of the service with LPPA has been challenging for all stakeholders, as LPPA have been implementing and familiarise themselves with the new software (UPM), new processes and been hampered by system outage and errors as well as large call volumes. All these issues have impacted on both service delivery and member experience. This paper provides a summary of activity in key areas of pension administration.

RECOMMENDATIONS

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

Wards Affected: None

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

Finance Impact

The costs of the contract for the pensions administration service, including costs of additional work commissioned, provided by LPPA are met from the Pension Fund.

Emily Hill, Director of Finance 6th June 2022

Legal Implications

Under Regulation 53 of the Local Government Pension Scheme Regulations 2013, the Council, as the administering authority of the Pension Fund "is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate administering authority under these Regulations". Therefore, it is responsible for ensuring that the Pension Fund is administered in accordance with the Regulations and wider pensions law and other legislation. It discharges this obligation under the terms of a contract with Lancashire County Council dated 26th January 2022 which, in turn, sub-contracts its obligations to the Local Pensions Partnership Limited under a separate contract of the same date. The Service Levels are set out in the Addendum to Schedule 1 of the contract with Lancashire County Council. This report asks that the Pension Fund Committee notes the performance against those Service Levels.

Angela Hogan, Chief Solicitor (Contracts and Procurement) 6th June 2022

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Analysis of Pension Administration

The Hammersmith & Fulham Pension Fund began its new partnership with the Local Pension Partnership Administration (LPPA) on 26 January 2022.

1. This commencement of the service has been challenging as LPPA have been implementing and learning the new software (UPM), new processes and been hampered by system outage and errors. As well as large call volumes to the Helpdesk.

Update on key areas

2. Employers – Ahead of this year's valuation our Fund employers have had to submit their end of year data, which summarises all activity of membership for any employees that are in the Hammersmith & Fulham Pension Fund. There are

more challenges this year than usual, as 40% of employers have not engaged with the new employer portal and therefore not submitted their data. LPPA's dedicated employer engagement team and the LBHF in house team are working hard to engage with the employers to obtain this key data to ensure the valuation exercise and the issuing of the annual benefit statements are not impacted. LPPA have also offered online training sessions for employers but attendance has been low.

3. Guaranteed Minimum Pension (GMP) – The GMP exercise is a mandatory exercise for all occupational pension schemes instructed by Department of Work and Pensions (DWP), to look at entitlement for this element of a member's pension. The first phase was completed in September 2021 by Mercer via Surrey County Council (SCC) and LPPA will be completing the final phase of the exercise, with the rectification of 575 records, which they are scheduled to complete by the end of September 2022 at an additional cost to the Fund of £29,313 excluding VAT.

4. Backlog – There are two backlogs of unprocessed cases within the Fund, one batch has been inherited from SCC where approx. 740 cases are waiting to be processed at additional cost to the Fund. The Head of Pensions is looking at the best value option for the Fund. In addition, there is another batch of backlog cases that has arisen since the commencement of the service with LPPA. This consists of around 25 cases. Some of these cases are unable to be processed due to system errors and LPPA will endeavour to resolve all cases by 31 May 2022. In addition, there are likely to be other data quality areas to address on the Fund's data that will be highlighted further in the forthcoming valuation.

5. Communications – Contacting LPPA for our members, beneficiaries and employers has been challenging with 902 calls to the LPPA Helpdesk over the period January – March 2022 inclusive. Most calls were regarding accessing the online portal or retirements. Although most calls were answered within 15 minutes, there was a growing number of calls where the caller had been waiting for over 60 minutes. For employers, this has been equally frustrating as LPPA have been slow to advise them on requirements of changes to the process of submitting member data for the annual year end process. Which directly impacts on the accuracy of members annual benefit statements.

6. Engagement – Whilst the commencement of the pension administration service has been very challenging for all stakeholders, there are positives to be drawn for the Fund. As although there is still more work to be done to increase the number of all memberships that are registered for the online portal, there has already been some increased engagement. As this rose to 1,816 for the period January – March 2022 from 801. There were also 68 more death nominations made by members in the same period. Which highlights that the Fund is more becoming more engaged with its members.

Conclusion

7. The pension administration service delivered by LPPA has had a poor start for the last 4 months, with poor customer satisfaction, rising complaints, slower processing of cases and poor communication to members and beneficiaries.

However, pensioners were paid on time, there has been better engagement and LPPA have been working collaboratively with the Head of Pensions. The Head of Pensions continues to work with LPPA to improve this and hopes to the next report will provide a truer reflection of the service the Fund should experience and the enhanced service LPPA can provide to its members and beneficiaries.

Equality Implications

8. None

Risk Management Implications

9. None

Climate and Ecological Emergency Implications

10. None

Consultation

11. None

LIST OF APPENDICES

None

Agenda Item 5a

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 20/06/2022

Subject: Update on the LGPS Pensions Administration Service

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

Responsible Director: Emily Hill, Director of Finance

Summary

This report follows up on update reports presented previously to the Pension Fund Committee on the actions agreed by the Pension Fund Sub-committee on 3 February 2021 to appoint Local Pension Partnerships Administration (LPPA) to provide the Pension Administration service from 1 February 2022. The new service subsequently went live on 26 January 2022, with all data being successfully migrated from the previous provider.

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.

Wards Affected: None

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

Financial Considerations

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

Finance implications verified by Emily Hill, Director of Finance, 30 May 2022.

Legal Implications

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

Legal Implications verified by Adesuwa Omoregie, Assistant Director, Legal Services, 30 May 2022

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Proposals and Analysis of Options

1. This report is for noting and no decisions are required. A range of options were considered by the Pension Fund Committee on 31 July 2020 and actions agreed.

2. This report sets out the recent progress made against the actions previously agreed by the Pension Fund Committee. All of the actions requested at the Pension Fund Committee on 31 July 2020 have now been completed.

3. The data migration from Surrey County Council (SCC) to LPPA has been successfully completed and the new service being provided by LPPA went live on 26 January 2022.

4. As the new service is now operating, further reporting on the service will be provided through the performance reports presented by the Head of Pensions.

Progress Update

What were the key project risks?

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

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

  To manage this risk, a detailed project plan was developed and implemented. The Pension Fund Committee approved entering into a delegation agreement for the service to be provided by LPPA, with a clear and achievable timetable proposed to ensure the new service could go live on 1 February 2022. This date was subsequently brought forward to 26 January 2022 when the new service with LPPA commenced.

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

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

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

  Following the steer from the Pension Fund Committee to consider both public and private providers, the Taskforce engaged with a number of public providers. Reference sites were also engaged. In parallel and to consider the suitability of progressing a competitive tendering exercise for the new pension administration provider, a pre-competition engagement exercise was undertaken. Following consideration of the options the Taskforce agreed to pursue the public provider option, with the existing partnerships being evaluated in detail. That evaluation led to the recommendation to the Pension Fund Committee on 3 February 2021, to *enter into a delegation agreement for the service to be provided by LPPA, which was approved and has now been actioned.*

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

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

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

<u>Workforce and Recruitment</u>

7. The Retained Team structure is in place and operating the new service alongside LPPA. The team structure has been designed and implemented to provide service resilience, capability, capacity and support to the Head of Pensions to lead the service and manage the relationship with the new service provider. As reported previously, transition of all the retained functions previously managed by RBKC is complete and the in-house team are delivering a good, retained service.

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

<u>Procurement - Pensions Administration service</u>

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

<u>Data improvement - caseload backlog project</u>

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

<u>Legal/Contractual</u>

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

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

11. All functions and data were successfully transferred to LBHF by 31 December 2020 in line with the detailed transfer plan agreed. Communication was provided to all fund employers and stakeholders to ensure they were aware of the transfer to the LBHF Retained Team from January 2021.

SCC Exit Plan

12. This is complete. The Director of Audit, Fraud, Risk and Insurance and the Head of Pensions worked closely with SCC on key project plan activities, timescales and responsibilities, in consultation with LPPA to ensure that all key activities, responsibilities and timescales were documented and agreed. The fourth and final data cut was successfully taken and provided by SCC following the January 2022 payroll run. All data was successfully transferred to the new service provider prior to the commencement of the new service. All H&F Pension Fund data previously held by SCC has now been securely removed from their systems, in line with the agreed exit plan and data protection requirements.

Governance Arrangements

13. The Pensions Taskforce provided oversight during the project implementation, reporting regularly to the Chief Executive (and SLT Assurance) on progress. Update reports have been provided to the Pensions Board and Pension Fund Committee against the nine key areas identified in the project plan, all of which have now been completed.

Communications

14. Fund Employers were informed in October 2021 of the forthcoming change of administration from SCC to LPPA. Fund Members received communications in December 2021 and January 2022 from LPPA regarding the new service. Employers and Members can access their information via the dedicated portals provided by LPPA.

Budget

15. This is now complete. The costs of pensions administration are met by the Pension Fund. The Head of Pensions works with the Treasury team to manage the budget. Budget accountability sits with this role and the Director of Finance.

Risk Management Implications

16. 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:

17. 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.

Internal audit coverage

18. The Council's Internal Audit Service is preparing an audit plan for Pension Fund audits which will be reported to the Pension Fund Committee at its next meeting. Consideration is being given to the scope and coverage of work undertaken by LPPA's internal audit team, to establish where reliance can be placed on their work and to identify areas for the Council's internal audit team to focus on. Reporting on the outcome of completed internal audit work will be reported to the Committee in due course.

Implications verified by Moira Mackie, Head of Internal Audit, 8 June 2022.

Agenda Item 6

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: **Pension Fund Committee**

Date: 20/06/2022

Subject: Key Performance indicators

Report author: Eleanor Dennis, Head of Pensions

Responsible Director: Emily Hill, Director of Finance

SUMMARY

This paper sets out a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Hammersmith & Fulham Fund. The Key Performance Indicators (KPIs) for the period January 2022 – March 2022 inclusive are shown in the Appendix 1 and Appendix 2.

RECOMMENDATIONS

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

Wards Affected: None

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

Finance Impact

The costs of the contract for the pensions administration service provided by LPPA are met from the Pension Fund.

Emily Hill, Director of Finance 8th June 2022

Legal Implications

Under Regulation 53 of the Local Government Pension Scheme Regulations 2013, the Council, as the administering authority of the Pension Fund "is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate administering authority under these Regulations". Therefore, it is responsible for ensuring that the Pension Fund is administered in accordance with the Regulations and wider pensions law and other legislation. It discharges this obligation under the terms of a contract with Lancashire County Council dated 26th January 2022 which, in turn, sub-contracts its obligations to the Local Pensions Partnership Limited under a separate contract of the same date. The Service Levels are set out in the Addendum to Schedule 1 of the contract with Lancashire County Council. This report asks that the Pension Fund Committee notes the performance against those Service Levels.

Angela Hogan, Chief Solicitor (Contracts and Procurement) 6th June 2022

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Analysis of Performance

1. The KPIs have been set out in the discharge agreement between the LPPA (Local Pension Partnership Administration) and the London Borough of Hammersmith & Fulham (LBHF). The Head of Pensions ensures performance measures are discussed and reviewed between both parties on a monthly basis in accordance with Code 14 of the Pension Regulator's Code of Practice that states that the scheme manager should hold regular meetings with their service providers to monitor performance.

2. This is the first report on the performance of our new administration partner LPPA. However, it is covers quarter 4 of the scheme year. The KPI's detailed in Appendix 1 of this report cover the period 26 January 2022 to 31 March 2022 inclusive.

3. During the period January to March 2022, LPPA processed 451 SLA cases and 2164 work items in total for the Hammersmith & Fulham Fund. The KPI performance was only met in one task area. However, in 4 areas 90% of KPI's were met as detailed in Appendix 2.

Performance in key areas

4. Retirements – Performance on this task area for active was poor due to challenges with the new system. However the LPPA team have confirmed that there are less system issues which mean we should see better KPI performance

in the area for the next quarter. Processing of deferred retirement fared better as 77.8% of these cases were processed on time.

5. Deaths – Of the 36 cases received 83.6% 30 cases were processed within the 5 day SLA.

6. Transfers – 71 cases in total were received by LPPA. 30 transfers in were processed within the 6 working days SLA and 32 transfers out.

7. Refunds – Of the 12 cases received 9 cases were processed within the 5 day SLA.

Summary

8. It has been a disappointing start in the performance of processing cases as LPPA were overwhelmed with getting to grips with their new administration software UPM. That has meant the system has been unavailable to the LPPA teams to process the tasks, and some cases are still unable to be processed due to system faults. We hope to see a marked improvement in the next quarter as the teams become more familiar with the system there is less outage and the system errors are resolved.

Equality Implications

9. None

Risk Management Implications

10. None

Climate and Ecological Emergency Implications

11. None

Consultation

12. None

LIST OF APPENDICES

<u>Appendix 1 – KPIs for January – March 2022</u>

<u>Appendix 2 – KPI Percentages for January – March 2022</u>

Hammersmith & Fulham Pension Fund

hammersmith & fulham

APPENDIX 1   LPPA's Key Performance Indicators (KPI's) for January – March 2022)

Case Type	SLA Target	Total Processed
New starters	6	76
Transfer In	6	33
Transfer out	10	38
Estimates	5	51
Deferred Benefits	30	13
Deaths	5	36
Retirements (active)	5	19
Retirements (deferreds)	5	81
Refunds	5	12
Correspondance	5	22
Aggregation	30	10
Other	n/a	60
New starters	6	76
	Total number of SLA cases processed	451

Hammersmith & Fulham Pension Fund

APPENDIX 2 – LPPA's KPI's Performance overview January - March 2022

Percentage of cases that were processed within the SLA

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 20 June 2022

Subject: Draft Pension Fund Statement of Accounts

Report author: Patrick Rowe, Pension Fund Manager

Responsible Director: Phil Triggs, Director of Treasury and Pensions

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SUMMARY

This report presents the draft Pension Fund Statement of Accounts for the year ended 31 March 2022.

RECOMMENDATIONS

1. That the Pension Fund Committee note the 2021/22 draft Statement of Accounts.

Wards Affected: None

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

Financial Impact

None

Legal Implications

None

DETAILED ANALYSIS

Background

1. The draft Pension Fund Statement of Accounts 2021/22 provides the Pension Fund Committee members with an opportunity to review and comment on any matters within the financial statements.
2. The Pension Fund increased its net assets by £106m over the year. This growth was driven from strong performance across the Fund's investment portfolio.
3. Management costs rose from £8.9m to £9.9m, an increase of 11%. This is driven mainly by increased management fees on a higher overall net asset value due to positive returns. Additionally, there were some higher administrative fees associated with the transition to the Fund's new admin provider LPPA.

LIST OF APPENDICES

Appendix 1: Draft Statement of Accounts 2021/22

PENSION FUND ACCOUNTS

FUND ACCOUNT

	Note	2021/22		2020/21	
		£000	£000	£000	£000
Dealings with members, employers and others directly involved in the scheme					
Contributions					
From Employers	7	25,568		24,180	
From Members	7	8,735	34,303	8,004	32,184
Transfers In from other Pension Funds			8,617		9,350
Other Income			-		-
Benefits					
Pensions	8	(37,839)		(36,363)	
Commutation & Lump Sum Retirement Benefits	8	(10,097)		(8,164)	
Payment in respect of tax		(271)	(48,207)	(508)	(45,035)
Payments to and on account of leavers					
Transfers Out to other Pension Funds			(5,737)		(7,013)
Refunds to members leaving service			(152)		(40)
Net Additions (Withdrawals) from dealings with members			**(11,176)**		**(10,554)**
Management expenses	9		**(9,915)**		**(8,903)**
Returns on Investments					
Investment Income	10		11,170		12,327
Other Income	10		26		23
Profit and losses on disposal of investments and changes in value of investments	12		115,585		215,444
Net Return on Investments			**126,781**		**227,794**
Net Increase (Decrease) in the net assets available for benefits during the year			**105,690**		**208,337**
Opening Net Assets of the Scheme			**1,219,223**		**1,010,886**
Closing Net Assets of the Scheme			**1,324,913**		**1,219,223**

NET ASSET STATEMENT

	Note	31 March 2022 £000	31 March 2021 £000
Investment Assets			
Equities	11	150	150
Pooled Property Vehicles	11	87,987	61,161
Pooled Investment Vehicles	11	1,127,189	1,081,786
Private Equity / Infrastructure	11	72,202	71,863
Cash Deposits	11	32,104	8
Other Investment Balances			
Investment Income Due	11	7	13
Net Investment Assets	11	**1,319,639**	**1,214,981**
Current Assets	19	4,525	3,664
Current Liabilities	20	(2,118)	(1,100)
Cash Balances (held directly by Fund)		2,867	1,678
Net assets of the Fund available to fund benefits at the period end		**1,324,913**	**1,219,223**

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 2022. Employer contributions are set based on the triennial actuarial funding valuation, as detailed in Note 18.

b) Pension Fund Committee

The Council has delegated the investment arrangements of the scheme to the Audit and Pensions Committee, which in December 2014 formed a Pension Fund Committee (the Committee) and delegated all pensions responsibilities to it. The Committee decides on the investment strategy most suitable to meet the liabilities of the Fund and has responsibility for the investment strategy. The 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 Committee meetings but have no voting rights.

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

c) Pensions Board

In line with the provisions of the Public Service Pensions Act 2013, the Council has set up a Local Pensions 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 Pension Fund Committee.

d) Investment Principles

In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the 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 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 2022	31 March 2021
Number of Active Employers	55	58
Contributing employees	4,856	4,467
Pensioners receiving benefit	5,804	5,425
Deferred members	6,232	6,784
Total members	**16,892**	**16,676**

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 2021/22 and its position at year end as at 31 March 2022. 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 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) Voluntary Scheme Pays, Mandatory Scheme Pays 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 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 21. There are also some residual policies with Equitable Life, which are disclosed in Note 21, but it is not open for new members.

o) Recharges from the General Fund

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

NOTE 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

Aviva Infrastructure

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

Within the manager's financial statements at 31 December 2019, 31 December 2020 and 31 December 2021, fund management were unable to quantify the financial impact of the challenge, thus placing a degree of uncertainty on the value of the portfolio overall. As such the underlying accounts have been qualified by the auditors.

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

This matter remains unresolved to date.

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

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

Description of asset	Uncertainties	Basis of valuation
Actuarial present value of promised retirement benefits (Note 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% decrease in the discount rate assumption would result in an increase in promised retirement benefits of £31m • 0.1% increase in assumed earnings would increase the value of the liabilities by approximately £3m • 0.1% increase in pension increases would increase the liability by approximately £28m • A one-year increase in life expectancy would increase the liability by approximately £75m

Management has agreed a reasonable set of actuarial assumptions in consultation with the actuary which derives the total pension fund liability.

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) Private debt/Infrastructure investments

The fair value of the Partners Group Multi Asset Credit fund and Infrastructure fund is also subject to some valuation uncertainty. Several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. As at 31 March 2022, the assets invested with Partners Group were valued at £53.5m (£45.9m in 2020/21).

The same applies to the Aviva Infrastructure which has a quarterly valuation cycle. As at 31 March 2022, the value of the investment was £26.6m (£25.5m in 2020/21). The impact of the uncertainty surrounding these investments has also been included in the sensitivity analysis in Note 14d.

NOTE 6. EVENTS AFTER THE BALANCE SHEET

There are no events after the balance sheet date.

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			
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Administering Authority	17,061	15,614	3,792	3,885	7,329	6,671
Scheduled Bodies	3,478	2,933	-	-	1,006	856
Admitted Bodies	1,253	1,503	(16)	245	400	477
Total	**21,792**	**20,050**	**3,776**	**4,130**	**8,735**	**8,004**
Total Contributions			**25,568**	**24,180**	**8,735**	**8,004**

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	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000	£000	£000
Administering Authority	(34,701)	(33,478)	(8,294)	(6,075)	(792)	(1,071)
Scheduled Bodies	(502)	(443)	(74)	(128)	(96)	(144)
Admitted Bodies	(2,636)	(2,442)	(712)	(716)	(130)	(30)
Total	**(37,839)**	**(36,363)**	**(9,080)**	**(6,919)**	**(1,017)**	**(1,245)**
Total Lump Sum Benefits					**(10,097)**	**(8,164)**

NOTE 9. MANAGEMENT EXPENSES

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

	2021/22	2020/21
	£000	£000
Administrative costs	(1,225)	(536)
Investment management expenses	(8,406)	(7,533)
Oversight and governance costs	(284)	(834)
	(9,915)	**(8,903)**

*after bringing certain fund administration roles in-house the administrative costs have increased and the oversight and governance costs have decreased

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

	2021/22	2020/21
	£000	£000
Management fees	(6,431)	(5,446)
Performance fees	(79)	(257)
Transaction costs	(1,845)	(1,764)
Custody fees	(51)	(66)
	(8,406)	**(7,533)**

NOTE 10. INVESTMENT INCOME

The table below shows a breakdown of investment income.

	2021/22 £000	2020/21 £000
Pooled investments - unit trusts and other managed funds	8,037	5,930
Income from Alternative Investments	3,129	6,387
Interest on Cash Deposits	4	10
Other Investment Income	26	23
Total	**11,196**	**12,350**

NOTE 11. INVESTMENT STRATEGY

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

- In July 2021, the Fund had its first capital call from Man Group and has since committed £9.7m of a total commitment of £30m.
- In January 2022, the Pension Fund fully funded its commitment of £32m in Darwin Alternatives.

In August 2015, the Fund made a commitment to the Partners Group Direct Infrastructure fund. As at 31 March 2021 €12.1m (£10.2m) 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 2022, the Fund had £965m invested with the London CIV, which accounts for 73.1% of the fund's total assets.

The market value and proportion of investments managed by each fund manager at 31 March 2022 was as follows:

	31 March 2022		31 March 2021	
	Market Value	**Total**	**Market Value**	**Total**
	£000	**%**	**£000**	**%**
Investments manager by the London CIV asset pool				
LGIM - MSCI Low Carbon (Passive)	405,364	30.7%	381,252	31.4%
Ruffer - Absolute Return (Active)	270,935	20.5%	280,677	23.1%
PIMCO - Global Bonds (Active)	99,766	7.6%	107,333	8.8%
Morgan Stanley - Global Sustain Fund	188,554	14.3%	174,776	14.4%
	964,619	**73.10%**	**944,038**	**77.71%**
Investments managed outside of the London CIV asset pool				
Darwin Alternatives - Leisure Fund	32,582	2.5%	-	0.0%
Man Group - Affordable Housing	18,231	1.4%	-	0.0%
Oak Hill Advisers - Secured Income (Active)	66,283	5.0%	80,034	6.6%
Abrdn - Long Lease Property	69,756	5.3%	61,161	5.0%
Aviva - Private Infrastructure	26,596	2.0%	25,546	2.1%
Partners Group - Infrastructure	45,468	3.4%	31,956	2.6%
Partners Group - Multi Asset Private Credit	7,986	0.6%	13,896	1.1%
Invesco - Private Equity	-	0.0%	47	0.0%
Unigestion - Private Equity	138	0.0%	418	0.0%
Inhouse Cash - Cash	32,111	2.4%	21	0.0%
London CIV Ltd	150	0.0%	150	0.0%
NT Ultra Short Bond Fund	1	0.0%	1,999	0.2%
Abrdn - MSPC	55,718	4.2%	55,715	4.6%
	355,020	**26.9%**	**270,943**	**22.3%**
	1,319,639	**100.0%**	**1,214,981**	**100.0%**

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 2022		31 March 2021	
	Market Value	**Total**	**Market Value**	**Total**
	£000	**%**	**£000**	**%**
LGIM - MSCI Low Carbon (Passive)	405,364	30.7%	381,252	31.4%
Ruffer - Absolute Return (Active)	270,935	20.5%	280,677	23.1%
PIMCO - Global Bonds (Active)	99,766	7.6%	107,333	8.8%
Oak Hill Advisers - Secured Income (Active)	66,283	5.0%	80,034	6.6%
Abrdn - Long Lease Property	69,756	5.3%	61,161	5.0%
Morgan Stanley - Global Sustain Fund	188,554	14.3%	174,776	14.4%

NOTE 12. RECONCILIATION OF MOVEMENT IN INVESTMENTS

The table below shows a reconciliation of the movement in the total investment assets of the Fund by asset class during 2021/22.

Fund Manager	Value at 1 April 2021 £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 2022 £000
Equities	150	-	-	-	**150**
Pooled equity investments	1,081,786	32,000	(91,882)	97,299	**1,119,203**
Pooled property investments	61,162	55	(100)	8,640	**69,757**
Private equity/infrastructure	71,863	31,260	(14,347)	9,642	**98,418**
Sub-total	**1,214,961**	**63,315**	**(106,329)**	**115,581**	**1,287,528**
Cash Deposits	8			(1)	**32,104**
Investment income due	13			-	**7**
Spot FX contracts	-			5	**-**
Totals	**1,214,982**	**63,315**	**(106,329)**	**115,585**	**1,319,639**

The equivalent analysis for 2020/21 is provided below:

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**

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
Illiquid Alternatives	Level 3	Valued by Fund Managers at the lower of cost and fair value.	In house evaluation of market data	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

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 2022			31 March 2021		
	Quoted Market Price	Using observable inputs	With significant unobservable inputs	Quoted Market Price	Using observable inputs	With significant unobservable inputs
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	£000	£000	£000	£000	£000	£000
Financial Assets						
Designated at fair value through profit and loss	-	1,156,377	131,151	-	1,142,947	72,013
Total Financial Assets	**-**	**1,156,377**	**131,151**	**-**	**1,142,947**	**72,013**
Financial Liabilities						
Designated at fair value through profit and loss				-		
Total Financial Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Net Financial Assets	**-**	**1,156,377**	**131,151**	**-**	**1,142,947**	**72,013**
			1,287,528			**1,214,960**

NOTE 14b. TRANSFERS BETWEEN LEVELS 1 AND 2

In 2021/22, 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	32,421	6,717	(312)	6,615	165	45,606
UK Infrastructure	25,546	-	-	1,050	-	26,596
Private Credit	13,896	24,543	(14,035)	1,812	-	26,216
London LGPS CIV	150	-	-	-	-	150
Illiquid Alternatives	-	32,000	-	582	-	32,582
Total	**72,013**	**63,260**	**(14,347)**	**10,059**	**165**	**131,151**

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 2022 has been estimated to be accurate within the following ranges:

Description of assets	Assessed Valuation Range (+)	Assessed Valuation Range (-)	Value at 31 March 2022	Value on increase	Value on decrease
			£000	£000	£000
Aviva - Private Infrastructure	8.20%	7.20%	26,596	28,777	24,681
Partners Group - Infrastructure	9.16%	9.16%	45,468	49,633	41,303
Partners Group - Multi Asset Private Crec	6.55%	6.55%	7,986	8,509	7,463
Darwin Alternatives - Leisure Fund	10.00%	8.80%	32,582	35,840	29,715
Man Group - Affordable Housing	10.30%	11.30%	18,231	20,109	16,171
Total			**130,863**	**142,868**	**119,333**

*Three assets (totalling £0.288m) 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 2022			31 March 2021		
	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	864,853	-	-	836,705	-	-
UK fixed income fund	163,471	-	-	178,943	-	-
UK property fund	120,569	-	-	61,162	-	-
UK infrastructure	26,596	-	-	25,546	-	-
Overseas fixed income fund	66,283	-	-	80,034	-	-
Overseas infrastructure	45,468	-	-	31,956	-	-
Overseas venture capital	138	-	-	464	-	-
London LGPS CIV	150	-	-	150	-	-
UK cash funds	-	-	-	-	-	-
Investment income due	-	6	-	-	13	
Pending trade sales	-	-	-	-		
Cash deposits with managers	-	32,105	-	-	8	
Debtors	-	4,525	-	-	3,664	
Cash balances (held by fund)	-	2,867	-	-	1,678	
	1,287,528	39,503	-	1,214,960	5,363	-
FINANCIAL LIABILITIES						
Pending Trade Purchases	-	-	-	-	-	-
Creditors	-	-	(2,118)	-	-	(1,100)
	-	-	(2,118)	-	-	(1,100)
GRAND TOTALS	**1,287,528**	**39,503**	**(2,118)**	**1,214,960**	**5,363**	**(1,100)**
			1,324,913			**1,219,223**

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 2022 £000	31 March 2021 £000
Financial Assets		
Fair value through profit and loss	115,581	215,592
Loans and receivables	5	12
Financial Liabilities		
Fair value through profit and loss	(1)	(160)
	115,585	**215,444**

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

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

The Pension Fund 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 the next 21 years, based on the 2019 actuarial valuation deficit recovery plan, the fund managers have been set differing targets appropriate to the types of assets they manage. 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 Pension Fund Committee and is reviewed on a regular basis.

On 24 February 2022, Russia invaded Ukraine, a severe escalation in the conflict which had been ongoing since 2014. Subsequently, numerous global powers implemented sanctions against major Russian banks and financial institutions, including freezing of overseas assets and removing access to SWIFT international payments. The Pension Fund can report that as at 31 March 2022, the value of investments in Russia or Ukraine is immaterial.

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 9.4% higher or 9.4% lower.

Assets exposed to price risk

	Value	**Price Risk**	**Positive increase**	**Negative increase**
	£000		**£000**	**£000**
At 31st March 2022	1,322,506	9.4%	1,447,181	1,197,831
At 31st March 2021	1,214,960	10.9%	1,347,392	1,082,530

c) Interest Rate Risk
The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed Interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

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 2022 and what the value would have been if interest rates had been 1% higher or 1% lower.

Assets exposed to interest rate risk

	Value £000	+ 1% £000	- 1% £000
At 31st March 2022	341,107	331,880	348,737
At 31st March 2021	363,074	348,918	377,231

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 2022	739,360	6.8%	789,358	689,363
At 31st March 2021	869,126	5.2%	914,155	824,097

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

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

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

The only assets in the Fund which cannot be liquidated within a month are detailed in the table below. These amounted to 13.2% of the Fund's Net Assets at 31 March 2022 (8.85% at 31 March 2021). The remaining assets can all be liquidated within days.

Manager	Portfolio	31 March 2021	31 March 2021
		£000	£000
Standard Life	Property	69,756	61,162
Partners Group	Infrastructure	45,468	31,956
Partners Group	Multi Asset Credit	7,986	13,896
Invesco	Private Equity	-	47
Unigestion	Private Equity	138	417
Darwin Alternatives	Illiquid Alternatives	32,582	-
Man Group	Property	18,231	-
		174,161	**107,478**

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
Alpha Real Capital	60,000	-
Man Group - Affordable Housing	9,969	-
Partners Group Direct Infrastructure Fund 2015	10,193	16,936
	80,162	**16,936**

NOTE 18. FUNDING ARRANGEMENTS

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

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

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

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

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

Financial Assumptions	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 2022. The figures have been prepared by Hymans Robertson, 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 2022	31 March 2021
	£000	**£000**
Present Value of Promised Retirement Benefits*	(1,876,000)	(1,923,604)
Fair Value of Scheme Assets (bid value)	1,324,913	1,216,634
Net Liability	**(551,087)**	**(706,970)**

The assumptions applied by the actuary are set out below:

Financial Assumptions	**31 March 2022**	**31 March 2021**
Salary increases	4.20%	3.80%
Pension increases	3.20%	2.80%
Discount Rate	2.70%	2.00%

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_2021 Model, allowing for a long-term rate of improvement of 1.5% p.a. The assumed life expectancies from age 65 are:

Life Expectancy from age 65		**31 March 2022**	**31 March 2021**
Retiring today	Males	21.4	21.6
	Females	24.1	24.3
Retiring in 20 years	Males	22.9	22.9
	Females	26.1	25.7

Other Assumptions:

- Members will exchange half of their commutable pension for cash at retirement.

NOTE 19. CURRENT ASSETS

Debtors	31 March 2022 £000	31 March 2021 £000
Contributions due - employers	1,620	1,370
Contributions due - employees	704	549
London Borough of Hammersmith and Fulham	96	941
Sundry debtors	2105	804
	4,525	**3,664**

Analysis of debtors	31 March 2022 £000	31 March 2021 £000
Local authorities	96	941
Other entities and individuals	4,087	2,560
Central Government	342	163
	4,525	**3,664**

NOTE 20. CURRENT LIABILITIES

Creditors	31 March 2022 £000	31 March 2021 £000
Unpaid Benefits	(562)	(589)
Management Expenses	(843)	(426)
Sundry creditors	(713)	(85)
	(2,118)	**(1,100)**

Analysis of creditors	31 March 2022 £000	31 March 2021 £000
Other entities and individuals	(2,118)	(1,100)
	(2,118)	**(1,100)**

NOTE 21. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

The Fund's AVC providers are Scottish Widows Workplace Savings and Utmost Life and Pensions. AVCs are invested separately from the Pension Fund and their valuations are shown in the table below. The same valuations for Scottish Widows as at 31 March 2021 have been carried forward to this year due to the uncertainty in obtaining accurate valuations as at 31 March 2022.

	31 March 2022	31 March 2021
Scottish Widows Workplace Savings	**£000s**	**£000s**
Market Value at 31st March	908	908
Contributions during the year	7	7
Number of members at 31st March	51	51
Utmost Life and Pensions		
Market Value at 31st March	176	191
Contributions during the year	-	-
Number of members at 31st March	2	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 £0.637m in 2021/22 (£0.542m in 2020/21) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Council made £20.9m of contributions in year (£19.5m in 2020/21).

The Pension Fund's accounting and governance management is carried out through a shared service with Westminster City Council. Westminster City Council incurred costs of £0.174m in 2021/22 (£0.172m in 2020/21) in relation to the accounting and governance of the Fund and were reimbursed for the expense.

Key management personnel

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Strategic Director of Finance and Governance (from May 2020, the Director of Finance), the Tri-Borough Director of Treasury and Pensions and the Director of Corporate Services (from May 2020, the Director of Resources). Total remuneration payable to key management personnel in respect of the pension fund is set out below:

	31 March 2022	31 March 2021
	£000	**£000**
Short-term benefits	32	30
Post-employment benefits	(30)	95
Other long-terms benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	2	**125**

NOTE 23. EXTERNAL AUDIT COSTS

The external audit fee payable to Fund's external auditors, Grant Thornton LLP, was £33,000 (£33,000 in 2020/21).

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 20 June 2022

Subject: Pension Fund Quarterly Update Pack

Report author: Patrick Rowe, Pension Fund Manager

Responsible Director: Phil Triggs, Tri-Borough Director of Treasury and Pensions

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SUMMARY

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

- Overall performance for the quarter ended 31 March 2022;
- Cashflow update and forecast;
- Assessment of risks and actions taken to mitigate these.

RECOMMENDATIONS

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

Wards Affected: None

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

Financial Impact

None

Legal Implications

None

DETAILED ANALYSIS

LBHF Pension Fund Quarterly Update – Q4 2021/22

1. This report and attached appendices make up the pack for the quarter four (Q4) ended 31 March 2022. An overview of the Pension Fund's performance is provided in Appendix 1. This includes administrative, investment, and cash management performance for the quarter.

2. Appendix 2 provides information about the Pension Fund's investments and performance. The highlights from the quarter are shown below:

   - Overall global markets performance was volatile over the quarter, with global equity indices returning a -4.6% in local currency terms over the quarter.

   - Overall, the investment performance report shows that over the quarter to 31 March 2022, the market value of the assets decreased by £0.8m to £1,319.7m.

   - The Fund outperformed its benchmark net of fees by 1.1% in delivering a return of -0.8% over the quarter to 31 March 2022, and the estimated funding level was 93.0% as at 31 December 2022 (the most recently available funding level).

   - Over the year to 31 March 2022, the fund overperformed against its benchmark by 2.5%, returning 9.8% overall.

   - The highlights over the quarter to 31 March 2022 came from the LCIV Absolute Return Fund contributing 4.4% to outperformance. Partners Group MAN and the Abrdn Long Lease Property Fund were also strong performers, returning 4.0% and 5.9% respectively.

3. The Pension Fund's cashflow monitor is provided in Appendix 3. This shows both the current account and invested cash movements for the last quarter, as well as cashflow forecasts to 31 December 2022. An analysis of the differences between the actuals and the forecasts for the quarter is also included.

4. Appendix 4 contains the Pension Fund's Risk Registers.

5. Appendix 5 contains the LBHF Committee and Board Knowledge and Skills 2022 questionnaire. Please complete this and send to Phil Triggs or Mat Dawson.

6. The breaches of the law log has not been included this quarter as there have been no breaches to report.

Risk Management Implications

1. This is included in the risk registers.

LIST OF APPENDICES

Appendix 1: Scorecard at 31 March 2022

Appendix 2a: Deloitte Quarterly Report for Quarter Ended 31 March 2022

Appendix 2b: Deloitte Quarterly Report for Quarter Ended 31 March 2022 (EXEMPT)

Appendix 3: Cashflow Monitoring Report

Appendix 4: Pension Fund Risk Registers

Appendix 5: LBHF Committee and Board Knowledge and Skills 2022

Appendix 1

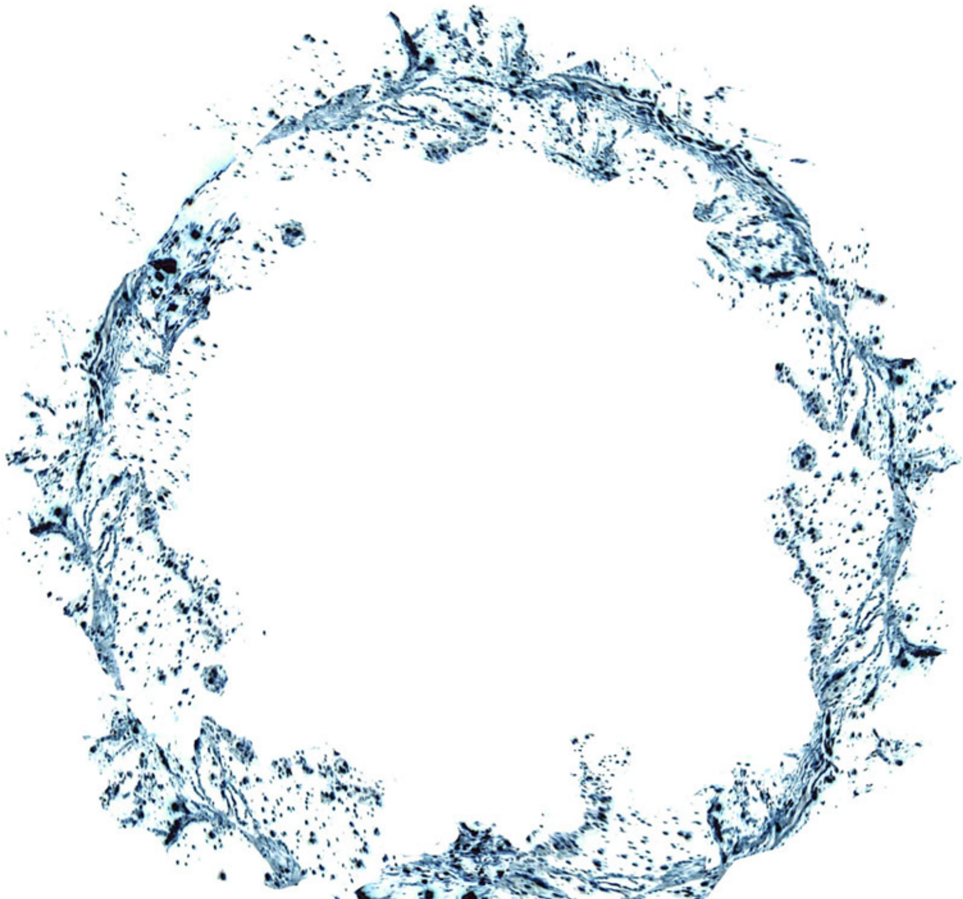
Scorecard at 31 March 2022

London Borough of Hammersmith and Fulham Pension Fund Quarterly

Monitoring Report

	Mar 21 £000	Jan 22 £000	Feb 22 £000	Mar 22 £000	Report reference
Value (£m)	1, 213	1,290	1,274	1,288	IRAS reports
% return quarter	2.93%	-0.33%	-1.32%	-0.81%	
% return one year	21.89%	12.25%	10.56%	9.83%	
LIABILITIES					
Value (£m)	1,288			1,322	Actuary funding update
Surplus/(Deficit) (£m)	(71)			(36)	
Funding Level	95%			97%	
CASHFLOW					
Cash balance	1,700	13,929	23,797	2,841	Appendix 3
Variance from forecast	240	225	10,327	(9,695)	
MEMBERSHIP					
Active members	4,467			4,856	Reports from Pension Fund Administrator
Deferred beneficiaries	5,894			6,232	
Pensioners	5,425			5,804	
RISK					
No. of new risks					Appendix 4: Risk Register
No. of ratings changed				15	
LGPS REGULATIONS					
New consultations	None	None	None	None	
New sets of regulations	None	None	None	None	

Deloitte.



London Borough of Hammersmith & Fulham Pension Fund

Investment Performance Report to 31 March 2022

Deloitte Total Reward and Benefits Limited
May 2022

Contents

1 Market Background

Global Equities

Global equity markets were particularly volatile over the first quarter of 2022, triggered by Russia's invasion of Ukraine in late February. Sanctions imposed on Russia effectively reduced the supply of key commodities such as oil, gas and wheat, causing their prices to soar. The rise in energy prices and the further disruption to global supply chains is expected to push inflation to even higher levels and dampen economic activity.

With inflation rising to historically significant levels, central banks have been forced to tighten monetary policy - the Bank of England raised the UK base rate twice over the quarter. Investment markets are now pricing in more aggressive normalisation of monetary policy, with minutes from the recent meeting of the Federal Reserve Open Market Committee seemingly reinforcing these expectations. The European Central Bank has proceeded more cautiously but now plans to end net bond purchases by the end of September and indicated that a first interest rate rise is possible this year.

Investor concerns aren't limited to the Ukraine conflict and higher inflation. China's commitment to its zero-tolerance approach in the face of a new wave of COVID-19 infections, is expected to impact global economic activity and add to existing supply chain issues.

Over the first quarter of 2022, global equity markets performed negatively with the FTSE All World Index returning -4.6% in local currency terms. Performance across most global regions was negative with the exception of UK which delivered a return of 0.5% thanks primarily to its significant exposure to the energy, mining, and banking sectors.

European markets performed particularly poorly due to the region's significant economic ties to Russia. The region's equities returned -10.3% over the quarter in local currency terms. US technology stocks were particularly badly impacted by the expectations of accelerated monetary policy tightening, contributing to a c. 5% fall in US listed stocks. Asia Pacific markets and Emerging Market equities also performed negatively over the quarter, partly as a result of China related concerns. The FTSE All World Asia Pacific ex-Japan index returned -4.4% in local currency terms and the FTSE Emerging Markets index returned -5.5% in local currency terms.

Government bonds

UK nominal gilt yields increased over the quarter across all maturities as the Bank of England raised the UK base rate to 0.75% and inflation expectations increased. UK consumer price inflation is forecast to reach 8.7% in late 2022 having been previously forecast to peak at 4.4%. The All Stocks Gilts Index delivered a return of -7.2% over the quarter, whilst the longer-dated Over 15-year Index delivered a return of -12.3%.

Real yields on index-linked gilts moved in a similar fashion to their nominal equivalents, rising by up to 40 bps. The All Stocks Index-Linked Gilts Index delivered a return of -5.5% over the first quarter.

Corporate bonds

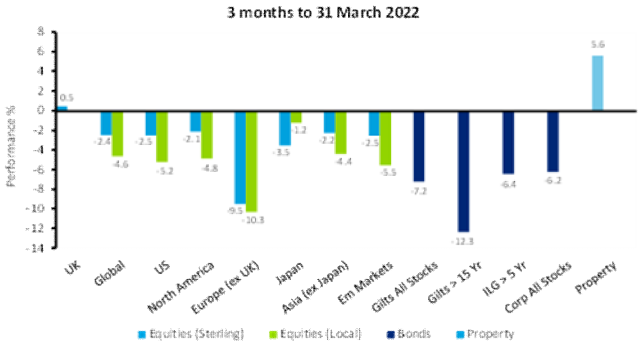
Credit spreads on sterling denominated corporate bonds widened over the quarter in response to higher inflation expectations and a weaker economic outlook. The iBoxx All Stocks Non-Gilt Index returned -6.2% over the three months to 31 March 2022, underperforming gilts of equivalent duration.

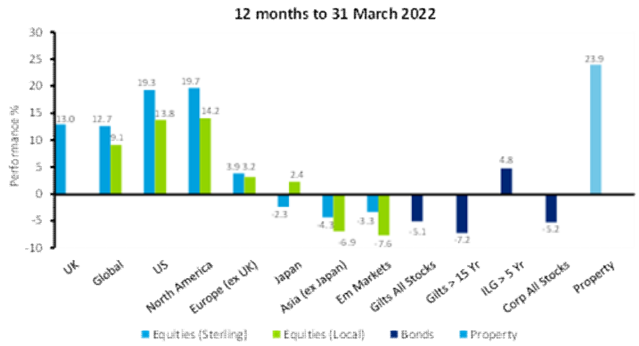
Property

The MSCI UK All Property Index delivered a return of 5.6% over the first quarter, and a return of 23.9% over the 12 months to 31 March 2022. The industrial sector continues to lead the way with a quarterly return of 8.4%, whilst the office sector continued to underperform, returning 1.7%. The retail sector was the second-highest performing sector over the quarter, delivering a return of 6.1%.

Responsible Investing

The ongoing conflict in Ukraine is expected to accelerate the clean-energy transition as the UK and other European nations made plans to reduce their dependence on Russian oil and gas. The European Union announced plans to be independent from Russian fossil fuels before 2030 through energy saving methods and expansion of wind and solar power. The MSCI World ESG Focus Index delivered a return of -5.7% over the three-month period underperforming the wider MSCI World Index by c. 0.5%, largely due to being overweight the technology sector and underweight oil and gas stocks.





2 Performance Overview

2.1 Investment Performance to 31 March 2022

Breakdown of Fund Performance by Manager as at 31 March 2022 Fund	Manager	3 month	1 year	3 year p.a.	5 year p.a.
Equity Mandate					
	LCIV Global Equity Core Fund	-6.3	11.1	n/a	n/a
MSCI AC World Index		-2.6	12.4	n/a	n/a
Difference		-3.6	-1.3	n/a	n/a
	LGIM Low Carbon Mandate	-2.5	15.5	15.3	n/a
MSCI World Low Carbon Target Index		-2.5	15.6	15.4	n/a
Difference		0.0	-0.1	-0.1	n/a
Dynamic Asset Allocation					
	LCIV Absolute Return Fund	4.4	7.3	10.5	5.5
3 Month Sterling SONIA + 4% p.a.		1.1	4.2	4.4	4.5
Difference		3.4	3.1	6.1	1.0
Global Bonds					
	LCIV Global Bond Fund	-7.1	-4.6	n/a	n/a
Barclays Credit Index (Hedged)		-7.0	-5.1	n/a	n/a
Difference		-0.1	0.5	n/a	n/a
Secure Income					
	Partners Group MAC[2]	4.0	34.6	8.7	7.1
3 Month Sterling SONIA + 4% p.a.		1.1	4.2	4.4	4.5
Difference		2.9	30.5	4.4	2.7
	Oak Hill Advisors	-0.4	2.8	4.0	3.2
3 Month Sterling SONIA + 4% p.a.		1.1	4.2	4.4	4.5
Difference		-1.5	-1.3	-0.4	-1.3
	abrdn MSPC Fund	-0.1	0.9	n/a	n/a
Blended benchmark4		-4.4	-3.8	n/a	n/a
Difference		4.3	4.8	n/a	n/a
	Partners Group Infra[2]	6.5	22.3	17.5	9.4
	Aviva Infra Income[3]	4.1	9.9	3.1	n/a
Inflation *Protection*					
	abrdn Long Lease Property Fund	5.9	14.0	7.8	8.1
FT British Government All Stocks		-6.7	-2.6	1.6	2.6
Difference		12.6	16.6	6.2	5.5
Affordable Housing					
	Man GPM	0.0	n/a	n/a	n/a
3 Month Sterling SONIA + 4% p.a.		1.1	n/a	n/a	n/a
Difference		-1.1	n/a	n/a	n/a
Total Fund		-0.8	9.8	9.4	6.9
Benchmark[1]		-1.9	7.3	8.6	7.4
Difference		1.1	2.5	0.8	-0.5

Source: Northern Trust (Custodian). Figures are quoted net of fees. Differences may not tie due to rounding.
Please note that there also exists a residual private equity allocation to Invesco and Unicapital – this allocation makes up less than 0.1% of the Fund's total invested assets.
[1] The Total Assets benchmark is calculated using the fixed weight target asset allocation.
[2] Partners Group Multi Asset Credit and Direct Infrastructure Fund performance provided to 28 February 2022.
[3] Aviva Investors performance figures provided by Northern Trust take into account a c. 1.6% income distribution from the Infrastructure Income Fund towards the end of each quarter.
[4] abrdn MSPC Fund is measured against a blended benchmark of 3 Month Sterling SONIA 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 abrdn. 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 2022, the MSPC Fund was measured against a blended benchmark of 33% 3 Month Sterling SONIA and 67% ICE ML Sterling BBB Corporate Bond Index.

3 Total Fund

3.1 Investment Performance to 31 March 2022

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Total Fund - Net of fees	-0.8	9.8	9.4	6.9
Benchmark(1)	-1.9	7.3	8.6	7.4
Net performance relative to benchmark	1.1	2.5	0.8	-0.5

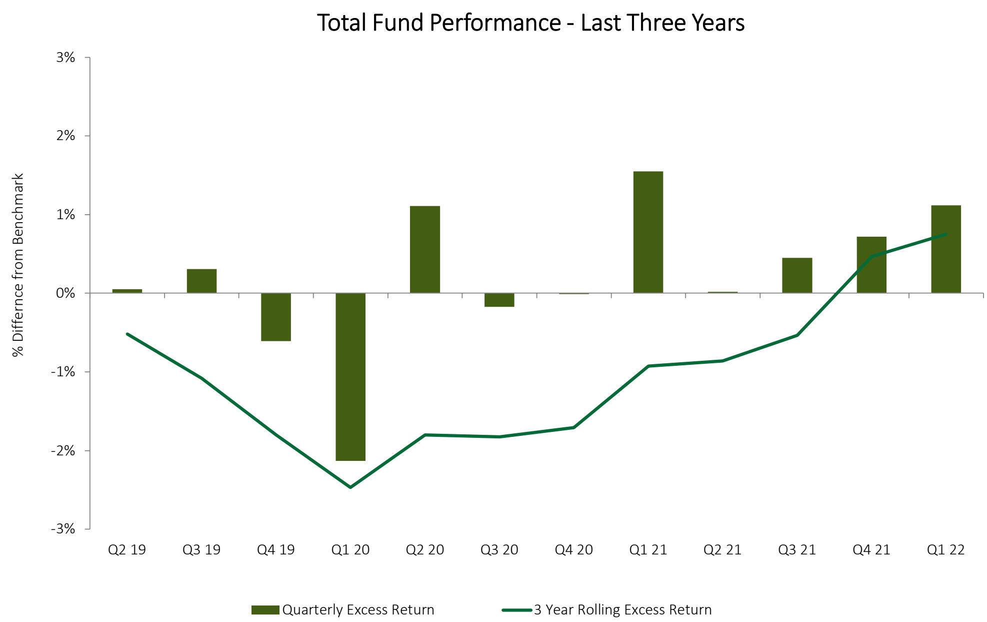
Source: Northern Trust. Relative performance may not sum due to rounding.

(1) Fixed weight benchmark

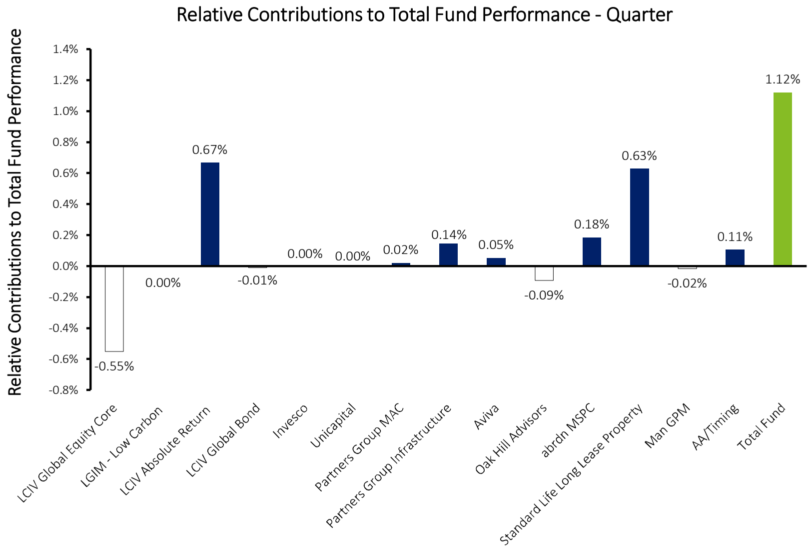
Over the quarter to 31 March 2022, the Total Fund delivered a negative absolute return of -0.8% on a net of fees basis, outperforming the fixed weight benchmark by 1.1%.

Over the year to 31 March 2022, the Total Fund delivered a positive absolute return of 9.8% on a net of fees basis, outperforming its fixed weight benchmark by 2.5%. The Total Fund delivered positive absolute returns of 9.4% p.a. and 6.9% p.a. on a net of fees basis over the longer three and five year periods to 31 March 2022 respectively, outperforming the fixed weight benchmark by 0.8% p.a. over the three year period and underperforming the fixed weight benchmark by 0.5% p.a. over the five years to 31 March 2022.

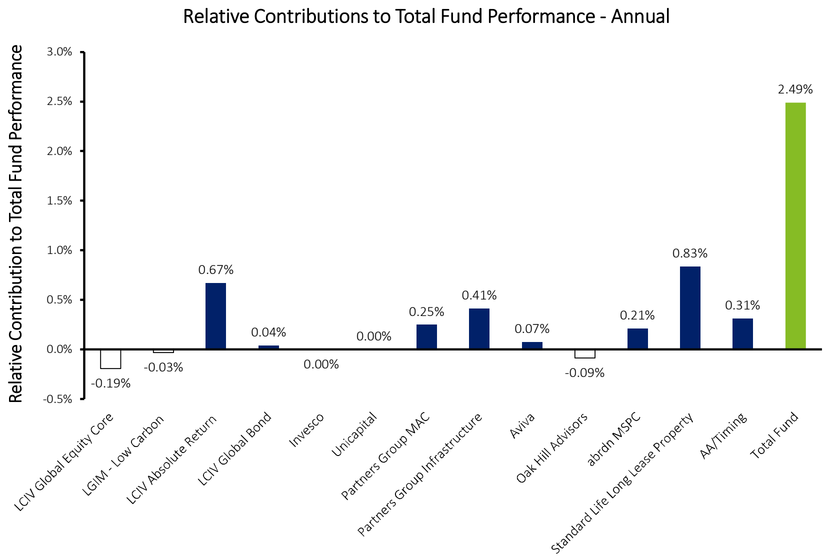
The chart below compares the net performance of the Fund relative to the fixed weight benchmark over the three years to 31 March 2022. The 3-year rolling excess return remained positive over the first quarter of 2022.



3.2 Attribution of Performance to 31 March 2022



The Fund outperformed its fixed weight benchmark by c. 1.1%, over the quarter to 31 March 2022 with outperformance primarily driven by the LCIV Absolute Return Fund and the Standard Life Long Lease Property Fund, managed by abrdn. The LCIV Absolute Return Fund outperformed its cash-plus target over the first quarter of 2022 with the manager's protection positions proving beneficial over a volatile quarter, while the Standard Life Long Lease Property Fund outperformed its gilts-based benchmark over the quarter owing to a noticeable rise in gilt yields over the three-month period. Outperformance was partially offset by the LCIV Global Equity Core Fund, having underperformed its MSCI benchmark over the quarter. The positive attribution represented by the "AA/Timing" bar primarily reflects the impact of the Fund's overweight allocation to the LCIV Absolute Return Fund, managed by Ruffer, with the Fund delivering positive absolute returns over the quarter.



Over the year to 31 March 2022, the Fund outperformed its fixed weight benchmark by c. 2.5% with outperformance over the twelve month period primarily driven by the Standard Life Long Lease Property Fund owing to a rise in gilt yields over the year, and the LCIV Absolute Return Fund, with the strategy's equity and inflation-linked bonds positioning proving beneficial over the first stages of the year and the manager's protection positions aiding outperformance over the year's latter stages.

3.3 Asset Allocation

The table below shows the value of assets held by each manager as at 31 March 2022 alongside the Target Benchmark Allocation.

Manager	Asset Class	Actual Asset Allocation 31 Dec 2021 (£m)	31 March 2022 (£m)	31 Dec 2021 (%)	31 March 2022 (%)	Benchmark Allocation (%)
LCIV	Global Equity Core	201.3	188.6	15.2	14.3	15.0
LGIM	Low Carbon Equity (passive)	448.1	405.5	33.9	30.7	30.0
	Total Equity	**649.4**	**594.1**	**49.1**	**45.0**	**45.0**
LCIV	Absolute Return	261.7	270.9	19.8	20.5	10.0
LCIV	Global Bond	108.1	99.8	8.2	7.6	10.0
	Total Dynamic Asset Allocation	**369.8**	**370.7**	**28.0**	**28.1**	**20.0**
Partners Group[1]	Multi Asset Credit	8.0	8.0	0.6	0.6	0.0
Oak Hill Advisors	Diversified Credit Strategies	82.6	66.3	6.3	5.0	5.0
Partners Group[1]	Direct Infrastructure	42.7	45.5	3.2	3.4	5.0
Aviva	Infrastructure Income	25.9	26.6	2.0	2.0	2.5
abrdn	Multi Sector Private Credit	56.0	55.7	4.2	4.2	5.0
Darwin Alternatives	Leisure Development Fund	-	32.6	-	2.5	2.5
	Secure Income	**215.2**	**234.6**	**16.3**	**17.8**	**20.0**
abrdn	Long Lease Property	65.9	69.8	5.0	5.3	5.0
Alpha Real Capital	Ground Rents	-	-	-	-	5.0
Man GPM	Affordable Housing	19.7	18.2	1.5	1.4	2.5
	Total Inflation Protection	**85.6**	**88.0**	**6.5**	**6.7**	**15.0[2]**
Northern Trust	Trustee Bank Account	0.3	32.1	0.0	2.4	0.0
	Total[3]	**1,320.5**	**1,319.7**	**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 2021 and 28 February 2022).
[2] Includes 2.5% yet to be reallocated following the disinvestment from M&G. Funds currently held in Ruffer.
[3] Total Fund valuation includes £0.1m which is invested in private equity allocations with Invesco and Unicapital, with these investments currently in wind down.

As reported last quarter, at the 23 November 2021 Pension Fund Committee Meeting, the Committee agreed to invest 2.5% of the Fund's total allocation in the Darwin Alternatives Leisure Development Fund as part of the secure income portfolio, reducing the Oak Hill Advisors allocation by 2.5% to 5.0%. The Fund's £32m commitment to Darwin was drawn for investment during January 2022, funded initially from the LGIM MSCI World Low Carbon Index Fund. The Fund disinvested £16m from the Oak Hill Advisors Diversified Credit Strategies Fund during March 2022, with the proceeds held in the Trustee Bank Account as at quarter end.

There remains 2.5% of the Fund's strategic benchmark to be allocated to inflation protection (from the M&G Inflation Opportunities disinvestment). This is currently being held in the LCIV Absolute Return Fund.

The Fund's commitment with Alpha Real Capital was closed on 17 May 2021, with the Fund having committed £60m to the strategy. Following quarter end, Alpha Real Capital issued a draw down request for £25m to be paid by 1 June 2022.

Man GPM issued a distribution of £6.0m to the Fund, including an equalisation payment of £5.8m to reflect the impact of new investors committing to the strategy at the most recent close, and one further draw down request for £4.5m over the first quarter of 2022. Following quarter end, in early May 2022 Man GPM issued a further distribution of £2.7m to the Fund, including an equalisation payment of £2.6m. As such, following receipt of the May equalisation payment, the Fund's commitment is c. 54% drawn for investment. The Man GPM drawdown requests have been funded from the LCIV Absolute Return Fund.

The Fund's bank balance, held in an account managed by Northern Trust, increased by c. £32m over the first quarter of 2022. This can primarily be attributed to the aforementioned £16m disinvestment from Oak Hill Advisors and the £6m distribution payment from Man GPM, alongside distributions issued by a number of the Fund's other investments.

3.4 Yield Analysis as at 31 March 2022

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

Manager	Asset Class	Yield as at 31 March 2022
LCIV	Global Equity Core	1.25%
LGIM	Low Carbon Equity	1.76%
LCIV	Absolute Return	1.90%
LCIV	Global Bond	4.09%
Partners Group	Multi-Asset Credit	7.70%[2]
Oak Hill Advisors	Diversified Credit Strategy	7.10%
Aviva Investors	Infrastructure	5.40%[1]
abrdn	Long Lease Property	3.75%
	Total	**2.13%**

[1]Represents yield to 31 December 2021.

[2]Represents yield to 28 February 2022.

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
Darwin Alternatives	Leisure Development Fund	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
abrdn	Long Lease Property	Les Ross leaving the business or ceasing to be actively involved in the Fund without having gone through an appropriate hand-over A build up within the Fund of holdings with remaining lease lengths around 10 years Investment in lower yielding or poorer quality assets than expected	1
	Multi Sector Private Credit	Significant changes to the investment team responsible for the Fund	1
Alpha Real Capital	Ground Rents	Significant changes to the investment team responsible for the Fund	1
Man GPM	Affordable Housing	Significant changes to the investment team responsible for the Fund *Note the mandate is subject to a 10 year lock-up period	1

4.1 London CIV

Business

The London CIV had assets under management of £13,206m within the 16 sub-funds (not including commitments to the private markets strategies) as at 31 March 2022, a decrease of £671m despite net flows of £232m into the London CIV platform, primarily as a result of negative market returns over a volatile first quarter of 2022. The positive net flows over the quarter can be partially attributed to the impact of three investors seeding the LCIV Alternative Credit Fund, which launched on 31 January 2022.

As at 31 March 2022, the total assets under oversight, including passive investments held outside the London CIV platform, stood at £26.7bn, a decrease of c. £2.9bn over the quarter. Cumulative additional commitments to the London CIV's public market funds totaled £232m over the first quarter of 2022, with total commitments raised by the private market funds standing at £2.2bn of which £771m had been drawn as at 31 March 2022.

Over the quarter, the London CIV announced that the planned adjustments to the LCIV Global Bond Fund, which the Fund currently invests in, are expected to complete by mid-July 2022. As part of the adjustments, further integration of ESG criteria will be taken account of within the Sub Fund's investment process. The London CIV has confirmed that the broad risk/return profile, investment objective, benchmark and prospectus of the Sub Fund will remain unchanged.

Personnel

Two investment analysts, Sahil Arora and Zakariya Mansha joined the London CIV Investment Team over the first quarter of 2022. Sahil and Zakariya will assist with the monitoring of London CIV platform funds.

Following quarter end, in April 2022, Cameron McMullen, Client Director and CEO, announced he has informed the London CIV Board of his intention to retire from the role at the end of March 2023. Cameron intends to step back from a full-time role, exploring an alternative challenge. Cameron will remain in his role until March 2023 and will support the London CIV during the transition period.

Following quarter end, in May 2022, the London CIV announced four new hires. Naomi Brown joined the Fund Accounting Team, Christiana Omoroga joined the Risk and Compliance Team, Marie-Chantel Ahagbuje joined the Governance Team and Victoria Morris joined the Client Services Team.

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

4.2 Morgan Stanley Investment Management

Business

The LCIV Global Equity Core Fund held assets under management of c. £563m as at 31 March 2022, a decrease of c. £38m over the quarter.

As at 31 March 2022, the Morgan Stanley Global Sustain Fund, which the LCIV Global Equity Core Fund is based upon, held assets under management of c. $4.9bn, representing a decrease of c. $0.2bn over the first quarter of 2022 as a result of negative market movements.

Personnel

There were no significant personnel changes to the Morgan Stanley Global Sustain Fund over the first quarter of 2022.

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

4.3 LGIM

Business

As at 31 December 2021, Legal & General Investment Management ("LGIM") had assets under management ("AuM") of c. £1,421bn, an increase of c. £94bn since 30 June 2021. Note, LGIM provides AuM updates biannually.

Personnel

Over the first quarter of 2022, Kurt Morriesen joined LGIM as the Head of Investment Stewardship. Kurt joins LGIM from the United Nation Development Programme with over 15 years of impact investment and ESG strategy experience in international organisations, such as the World Bank, and private firms specialising in sustainable investments.

Within the Index business, Russell Jones was appointed as the Head of Index Equities, EMEA, taking on David Barron's previous responsibilities for the day-to-day management of the Index Equity team in London following David's return to Chicago as Head of US Index Solutions.

Additionally, over the quarter, Sacha Mirza was appointed to a newly created role as Head of Index Analytics and Technology, reporting directly to Howie Li, Global Head of Index Funds and ETFs. Sacha will transition into this new role over the remainder of 2022 ensuring a smooth handover of his current portfolio management responsibilities to the existing Index Equity team in London. To aid this transition, the team plan to hire an additional fund manager resource in the coming months.

Both Russell and Sacha have been with LGIM for an extended period and are very well positioned to steward and grow the business in their respective new roles.

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

4.4 Ruffer

Business

As at 31 March 2022, Ruffer held c. £26.0bn in assets under management, an increase of c. £2.0bn over the quarter.

Personnel

Following an announcement in 2021, as planned, David Ballance, co-manager of the Absolute Return Fund since 2006 and leading member of Ruffer's institutional client team, retired on 31 March 2022. Jos North, who joined Steve Russell and David in managing the Absolute Return Fund in 2019 and sits on Ruffer's asset allocation committee, will continue to co-manage the strategy, while Henry Maxey and Jonathan Ruffer will continue to lead the investment process. David's individual client relationships have been transitioned across Ruffer's institutional team.

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

4.5 PIMCO

Business

PIMCO held c. $2.0tn in assets under management as at 31 March 2022, a decrease of $0.2tn over the quarter as a result of negative market movements. The LCIV Global Bond Fund had assets under management of c. £639m as at 31 March 2022, a decrease of £50m over the first quarter of 2022.

Personnel

There were no significant personnel changes to the Global Bond Fund over the first quarter of 2022.

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

4.6 Partners Group

Business

Partners Group held total assets under management of c. $127bn as at 31 December 2021, representing an increase of c. $8bn since 30 June 2021. Note, Partners Group provides AuM updates biannually.

Multi Asset Credit

The Partners Group MAC Fund's net asset value stood at c. £41.5m as at 31 March 2022, a decrease of c. £0.3m since the previous quarter end valuation at 31 December 2021 with positive portfolio returns over the quarter offset by a distribution of capital which totaled £1.5m split across all investors.

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. As mentioned above, Partners Group issued one further distribution over the quarter, with £1.5m distributed on 31 January 2022, split across all investors.

Direct Infrastructure

As at 31 March 2022, the Direct Infrastructure Fund had drawn down c. 80% of its total €1,081m commitment value for investment, with c. 100% of the total Direct Infrastructure Fund's portfolio committed to investment opportunities as at 31 March 2022.

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 abrdn – Multi-Sector Private Credit ("MSPC")

Business

The abrdn Multi-Sector Private Credit Fund ("MSPC") commitment value stood at £176m as at 17 May 2022, remaining unchanged over the period since 10 February 2022.

The MSPC Fund has a robust indicative pipeline of private credit assets and has closed on two commercial real estate senior debt assets and one private corporate debt investment over the first quarter of 2022, with 91% of the MSPC Fund portfolio now invested in assets that will make up the long term portfolio as at 31 March 2022.

Personnel

There were no significant team or personnel changes to the Multi-Sector Private Credit Fund over the first quarter of 2022.

Deloitte View – We continue to rate abrdn for its private credit capabilities.

4.8 Darwin Alternatives – Leisure Development Fund

Business

At the 23 November 2021 Pension Fund Committee Meeting, the Committee agreed to invest 2.5% of the Fund's total allocation in the Darwin Alternatives Leisure Development Fund as part of the secure income portfolio. Over the first quarter of 2022, the Fund's £32m commitment to Darwin was drawn for investment in January 2022.

Darwin Alternatives held assets under management of c. £998m as at 31 March 2022, with the Leisure Development Fund's net asset value standing at c. £218m as at quarter end.

Personnel

Over the quarter, Dean Ricks joined Darwin Alternatives as a Development Director. Dean will assist in site acquisitions and will oversee project design and construction across Darwin Alternative's funds. Dean joins from Stantec, where we worked as a Buildings Director, overseeing regional operations and multi-disciplinary project delivery throughout the UK.

Deloitte View – We continue to rate Darwin Alternatives positively for its leisure property sector capabilities.

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

Business

Oak Hill Advisors ("OHA") held assets under management of c. $57bn as at 31 March 2022, an increase of c. $2bn over the first quarter of 2022.

The Diversified Credit Strategies Fund's net asset value stood at c. $4.8bn as at 31 March 2022, decreasing by $0.2bn over the quarter. The Diversified Credit Strategies Fund saw approximately $179m of net cash outflows during the first quarter of 2022.

Personnel

In January 2022, Michael Blumstein, Oak Hill Advisors' Chief Operating Officer, left the firm. Michael's responsibilities have been spread across various members of OHA's business team.

In February 2022, Oak Hill Advisors hired Jeffrey Cohen, Managing Director & Head of ESG and Sustainability. Jeffrey joins the firm's ESG committee and will work closely with the firm's investment team and portfolio companies to further develop sustainability metrics across its portfolios as well as develop ESG-related investment solutions. Prior to joining Oak Hill Advisors, Jeffrey was director of capital markets integration and head of private investments initiatives at the Sustainability Accounting Standards Board Foundation.

Deloitte view – We are comfortable with how the strategy is being managed and the level of risk within the strategy. We currently foresee no impacts on the DCS Fund's investment following OHA's acquisition by T. Rowe Price in December 2021, but we will continue to monitor developments closely.

4.10 Aviva Investors

Business

The Aviva Investors Infrastructure Income Fund (the "AIIIF") had a total subscription value of c. £1,446m as at 31 March 2022, an increase of c. £138m over the first quarter of 2022.

As at 31 March 2022, the undrawn amount for the AIIIF was £61.9m, following total additional commitments of £153.9m over the quarter, primarily from existing investors with £15m committed by a new investor who had been onboarding for over a year with initial discussions preceding the soft close decision.

Over the quarter, Aviva announced to all current investors that the minimum £175m funding requirement has been reached and the soft close therefore completed.

Personnel

Over the quarter, Adam Irwin was appointed as Director in the Infrastructure Equity Origination team. Adam joins Aviva Investors having spent six years at Equitix where he led and managed energy and renewables investments into the UK and European regions, closing Equitix's first deals in Portuguese, Spanish, French, German, CEE, and Nordic markets. Prior to that Adam worked with Darryl Murphy at KPMG in the Corporate Finance Infrastructure team, advising on M&A transactions predominantly in the offshore wind sector. Adam will help drive origination for the Real Assets Climate Transition Fund.

Deloitte View – We have removed the AIIIF from our preferred list of funds. This means we no longer consider AIIIF as a preferred or suitable fund in its asset class. We provide the rationale for this change in view within a separate note entitled "Aviva Investors Infrastructure Income Fund – Rating Change" and we have outlined potential liquidity options available to the Fund in a separate note entitled "Aviva Investors Infrastructure Income Fund – Liquidity Options".

4.11 abrdn – Long Lease Property

Business

The Standard Life Long Lease Property Fund, managed by abrdn, had a total fund value of c. £3.5bn as at 31 March 2021, an increase of c. £0.1bn since 31 December 2021.

Personnel

There were no significant team or personnel changes over the quarter to 31 March 2022.

Deloitte View – We continue to rate abrdn positively for its long lease property capabilities.

4.12 Alpha Real Capital

Business

As at 31 March 2022, Alpha Real Capital's total assets under management stood at £4.7bn, an increase of £0.2bn over the quarter.

The Alpha Real Capital Index Linked Income Fund's net asset value stood at £1,950m as at 31 March 2022, an increase of £71m since 31 December 2021.

The Fund's commitment with Alpha Real Capital was closed on 17 May 2021, with the Fund having committed £60m to the strategy. Following quarter end, Alpha Real Capital issued a draw down request for £25m to be paid by 1 June 2022.

Personnel

There were no significant personnel changes over the first quarter of 2022.

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

4.13 Man GPM

Business

Man GPM held a total of c. $3.7bn in assets under management as at 31 March 2022, including commitments, an increase of c. $0.1bn over the quarter. The Community Housing Fund's NAV stood at c. £88.0m as at 31 December 2021, an increase of £50.5m over the fourth quarter of 2021.

Commitments to the Community Housing Fund now total £220m, with a further £5m of commitments under documentation as at the end of May 2022. The Fund's total capacity is £400m.

Over the quarter, Man GPM issued a distribution of £6.0m to the Fund on 16 February 2022, including an equalisation payment of £5.8m to reflect the impact of new investors committing to the strategy at the most recent close, and one further draw down request of £4.5m for payment by 25 March 2022. In addition, following quarter end, Man GPM issued a further distribution of £2.7m to the Fund on 3 May 2022, including an equalisation payment of £2.6m. As such, following receipt of the 3 May equalisation payment, the Fund's total commitment is c. 54% drawn for investment.

Personnel

Ian Jackson, Investment Director, announced his departure from Man GPM in April 2022 to accept a board-level role with a large UK housebuilder. Ian is not moving to a direct competitor of the Community Housing Fund and will continue in his role at Man GPM over the three month notice period. While Ian is listed as one of the three key persons on the Community Housing Fund, his departure does not trigger a Key Person Event as his role as a key person is shared with Tom Shaw. Man GPM has commenced the recruitment process for Ian's replacement.

Deloitte view – We continue to rate Man GPM for its affordable housing capabilities. While Ian Jackson's departure does not trigger a Key Person Event, we will monitor any implications his departure may have on fund raising and deployment within the strategy.

5 London CIV

5.1 Investment Performance to 31 March 2022

At 31 March 2022, the assets under management within the 16 sub-funds of the London CIV stood at £13,206m, with a further combined £2.2m committed to the London CIV's private market funds. The total assets under oversight (which includes passive investments held outside of the London CIV platform) decreased by c. £2.9bn to c. £26.7bn over the quarter. The table below provides an overview of the sub-funds currently available on the London CIV platform.

Sub-fund	Asset Class	Manager	Total AuM as at 31 Dec 2021 (£m)	Total AuM as at 31 Mar 2022 (£m)	Number of London CIV clients	Inception Date
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	2,642	2,314	10	11/04/16
LCIV Global Alpha Growth Paris Aligned	Global Equity	Baillie Gifford	1,375	1,175	6	13/04/21
LCIV Global Equity	Global Equity	Newton	782	747	3	22/05/17
LCIV Global Equity Core	Global Equity	Morgan Stanley Investment Management	601	563	2	21/08/20
LCIV Global Equity Focus	Global Equity	Longview Partners	1,001	893	5	17/07/17
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	557	523	7	11/01/18
LCIV Sustainable Equity	Global Equity	RBC Global Asset Management (UK)	1,468	1,344	8	18/04/18
LCIV Sustainable Equity Exclusion	Global Equity	RBC Global Asset Management (UK)	481	437	3	11/03/20
LCIV PEPPA	Global Equity	State Street Global Advisors	533	504	2	01/12/2021
LCIV Global Total Return	Diversified Growth Fund	Pyrford	230	228	3	17/06/16
LCIV Diversified Growth	Diversified Growth Fund	Baillie Gifford	912	952	9	15/02/16
LCIV Absolute Return	Diversified Growth Fund	Ruffer	1,205	1,308	11	21/06/16
LCIV Real Return	Diversified Growth Fund	Newton	187	179	2	16/12/16
LCIV MAC	Fixed Income	CQS & PIMCO	1,215	1,008	11	31/05/18
LCIV Global Bond	Fixed Income	PIMCO	689	639	7	30/11/18
LCIV Alternative Credit	Fixed Income	CQS	n/a	391	3	31/01/2022
Total			13,877	13,206		

Source: London CIV

Over the quarter to 31 March 2022, there were three seed investors into the LCIV Alternative Credit Sub Fund, totaling £386m, transitioned from the LCIV Multi Asset Credit Sub Fund, whilst one new London Borough investor was added to the Multi Asset

Credit Sub Fund. In addition, one new investor was added to the LCIV Diversified Growth Sub Fund and one new investor was added to the LCIV Absolute Return Sub Fund over the quarter.

Three London Boroughs committed to transition their investments in the LCIV Global Alpha Growth Sub Fund to the LCIV Global Alpha Growth Paris Aligned Sub Fund over the quarter, with one investor disinvesting from the LCIV Global Alpha Growth Sub Fund over the three-month period and the remaining transitions to take place following quarter end.

5.2 Private Markets

The table below provides an overview of the London CIV's private markets investments as at 31 December 2021.

Sub-fund	Total Commitment as at 31 Dec 2021 (£'000)	Called to Date (£'000)	Undrawn Commitments (£'000)	Fund Value as at 31 Dec 2021 (£'000)	Number of London CIV clients	Inception Date
LCIV Infrastructure Fund	399,000	153,578	245,422	155,890	6	31/10/2019
LCIV Inflation Plus Fund	202,000	168,262	33,738	164,350	3	11/06/2020
LCIV Renewable Infrastructure Fund	682,500	178,422	504,078	175,571	10	29/03/2021
LCIV Private Debt Fund	540,000	171,896	368,104	172,582	7	29/03/2021
The London Fund	195,000	24,156	170,844	23,729	2	15/12/2020

Source: London CIV

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 2022

	Last Quarter (%)	One Year (%)
Net of fees	-6.3	11.1
Benchmark (MSCI World Net Index)	-2.6	12.4
Global Franchise Fund (net of fees)	-5.3	16.3
Net Performance relative to Benchmark	-3.6	-1.3

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

The LCIV Global Equity Core Fund delivered a negative return of -6.3% on a net of fees basis over the quarter to 31 March 2022, underperforming the MSCI World Net Index by 3.6%. Over the longer twelve-month period to 31 March 2022, the strategy has underperformed its benchmark by 1.3%, delivering a positive absolute return of 11.1% on a net of fees basis.

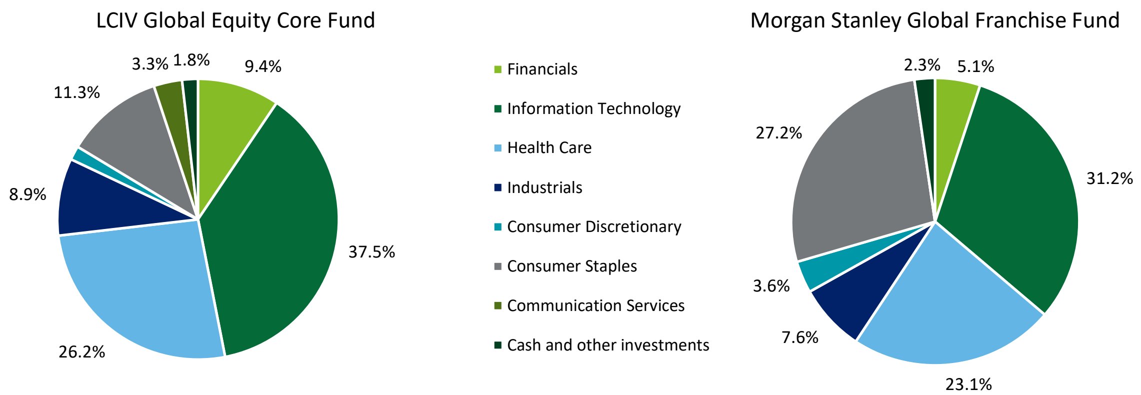
The LCIV Global Equity Core Fund's portfolio is predominantly comprised of quality franchises with strong recurring cash flows, and the strategy therefore has a low allocation to cyclical stocks. The strategy's bias to high quality companies proved beneficial relative to the wider global equity market over the first half of the quarter, demonstrating strong downside protection, with the portfolio faring well against a backdrop of high inflation concerns and interest rate rises.

However, the LCIV Global Equity Core Fund significantly underperformed the wider market over the second half of the quarter, following Russia's invasion of Ukraine. Underperformance over this period was primarily driven by the strategy's underweight position to commodities and energy related stocks relative to the MSCI benchmark, with these sectors performing well following the commencement of the conflict.

The LCIV Global Equity Core Fund follows the same strategy and, in general, has the same investment principles as the Morgan Stanley Global Franchise Fund, but is subject to a greater number of restrictions, owing to its key focus on sustainability. As such, there exists a number of small differences in the characteristics of the two funds. The LCIV Global Equity Core Fund underperformed the Global Franchise Fund by 1.0% over the quarter, with underperformance largely attributed to a lower allocation to consumer staples companies, with beverage and tobacco companies continuing to benefit from increased global social activity, having been adversely impacted by previous social distancing measures.

6.2 Portfolio Sector Breakdown at 31 March 2022

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 2022.



Source: London CIV and Morgan Stanley

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

The Global Franchise Fund portfolio held an allocation of c. 9% to tobacco stocks as at 31 March 2022. 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 2022, compared with the Morgan Stanley Global Franchise Fund.

	LCIV Global Equity Core Fund	Global Franchise Fund
No. of Holdings	40	32
No. of Countries	8	5
No. of Sectors*	6	6
No. of Industries*	17	14

*Not including cash

Source: London CIV and Morgan Stanley

Holdings

The top 10 holdings in the Global Equity Core Fund account for c. 46.6% of the strategy and are detailed below.

Global Equity Core Fund Holding	% of NAV
Microsoft	7.3
Visa	5.6
Reckitt Benckiser	4.7
Accenture	4.5
SAP	4.5
Danaher	4.3
Thermo Fisher Scientific	4.2
Baxter International	4.0
Abbott Laboratories	3.8
Constellation Software	3.6
Total	46.6*

Global Franchise Fund Holding	% of NAV
Microsoft	9.2
Philip Morris	8.2
Reckitt Benckiser	6.2
Visa	5.7
Danaher	5.0
Thermo Fisher Scientific	4.8
Accenture	4.7
SAP	4.4
Abbott Laboratories	4.3
Baxter International	4.1
Total	56.6*

*Note figures may not sum due to rounding

Source: London CIV and Morgan Stanley

Nine 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 2022

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)
Net of fees	-2.5	15.5	15.3
Benchmark (MSCI World Low Carbon Target)	-2.5	15.6	15.4
MSCI World Equity Index	-2.3	15.9	15.1
Net Performance relative to Benchmark	0.0	-0.1	-0.1

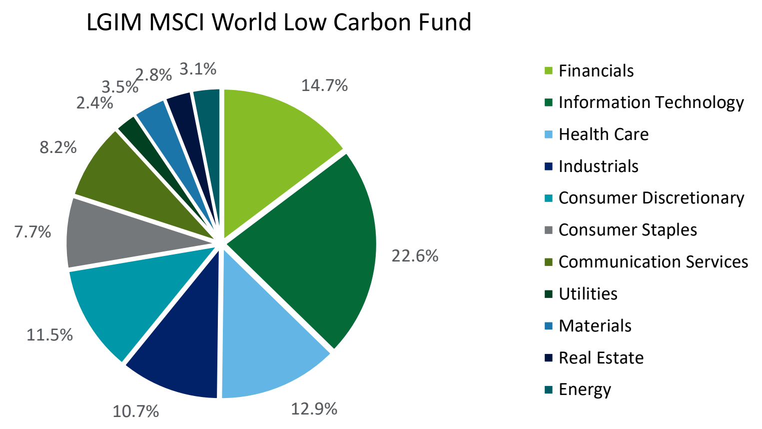
Source: LGIM and Northern Trust. Relative performance may not tie due to rounding.

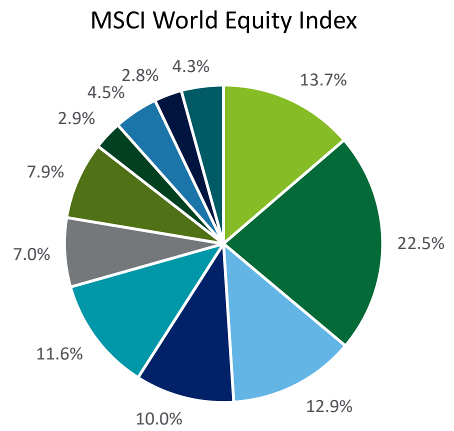
The LGIM MSCI World Low Carbon Index Fund delivered a negative absolute return of -2.5% on a net of fees basis over the quarter to 31 March 2022, performing broadly in line with its MSCI World Low Carbon Target benchmark but underperforming the MSCI World Equity Index by 0.2%.

Over the one-year-period to 31 March 2022, the LGIM MSCI World Low Carbon Index Fund delivered an absolute return of 15.5% on a net of fees basis, slightly underperforming its MSCI World Low Carbon Target benchmark by 0.1%, while underperforming the broader MSCI World Equity Index by 0.4% on a net of fees basis over the year. Over the longer three-year period, the strategy delivered a return of 15.3% p.a. on a net of fees basis, slightly underperforming its benchmark by 0.1% p.a. but outperforming the wider MSCI World Equity Index by 0.2% p.a. over the period.

7.2 Portfolio Sector Breakdown at 31 March 2022

The below charts compare the relative weightings of the sectors in the LGIM MSCI World Low Carbon Index Fund and the MSCI World Equity Index as at 31 March 2022.





Source: LGIM

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

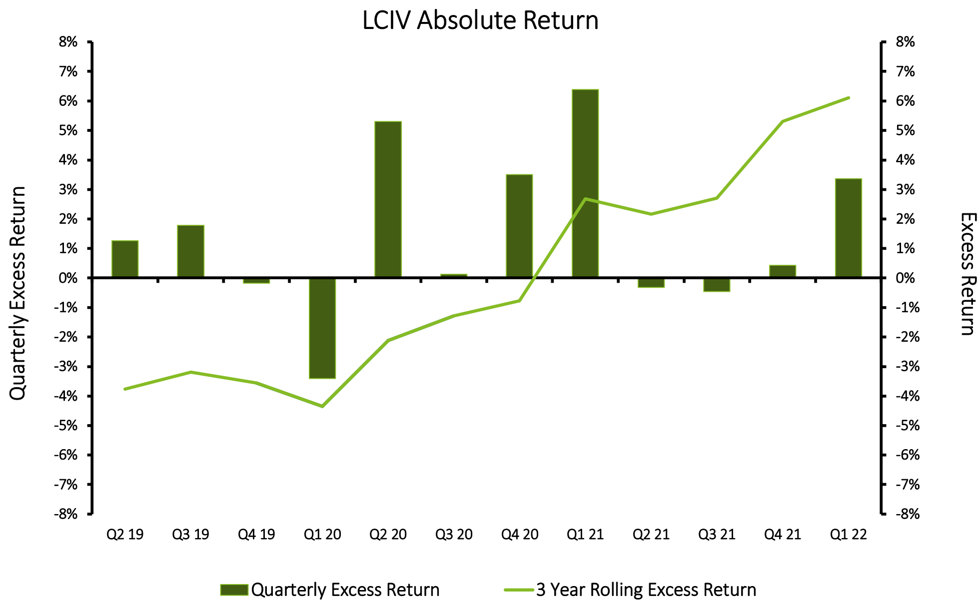
8 LCIV – Absolute Return

Ruffer was appointed to manage an absolute return mandate, held as a sub-fund under the London CIV platform from 21 June 2016, with the aim of outperforming the 3 month Sterling SONIA 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 2022

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	4.4	7.3	10.5	5.5
Target	1.1	4.2	4.4	4.5
Net performance relative to Target	3.4	3.1	6.1	1.0

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



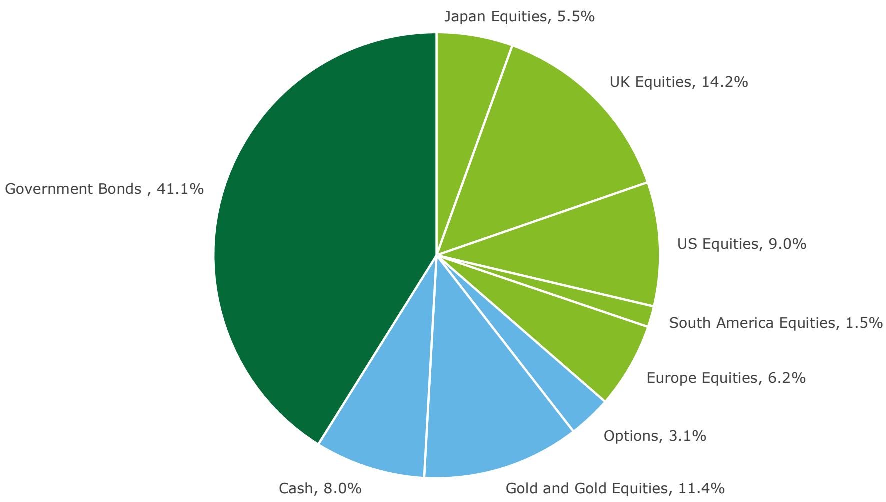
The Absolute Return Fund returned 4.4% on a net of fees basis over the quarter to 31 March 2022, outperforming its SONIA+4% target by 3.4%. The strategy has delivered an absolute return of 7.3% on a net of fees basis over the year to 31 March 2022, outperforming its target by 3.1%. Over the longer three and five year periods to 31 March 2022, the strategy has delivered positive returns of 10.5% p.a. and 5.5% p.a. respectively on a net of fees basis, outperforming the SONIA-based target by 6.1% p.a. and 1.0% p.a. respectively.

The Absolute Return Fund's downside protection strategies proved beneficial over a volatile quarter, with the strategy's interest rate options, equity options and credit protections contributing significantly to outperformance. Meanwhile, the manager's equity selection also boosted relative returns, with the portfolio's relatively defensive equity position absent of any of the growth and technology stocks which recognised significant reductions following Russia's invasion of Ukraine, while the Absolute Return Fund's commodity equities performed strongly as energy prices rose. The manager reduced portfolio risk during the early stages of the quarter, trimming its equity positioning and adding additional protections to the portfolio and, over the latter stages of the quarter following the beginning of the conflict in Ukraine, Ruffer took profits from its interest rate option positions and simultaneously reduced portfolio risk further, switching into defensive equity positions.

Relative performance was also boosted by the lack of any conventional bonds within the portfolio, however the Absolute Return Fund's long-dated UK inflation-linked bonds positioning provided the largest detraction to relative performance over the quarter with yields rising significantly. The manager reduced its inflation-linked bonds holdings during the quarter, adding further to its gold allocation.

8.2 Asset Allocation

The chart below represents the asset allocation of the LCIV Absolute Return Fund portfolio as at 31 March 2022.



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 2022

	Last Quarter (%)	One Year (%)
Net of fees	-7.1	-4.6
Benchmark	-7.0	-5.1
Net Performance relative to Benchmark	-0.1	0.5

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

Over the quarter to 31 March 2022, the LCIV Global Bond Fund delivered a negative absolute return of -7.1% on a net of fees basis, slightly underperforming the Barclays Aggregate – Credit Index Hedged (GBP) Index by 0.1%. Over the year to 31 March 2022, the strategy delivered a negative return of -4.6%, but has outperformed the benchmark by 0.5%.

The LCIV Global Bond Fund delivered a negative absolute return over the first quarter of 2022 with global investment grade bond markets suffering their worst quarter since 1990 against a backdrop of rising inflation and tightening monetary policy. The Global Bond Fund's spread strategies contributed significantly to negative returns following widening in both investment grade and high yield spreads, offset slightly by the strategy's short duration relative to the benchmark.

The LCIV Global Bond Fund's emerging market security selection significantly detracted from performance. Specifically, the overweight allocation to Russian quasi sovereign issuers including Sberbank and Gazprom, and the manager's poorly timed decision to seek sovereign debt exposure through the use of a credit default swap, prior to the Ukraine conflict, proved detrimental. The strategy's overweight Chinese corporates position also detracted from performance, with the Chinese real estate sector continuing to come under pressure.

The LCIV Global Bond Fund held a c. 0.5% exposure to Russia as at 31 March 2022. The majority of this exposure is expected to be removed from the portfolio by 10 July 2022, as part of the transition to an ESG-focused strategy. The manager, PIMCO, is prohibited from purchasing any new Russian or Belarusian issues.

The strategy experienced no defaults over the quarter. 43 issues, representing c. 3% of the portfolio, were downgraded over the quarter with 4 Russian issuers downgraded to sub-investment grade over the period. PIMCO's ability to divest from these Russian issuers will be dependent on market conditions, however the manager has marked down the valuation of these positions to zero. PIMCO maintains that the lowered ratings of the non-Russian investments do not reflect the fundamentals of the issues, and aims to hold on to the majority of these issues. The strategy remains relatively well positioned to cope with downgrades. The Global Bond Fund has the ability to hold up to 10% in sub-investment grade credit per its mandate.

9.2 Performance Analysis

The table below summarises the Global Bond portfolio's key characteristics as at 31 March 2022.

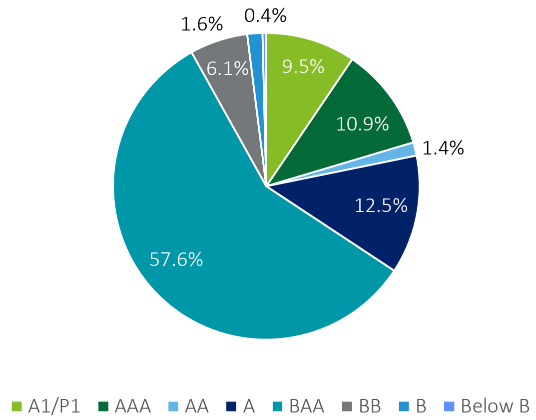
	31 Dec 2021	31 March 2022
No. of Holdings	1,178	1,120
No. of Countries	47	49
Coupon	2.57	2.60
Effective Duration	6.31	6.09
Rating	A-	A-
Yield to Maturity (%)	2.58	4.09

Source: London CIV

Over the first quarter of 2022, the number of holdings in the portfolio decreased by 58 while the proportion of the portfolio held in cash and other net assets decreased by c. 1.9% to 9.7% as at 31 March 2022 having increased significantly over the fourth quarter of 2021.

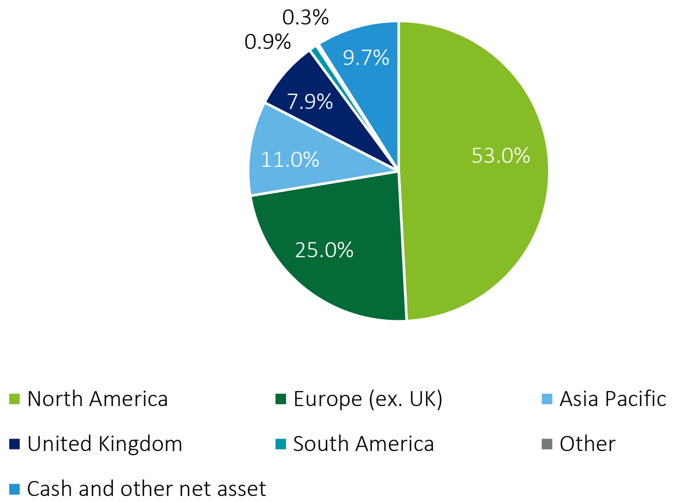
PIMCO remains highly selective at current spread levels, primarily observing cyclical but resilient opportunities with strong liquidity profiles that have potential for further spread compression. After opting to increase the strategy's overall duration positions over the second quarter of 2021, PIMCO continued to decrease the portfolio's effective duration position, reducing the portfolio's duration by a further c. 0.2 years over the first quarter of 2022.

The chart below represents the split of the Global Bond portfolio by credit rating. The Fund's investment grade holdings made up c. 91.9% of the portfolio as at 31 March 2022, a decrease of 0.6% over the quarter, with the Fund predominantly 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.

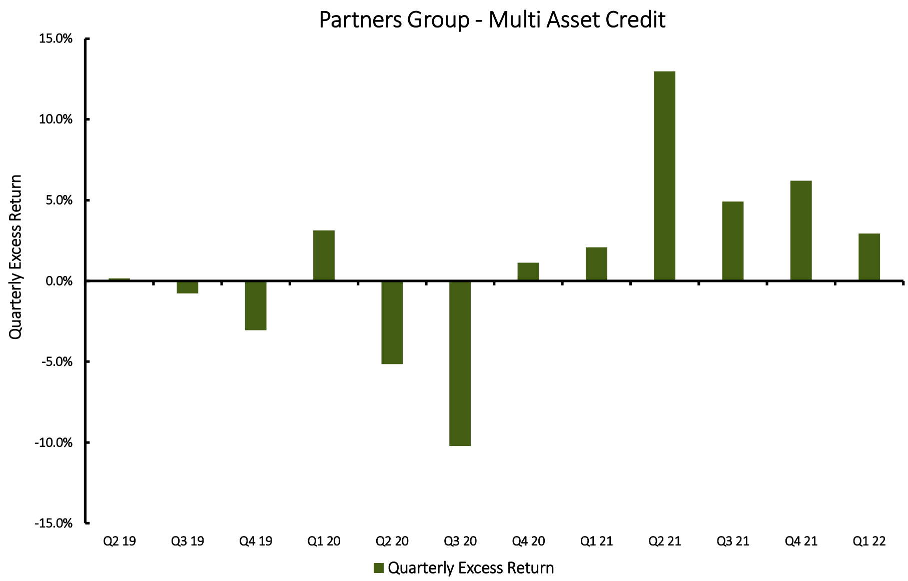
10 Partners Group – Multi Asset Credit

Partners Group was appointed to manage a multi asset credit mandate with the aim of outperforming the 3 month Sterling SONIA 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 2022

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	4.0	34.6	8.7	7.1
Benchmark / Target	1.1	4.2	4.4	4.5
Net performance relative to Benchmark	2.9	30.5	4.4	2.7

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



Please note, performance shown is to 30 November 2021.

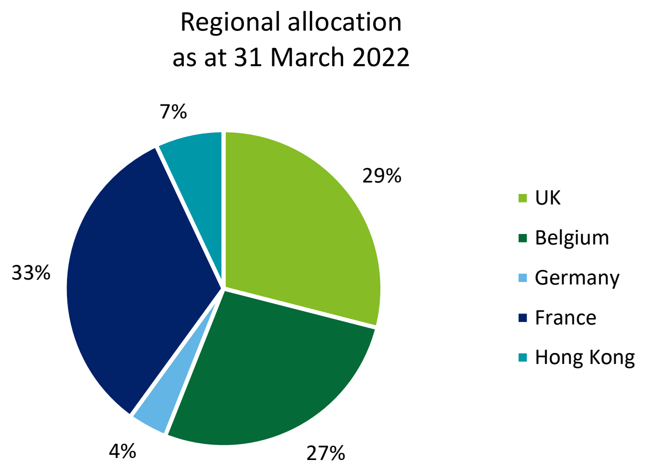
The Multi Asset Credit strategy delivered a positive return of 4.0% on a net of fees basis over the three-month period to 28 February 2022, outperforming its 3 Month SONIA +4% benchmark by 2.9%.

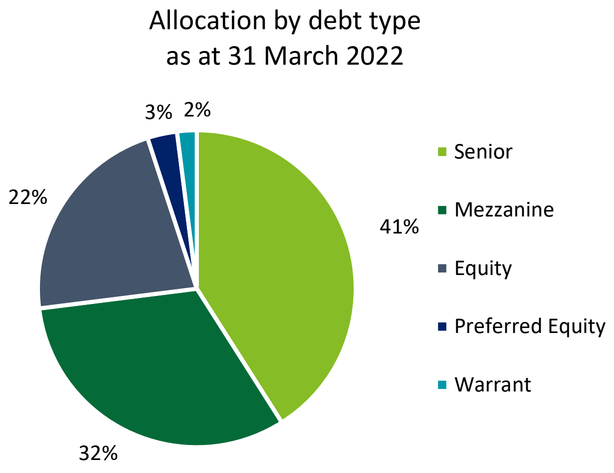
Over the quarter to 31 March 2022, we expect the MAC Fund to have delivered a return of 3.1% on a net of fees basis, based on an estimation of the strategy's time-weighted rate of return using cashflow information – with the primary difference in return due to the month of December 2021 dropping out of the calculation period and the month of March 2022 being included, with the strategy delivering a lower return over March compared with December.

The strategy delivered a strong positive return of 34.6% on a net of fees basis over the year to 28 February 2022, outperforming its benchmark by 30.5%. The strong performance over the one-year period represents the rebound in performance of the strategy's tail investments which the Fund lifespan was extended for, which were initially particularly impacted by the economic restrictions caused by COVID-19 and have rebounded as anticipated following the reversal and easing of these restrictions gradually since summer 2021.

10.2 Asset Allocation

The charts below show the regional split and allocation by debt type of the Fund as at 31 March 2022, based on the seven positions remaining in the portfolio.





Note: Based on information provided by Partners Group.

10.3 Fund Activity

The Partners Group Multi Asset Credit Fund had made 54 investments, of which 47 have been fully realised as at 31 March 2022 with no realisations taking place over the first quarter of 2022.

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

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

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

Over the first quarter of 2022, Partners Group issued one further distribution with c. £293.8k distributed to the London Borough & Fulham Pension Fund on 31 January 2022.

11 abrdn – Multi-Sector Private Credit Fund

abrdn 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 2022

	Last Quarter (%)	One Year (%)
Net of fees	-0.1	0.9
Benchmark / Target	-4.4	-3.8
Net performance relative to Benchmark	4.3	4.8

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

Over the quarter to 31 March 2022, the Multi-Sector Private Credit Fund delivered a negative absolute return of -0.1% on a net of fees basis, outperforming the blended benchmark by 4.3%. Over the longer one-year period to 31 March 2022, the Fund has delivered a positive return of 0.9% on a net of fees basis, outperforming its benchmark by 4.8%.

The strategy continues to deploy invested capital, with non-deployed capital invested in a portfolio of cash and short term bonds until full investment is achieved. Once fully committed, the strategy will be measured against the ICE ML Sterling BBB Corporate Bond Index. While the strategy is in the process of deploying invested capital, the strategy is measured against a blended benchmark of 3 Month Sterling SONIA 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 abrdn. Over the quarter to 31 March 2022, the MSPC Fund has been measured against a benchmark of 33% 3 Month Sterling SONIA and 67% ICE ML Sterling BBB Corporate Bond Index.

11.2 Portfolio Composition

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

Illiquid Investments

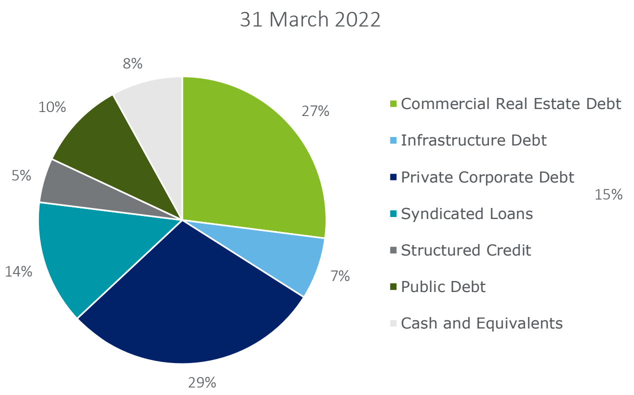
As at 31 March 2022, the MSPC Fund portfolio consists of 21 private assets:

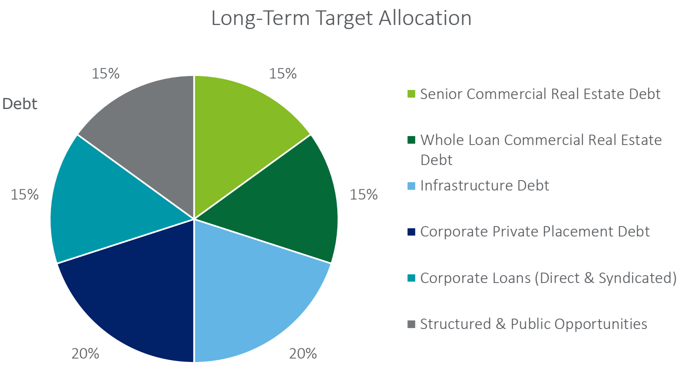
- 2 infrastructure debt investments;
- 9 senior real estate debts investments;
- 1 whole loan real estate debt investment; and
- 9 private corporate debt investments.

abrdn has a strong pipeline of opportunities with three further investments added to the portfolio during the first quarter of 2022.

Asset Allocation

As at 31 March 2022, 91% of the MSPC Fund portfolio has been invested in illiquid assets that will make up the long term portfolio, while the remaining 9% of the portfolio remains invested in a liquid transition portfolio in order to avoid a cash drag where the Fund has not fully deployed its committed capital. The charts below compare the asset allocation as at 31 March 2022 with that of the long-term target allocation.





Source: abrdn

12 Darwin Alternatives – Leisure Development Fund

Darwin Alternatives was appointed to manage a leisure property development mandate, with the Fund drawing down capital for investment on 1 January 2022. The Leisure Development Fund aims to outperform the 3-month Sterling SONIA target by 6% p.a. The manager has an annual management fee and performance fee.

12.1 Leisure Development Fund - Investment Performance to 31 March 2022

At the 23 November 2021 Pension Fund Committee Meeting, the Committee agreed to invest 2.5% of the Fund's total allocation in the Darwin Alternatives Leisure Development Fund as part of the secure income portfolio. Over the first quarter of 2022, the Fund's £32m commitment to Darwin was drawn for investment on 1 January 2022.

The Darwin Alternatives Leisure Development Fund invests within the UK leisure property sub-sector through holiday park and leisure resort acquisition, operational development and construction. Darwin Alternatives' strategy is to focus on acquiring assets that have a high degree of consolidation, lack operational expertise and/or in general lack access to capital that could potentially transform and develop the asset. Once acquired, Darwin Alternatives transforms the assets into luxury resorts that tailor to the higher end of the domestic holiday market.

At the time of writing, the Fund's custodian, Northern Trust, has not made the Leisure Development Fund Q1 2022 performance available to us. However, Darwin Alternatives estimates that the Leisure Development Fund has delivered a return of 1.8% on a net of fees basis over the quarter to 31 March 2022.

12.2 Portfolio Holdings

The table below shows details of the parks underlying the Darwin Alternatives Leisure Development Fund portfolio as at 31 March 2022:

Park	Purchase Rationale	Size (Acres)	Purchase Date
Stratford Armouries, Warwickshire	Develop site into luxury lodge retreat	9	June 2017
Norfolk Woods, Norfolk	Redevelop to holiday resort with leisure facilities	15	June 2017
The Springs, Oxfordshire	Upgrade golf facilities and add lodges to create small lodge resort	133	July 2017
Rivendale, Derbyshire	Redevelop to holiday resort with leisure facilities	35	January 2018
Dundonald Links, Ayrshire	Add lodges and central facilities to create lodge resort	268	March 2019
Kilnwick Percy, East Yorkshire	Add additional lodges to existing golf resort	150	March 2020
Rosetta, Peeblesshire	Redevelop to holiday resort with leisure facilities	47	May 2020
Plas Isaf, North Wales	Add additional lodges utilising existing planning	39	June 2020
Bleathwood, Shropshire	Develop site into luxury lodge retreat	12	December 2020
High Lodge, Suffolk	Redevelop to holiday resort with leisure facilities	64	April 2021
Blenheim Palace, Oxfordshire	Develop site into luxury lodge retreat	10	December 2021

Source: Darwin Alternatives.

Activity

Over the quarter, planning permission was granted for the Leisure Development Fund to develop a lodge resort at Blenheim Palace, Oxfordshire. Darwin Alternatives has permission to add 36 lodges along with a small reception facility, with an opening date being subject to lodge manufacturer delivery timelines.

Early enabling works were carried out at Plas Isaf over the quarter, including the demolition of existing buildings and ducting for below ground services with main works expected to commence in May and construction expected to be completed in time for opening in Spring 2023.

Works continue at the remaining development sites while the fully operational sites: Kilnwick Percy; Rivendale; Norfolk Woods; Stratford Armouries; and Dundonald Links, delivered robust performance over the quarter both in terms of holiday rentals and holiday home sales.

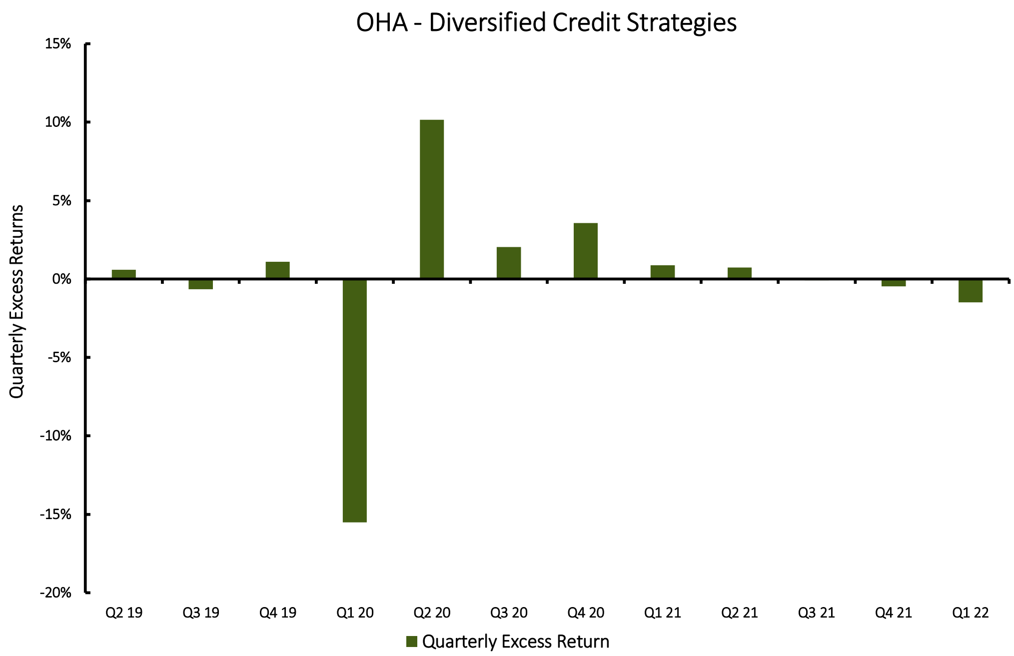
13 Oak Hill Advisors – Diversified Credit Strategies Fund

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

13.1 Diversified Credit Strategies - Investment Performance to 31 March 2022

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	-0.4	2.8	4.0	3.2
Benchmark / Target	1.1	4.2	4.4	4.5
Net Performance relative to Benchmark	-1.5	-1.3	-0.4	-1.3

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



The Oak Hill Advisors Diversified Credit Strategies Fund delivered a negative absolute return of -0.4% on a net of fees basis over the quarter to 31 March 2022, underperforming its 3 Month Sterling SONIA +4% p.a. benchmark by 1.5%. The strategy delivered a positive absolute return of 2.8% on a net of fees basis over the year to 31 March 2022, underperforming the benchmark by 1.3%. As the strategy is measured against a cash-plus benchmark, we would expect relative performance differences over shorter time horizons.

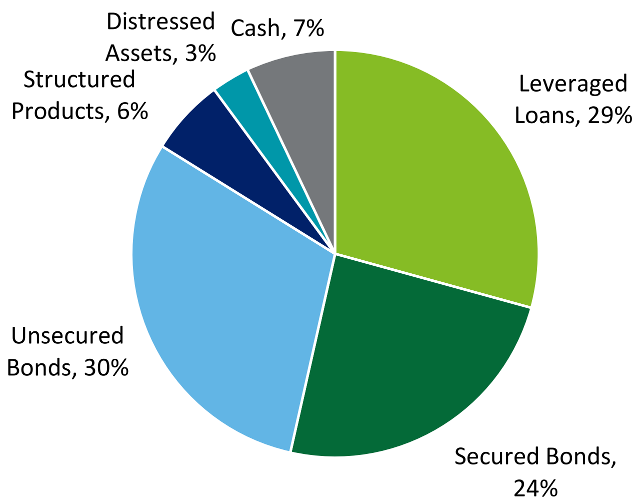
The strategy's high yield bonds and, albeit to a lesser extent, leveraged loans exposures delivered negative returns over the first quarter of 2022, as credit spreads widened in response to Central Bank interest rate hikes, with higher borrowing costs posing a greater challenge to already heavily indebted companies following the COVID-19 pandemic.

The strategy's distressed assets exposures, having noticeably contributed to positive performance over 2021 as a result of the initial anticipation and subsequent realisation of the relaxation in lockdown restrictions over the first half of 2021, performed poorly over the first quarter of 2022, owing to the heightened default risk given the increase in interest rates and subsequent increase in the cost of borrowing.

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.

13.2 Asset Allocation

The below chart shows the composition of the Diversified Credit Strategies Fund's Portfolio as at 31 March 2022.



Source: Oak Hill Advisors

The Diversified Credit Strategies Fund's allocation to unsecured bonds increased over the quarter, with the leveraged loans allocation simultaneously decreasing.

14 Partners Group – Direct Infrastructure

Partners Group was appointed to manage a global infrastructure mandate with the aim of outperforming the 3 month Sterling SONIA benchmark by 8% p.a. The manager has an annual management fee and performance fee.

14.1 Direct Infrastructure - Investment Performance to 31 March 2022

Activity

The Direct Infrastructure Fund's investment period ended on 30 September 2021 and the Fund will therefore make no further investments going forward, having made 22 investments. As at 31 March 2022, the Partners Group Direct Infrastructure Fund has fully realised 3 investments.

The total capacity of the Partners Group Direct Infrastructure Fund is €1.08 billion. Of this, c. 100% has been committed to investments as at 31 March 2022, with c. 80.1% of the total capacity drawn down from investors as at 31 March 2022.

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

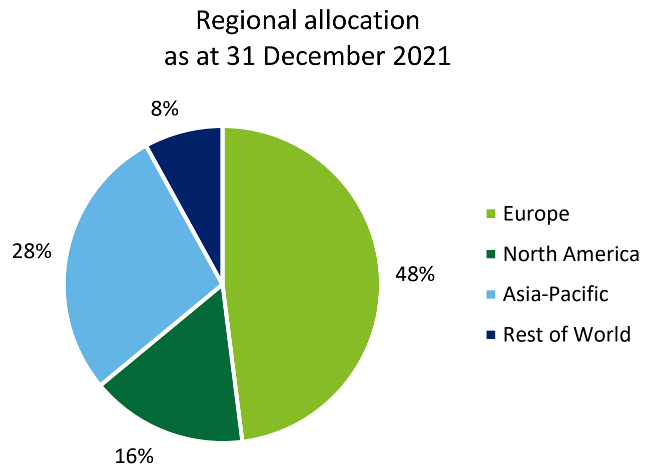
Capital Calls and Distributions

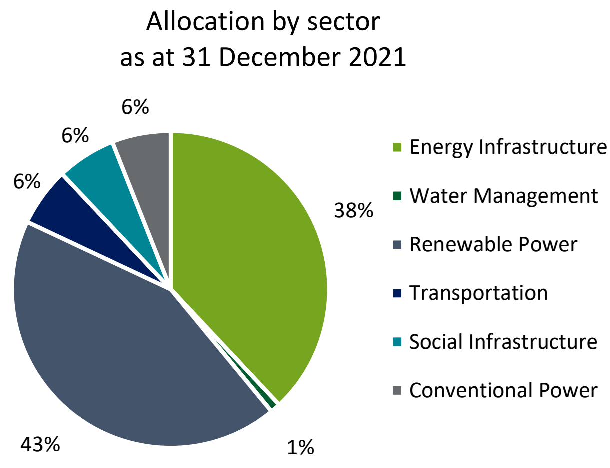
The Fund did not issue any capital calls and distributions over the first quarter of 2022, but issued one net capital call following quarter end:

- On 7 April 2022, the Fund issued a capital call for €22.7m, of which the London Borough of Hammersmith & Fulham Pension Fund was entitled to pay €1.2m. This capital call was requested to enable the Fund to make add-on investments to the current portfolio investments and to fund expenses.

14.2 Investments Held

The charts below show the regional split of the Direct Infrastructure Fund and a breakdown of the Fund by infrastructure sector as at 31 December 2021.





Note: Based on information provided by Partners Group. Totals may not sum due to rounding.

15 Aviva Investors – Infrastructure Income

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

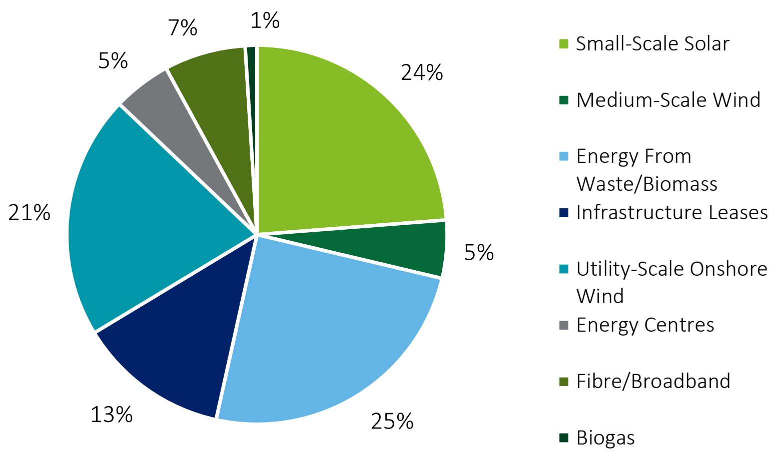
15.1 Infrastructure Income - Investment Performance to 31 December 2021

The income distribution of the Aviva Investors Infrastructure Income Fund was 5.4% over the year to 31 December 2021, which sits below the 7-8% p.a. range targeted by Aviva. Distributions are underpinned by operational revenue generated from the Fund's assets, with the decrease in yield attributed to identified commissioning defects in the Fund's Biomass assets and these assets therefore not currently operating at full capacity. Aviva has confirmed that a rectification programme is in place in respect of these assets and has confirmed that it expects two of the Biomass assets, Project Hull and Project Boston, to re-commence operations by the end of 2022.

We have removed the AIIIF from our preferred list of funds. This means we no longer consider AIIIF as a preferred or suitable fund in its asset class and would not put it forward to our clients. We provide the rationale for this change in view within a separate note entitled "Aviva Investors Infrastructure Income Fund – Rating Change" which further details the recent issues with the Fund's Biomass assets (litigation, commissioning defects and Project Barry enforcement notice) and Project Newport, alongside the impact of the decision to soft-close the AIIIF, and outlines potential next steps for the Trustee to consider. We have outlined potential liquidity options available to the Fund in a separate note entitled "Aviva Investors Infrastructure Income Fund – Liquidity Options".

Sector Breakdown

The chart below shows the split of the portfolio by sector as at 31 December 2021.



Source: Aviva Investors.

The Biomass and Energy from Waste assets make up c. 25% of the portfolio.

Transactions and Pipeline

The Infrastructure Income Fund received £154m of commitments over the quarter, with £15m from one new investor. The investor had been onboarding for over a year, preceding the soft close. Over the quarter, Aviva announced to all current investors that the minimum £175m funding requirement has been reached and the soft close therefore completed.

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

16 abrdn – Long Lease Property

abrdn 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.

16.1 Long Lease Property - Investment Performance to 31 March 2022

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	5.9	14.0	7.8	8.1
Benchmark / Target	-6.7	-2.6	1.6	2.6
Net Performance relative to Benchmark	12.6	16.6	6.2	5.5

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

The Standard Life Long Lease Property Fund, managed by abrdn, delivered an absolute return of 5.9% on a net of fees basis over the first quarter of 2022, outperforming the FT British Government All Stocks Index Benchmark by 12.6%.

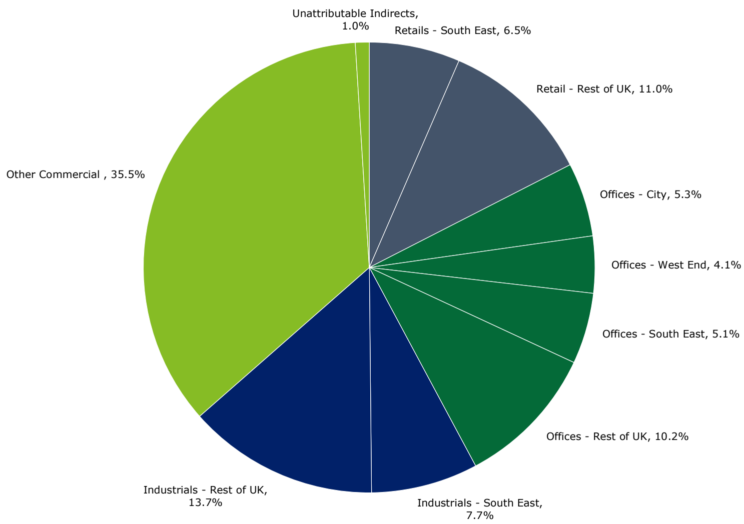
Over the quarter to 31 March 2022, the Long Lease Property Fund delivered a positive return but underperformed the wider property market, largely as a result of the Fund's underweight position to the industrial and retail warehousing sectors relative to the wider property market, with both sectors performing well over the first quarter of 2022. The strategy's longer term performance is closer in line with the wider property market, but the Fund has slightly underperformed the IPD-based benchmark over the three-year period owing largely to the relative underallocation to high performing sectors. The Fund's longer term performance does, however, continue to be aided by the portfolio's stronger tenant credit quality and long, inflation linked leases, and the lack of any high street or shopping centre exposure with these sectors particularly impacted by the COVID-19 outbreak.

Positive absolute performance over the quarter can be largely attributed to capital growth within the portfolio, particularly in the supermarket sector which is the largest element of the portfolio's retail exposure, with the major supermarket operators reporting strong trading over the Christmas period.

Rent collection statistics fell slightly over the first quarter of 2022 as abrdn realised Q1 collection rates of 98.2% (as at 12 May 2022). Over the first quarter of 2022, none of the Long Lease Property Fund's rental income was subject to deferment arrangements, with 1.8% unpaid or subject to ongoing discussions with tenants. As at 12 May 2022, abrdn had collected 95.6% of its Q2 2022 rent, with no income subject to deferment arrangements and 4.4% of rent unpaid or subject to ongoing discussions with tenants.

16.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 31 March 2022 is shown in the graph below.



Source: abrdn.

The Long Lease Property Fund completed no further acquisitions over the first quarter of 2022. abrdn, however, estimates a further investment pipeline of up to £1.15bn exists with a number of off market opportunities being actively tracked and a number of openly marketed opportunities of rarely available assets coming to market. abrdn has strong conviction in its ability to deploy capital through 2022, considering the current pipeline.

Q1 2022 and Q2 2022 rent collection, split by sector, as at 12 May 2022 is reflected in the table below:

Sector	Proportion of Fund as at 31 March 2022 (%)	Q1 2022 collection rate (%)	Q2 2022 collection rate (%)
Alternatives	6.0	100.0	97.0
Car Parks	3.7	100.0	100.0
Car Showrooms	3.2	100.0	100.0
Hotels	7.8	100.0	100.0
Industrial	14.7	92.0	92.0
Leisure	3.3	100.0	100.0
Public Houses	5.5	100.0	100.0
Offices	29.6	98.0	94.0
Student Accommodation	8.1	100.0	100.0
Supermarkets	18.2	100.0	93.0
Total	100.0	98.2	95.6

Source: abrdn

As at 31 March 2022, 1.0% of the Fund's NAV is invested in ground rents via an indirect holding in the abrdn Ground Rent Fund, with 17.3% of the Fund invested in income strip assets.

The industrial sector has expressed the poorest rental collection statistics over the first and second quarters of 2022 as at 12 May 2022, with the supermarkets sector also expressing poor rental collection statistics over Q2 2022 as at 12 May 2022.

abrdn has stated that the majority of the Long Lease Property Fund's underlying tenants have reverted to paying rent as per their lease terms, with no Q1 or Q2 2022 rental income subject to deferment arrangements as at 12 May 2022.

abrdn has now collected 100% of 2020 rents and 99.8% of 2021 rents, with the majority of outstanding rent in 2021 reduced to a small number of tenants. There has been no write-off of any outstanding rent, or rent-free periods agreed.

The table below shows details of the top ten tenants in the fund measured by percentage of net rental income as at 31 March 2022:

Tenant	% Net Income	Credit Rating
Tesco	4.9	BBB
Viapath	4.9	AA
Whitbread	4.4	BBB
Marston's	4.3	BB
Sainsbury's	4.2	BB
QVC	3.8	BB
Salford University	3.7	A
Asda	3.7	BBB
Secretary of State for Communities	3.4	AA
Dalata Cardiff	3.3	BB
Total	40.6*	

*Total may not equal sum of values due to rounding

The top 10 tenants contributed 40.6% of the total net income of the Fund as at 31 March 2022. Of which 12.8% 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 as at 31 March 2022 remained unchanged from 31 December 2021 at 25.5 years. The proportion of income with fixed, CPI or RPI rental increases decreased by c. 0.2% over the quarter to 91.7%. abrdn expects this measure to increase over 2022 as pre-let projects and pipeline deals complete.

17 Alpha Real Capital

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

17.1 Index Linked Income – Illustrative Investment Performance to 31 March 2022

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)
Net of fees	1.6	8.1	5.5
Benchmark / Target	-5.9	6.8	5.1
Net Performance relative to Benchmark	7.5	1.3	0.4

Source: Alpha Real Capital. Relative performance may not tie due to rounding.
Note, investment not yet drawn – performance figures for illustrative purposes only.

Following quarter end, Alpha Real Capital issued an initial drawdown notice for £25.0m for payment by 1 June 2022.

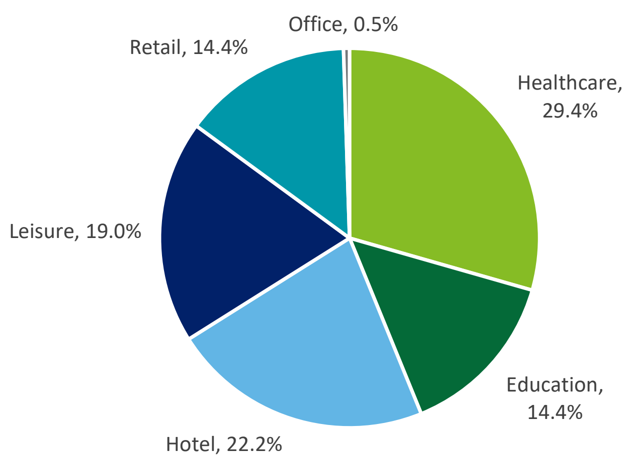
The Fund's full £60m commitment is expected to be drawn and deployed before the end of July 2022. As such, please note that the performance of the Alpha Real Capital Index Linked Income Fund displayed in the table above is for illustration purposes only.

The Index Linked Income Fund has delivered a positive return of 1.6% on a net of fees basis over the quarter to 31 March 2022, outperforming its BoAML Long-Dated UK Inflation-Linked Gilts Index +2% by 7.5% with real yields rising at the longer end of the curve over the first quarter of 2022.

Alpha Real Capital has collected c. 97% of the Fund's Q1 2022 rental income, representing an increase from the c. 94% collection rate over the fourth quarter of 2021, having agreed deferrals or holding active discussions with tenants concerning overdue rent. Where deferrals are agreed, extended credit charges are applied to the rents with an expectation that this income will be received in the short to medium term.

17.2 Portfolio Holdings

The sector allocation in the Index Linked Income Fund as at 31 March 2022 is shown in the graph below.



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

Alpha Real Capital completed one transaction over the first quarter of 2022 – a ground rent top-up transaction with the existing Dobbies portfolio (35 out of 37 assets) for a net purchase price of £47.1m. As at 13 May 2022, Alpha Real Capital is in the process of executing one further investment, a £71m portfolio of 99 UK pubs, with a further £1.7bn of opportunities under consideration across an extensive pipeline, diversified by sector and location.

The table below shows details of the top ten holdings in the Fund measured by value as at 31 March 2022.

Tenant	Value (%)	Credit Rating
Leonardo Hotels	15.3	A1
Elysium Healthcare	11.1	A3
Dobbies	10.7	Baa1
Parkdean	9.9	A3
HC One	8.1	A3
PGL	5.7	Baa3
Away Resorts	5.2	Baa1
Busy Bees	5.0	A3
Middle Eight	3.9	Baa1
CareTech	3.7	Baa1
Total	**78.5**	

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

The top 10 holdings in the Index Linked Income Fund accounted for c. 78.5% of the Fund as at 31 March 2022.

The average lease length stood at 140 years as at 31 March 2022, an increase of 1 year over the quarter while the Index Linked Income Fund's portfolio continues to be 100% linked to RPI with no fixed rent reviews in the portfolio.

18 Man GPM

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

18.1 Community Housing Fund - Investment Performance to 31 March 2022

Capital Calls and Distributions

The Fund issued one capital call over the quarter to 31 March 2022:

- Man GPM issued a £4.5m capital call to the London Borough of Hammersmith & Fulham Pension Fund on 25 March 2022. The request consisted entirely of capital drawn for investments into the portfolio.

Man GPM expects to draw further capital into the Fund once the next investment has been made into the portfolio.

The Fund issued one distribution over the quarter to 31 March 2022 and one further distribution following quarter end:

- Man GPM issued a £6.0m distribution to the London Borough of Hammersmith & Fulham Pension Fund on 16 February 2022, including an equalisation payment of £5.8m to reflect the impact of new investors committing to the strategy at the most recent close.

- Man GPM issued a £2.7m distribution to the London Borough of Hammersmith & Fulham Pension Fund on 3 May 2022, including an equalisation payment of £2.6m.

As such, following receipt of the 3 May equalisation payment, the Fund's total commitment is c. 54% drawn for investment.

Activity

Man GPM agreed terms on one project over the first quarter of 2022:

- Tattenhoe, Milton Keynes – a forward fund of 34 homes comprised of 25 flats and 9 houses forming part of a new urban extension. The development targets 82% affordable rent targeted at key worker households and 18% shared ownership homes. The investment has been completed and Man GPM is holding discussions on a 10 year operating lease to a local Housing Association. Gross project cost of £6.5m.

In addition, following quarter end, Man GPM agreed terms on one further project during May 2022:

- Glenvale Park, Wellingborough – a forward fund of 146 modular homes. The development targets 69% affordable rent homes and 31% shared ownership homes. The investment has been completed and Man GPM is holding discussions on a 10 year fully repairing and insuring operating lease to a local Housing Association. Gross project cost of £33.4m.

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

Pipeline

At the time of writing, Man GPM hasn't been able to provide an updated pipeline of investment opportunities. As at 31 January 2022, Man GPM's pipeline investment opportunities included four late-stage investment opportunities with an estimated gross cost of £103m in which negotiations are in place with the vendor, alongside two favourable investment opportunities with an estimated combined gross project cost of £82m where Man GPM holds a positive view on returns and investment thesis, having completed initial due diligence, with an offer not yet accepted by the vendor.

18.2 Investments Held

The table below shows a list of the projects currently undertaken by the Man GPM Community Housing Fund as at 31 March 2022.

Investment	Number of Homes	Number of Affordable Homes	Expected Total Commitment – Gross (£m)	Expected Total Commitment – Net (£m)	Total Capital Drawn and Invested to Date (£m)
Alconbury Weald	95	95 (100%)	22.3	13.6	8.4
Grantham	227	186 (82%)	38.0	19.5	11.3
Lewes	41	39 (95%)	12.9	8.8	4.4
Campbell Wharf	79	79 (100%)	21.5	15.8	12.5
Towergate	55	55 (100%)	18.1	7.8	3.8
Coombe Farm	71	59 (83%)	24.8	11.0	9.5
Chilmington	225	192 (85%)	70.8	27.1	18.7
Tattenhoe	34	34 (100%)	6.5	3.0	1.5
Total	827	739 (89%)	214.9	92.5	70.4

Source: Man GPM. Totals may not sum due to rounding.

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 SONIA +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 SONIA +4% p.a.	28/01/15
Oak Hill Advisors	Multi Asset Credit	5.0%	3 Month Sterling SONIA +4% p.a.	01/05/15
abrdn	Multi Sector Private Credit	5.0%	3 Month Sterling SONIA / ICE ML Sterling BBB Corporate Bond Index	08/04/2020
Partners Group	Infrastructure Fund	5.0%	3 Month Sterling SONIA +8% p.a.	31/08/15
Aviva Investors	Infrastructure Income Fund	2.5%	3 Month Sterling SONIA +6% p.a.	23/05/18
Darwin Alternatives	Leisure Development Fund	2.5%	3 Month Sterling SONIA +6% p.a.	01/01/22
abrdn	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 SONIA +4% p.a. (Target)	02/06/21
TBC	TBC	2.5%	TBC	TBC
	Total	100.0%		

Appendix 2 – Manager Ratings

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

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

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

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

Appendix 3 – Risk Warnings & Disclosures

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

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

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

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Deloitte.

Committee Report
Reporting Period: Q4 21/22
Pension Fund Current Account Cashflow Actuals and Forecast for period Jan - Mar-22

Appendix 3

Pension Fund Current Account Cashflow Actuals and Forecast for period Jan - Mar-22

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	F'cast	F'cast
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	Annual	Monthly
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	Total	Total
Balance b/f	14,881	13,929	23,797	2,841	4,411	5,382	4,452	3,023	3,093	2,164	734	2,105	£000s	£000s
Contributions	2,599	2,556	2,633	5,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	34,188	2,849
Pensions	(3,000)	(2,867)	(2,921)	(2,930)	(2,930)	(2,930)	(2,930)	(2,930)	(2,930)	(2,930)	(2,930)	(2,930)	(35,154)	(2,930)
Lump Sums	(795)	(223)	(340)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(6,758)	(563)
Net TVs in/(out)	527	1,525	(308)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(956)	(80)
Net Expenses/other transactions	(283)	5,745	(436)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	3,225	269
Net Cash Surplus/(Deficit)	(952)	6,736	(1,372)	1,570	(1,430)	(1,430)	(1,430)	(1,430)	(1,430)	(1,430)	(1,430)	(1,430)	(5,455)	(455)
Distributions		3,132	416		2,000	500		1,500	500		800	500	9,349	779
Net Cash Surplus/(Deficit) including investment income	(952)	9,868	(956)	1,570	570	(930)	(1,430)	70	(930)	(1,430)	(630)	(930)	3,894	325
Transfers (to)/from Custody Cash			(20,000)		400						2,000		(17,600)	(2,514)
Balance c/f	13,929	23,797	2,841	4,411	5,382	4,452	3,023	3,093	2,164	734	2,105	1,175	67,107	(2,190)

Current account cashflow actuals compared to forecast in Jan - Mar-22

	Jan-22		Feb-22		Mar-22		Jan - Mar-22
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Contributions	2,600	2,599	2,600	2,556	2,600	2,633	(12)
Pensions	(2,833)	(3,000)	(2,833)	(2,867)	(2,833)	(2,921)	(290)
Lump Sums	(600)	(795)	(600)	(223)	(600)	(340)	442
Net TVs in/(out)	(300)	527	(300)	1,525	(300)	(308)	2,644
Expenses/other transactions	(200)	(283)	(200)	5,745	(200)	(436)	5,625
Distributions			800	3,132	500	416	2,249
Transfers (to)/from Custody Cash	2,000					(20,000)	(22,000)
Total	667	(952)	(533)	9,868	(833)	(20,956)	(11,341)

Notes on variances

- transfers in and out and lump sums are difficult to forecast given their unpredictable nature.
- transfers to custody cash were made in anticipation of a capital call being made from Alpha Real Capital.
- other transactions captures an equalisation payment from Man Group.

Pension Fund Custody Invested Cashflow Actuals and Forecast for period Jan - Mar-22

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	F'cast	F'cast
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	Annual	Monthly
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	Total	Total
Balance b/f	309	603	16,603	32,093	32,093	34,193	33,993	35,993	37,993	40,793	40,793	40,793	£000s	£000s
Sale of Assets	32,000	16,000				1,000	60,000	2,000	2,000		2,000	2,000	117,000	13,000
Purchase of Assets	(32,000)		(4,512)		(1,500)	(1,200)	(60,000)		(1,200)				(100,412)	(14,345)
Net Capital Cashflows		16,000	(4,512)		(1,500)	(200)		2,000	800		2,000	2,000	16,588	1,382
Distributions	294						2,000		2,000			1,000	5,294	441
Interest			2										2	1
Management Expenses														
Foreign Exchange Gains/Losses														
Class Actions														
Net Revenue Cashflows	294		2				2,000		2,000			1,000	5,296	441
Net Cash Surplus/(Deficit) excluding withdrawals	294	16,000	(4,510)		(1,500)	(200)	2,000	2,000	2,800		2,000	3,000	21,884	1,824
Contributions to Custody Cash			20,000		4,000									
Withdrawals from Custody Cash					(400)						(2,000)		(2,400)	(200)
Balance c/f	603	16,603	32,093	32,093	34,193	33,993	35,993	37,993	40,793	40,793	40,793	43,793	19,484	1,624

London Borough of Hammersmith and Fulham Pension Fund Risk Register

Risk Group	Risk Ref.	Risk Description	Impact: Fund	Impact: Employers	Impact: Reputation	Impact: Total	Likelihood	Previous risk score	Current risk score	Trending	Mitigation actions	Revised likelihood	Total risk score	Reviewed on
Asset and Investment Risk	1	The global outbreak of COVID-19 poses economic uncertainty across the global investment markets.	4	3	1	8	2	**24**	**16**	↓	TREAT 1) Officers will continue to monitor the impact covid-19 measures have on the fund's underlying investments and the wider economic environment 2) The Fund will continue to review its asset allocation and make any changes when necessary 3) The Fund holds a well diversified portfolio, which should reduce the downside risks of adverse stock market movements. 4) Estimation uncertainty removed from valuers reports 5) Covid 19 restrictions have been reduced for many countries globally. China is beginning to reduce lockdown restrictions.	2	**16**	27/05/2022
Asset and Investment Risk	2	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty, inlcuding with Russia and Ukraine.	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**	27/05/2022
Asset and Investment Risk	3	Volatility caused by uncertainty regarding the withdrawal of the UK from the European Union. Supply chain shortages disrupting the economy. Uncertainty remains regarding the Northern Ireland Protocol.	4	3	1	8	3	**24**	**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**	27/05/2022
Liability Risk	4	There is insufficient cash available to the Fund to meet pension payments due to reduced income generated from underlying investments, leading to investment assets being sold at sub-optimal prices to meet pension obligations.	5	4	3	12	3	**36**	**36**	↔	**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**	27/05/2022
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	3	**36**	**36**	↔	**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. 5) Ongoing Shareholder Issue remains a threat	2	**24**	27/05/2022
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 £1.3m.	5	3	2	10	4	**30**	**40**	↑	**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. Outperformance for the year is 3% 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	**20**	27/05/2022

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**	27/05/2022
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**	27/05/2022
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**	27/05/2022
Liability Risk	10	Impact of economic and political decisions on the Pension Fund's employer workforce.	5	2	1	8	2	**16**	**16**	↔	**TOLERATE** 1) The Fund Actuary 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**	27/05/2022
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**	27/05/2022
Asset and Investment Risk	12	Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in July 2019, the full impact of this decision is uncertain. TCFD regulations impact on LGPS schemes currently unknown but expected to come into force during 2023.	3	2	4	9	3	**27**	**27**	↔	**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. 6) Officers attend training sessions on ESG and TCFD requirements.	2	**18**	27/05/2022
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**	27/05/2022

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**	27/05/2022
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**	27/05/2022
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**	27/05/2022
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**	27/05/2022
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**	27/05/2022
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**	27/05/2022
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**	27/05/2022
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%. Inflation continues to rise in the UK and globally due to labour shortages, supply chain issues, and high energy prices.	5	3	2	10	5	**50**	**50**	↑	**TREAT** 1) The fund holds investments in index-linked bonds (RPI protection which is higher than CPI) and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection. 2) Officers continue to monitor the increases in CPI inflation on an ongoing basis. 3) Short term inflation is expected due to a number of reasons on current course.	3	**30**	27/05/2022
Liability Risk	22	Scheme members live longer than expected leading to higher than expected liabilities. This risk is trending down as life expectancy does not increase at rates expected.	5	5	1	11	2	**22**	**22**	↔	**TOLERATE** 1)The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. 2)The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.	2	**22**	27/05/2022
Liability Risk	23	Employee pay increases are significantly more than anticipated for employers within the Fund. Persistently high inflation will potentially lead to unexpectedly high pay awards.	4	4	2	10	3	**20**	**30**	↑	**TOLERATE** 1) Fund employers continue to monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary’s long term assumption would lead to further review. 3) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014). 4) Pay rises generally remain below inflation.	2	**20**	27/05/2022

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**	27/05/2022
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**	27/05/2022
Regulatory and Compliance Risk	26	Changes to LGPS Regulations	3	2	1	6	3	**18**	**18**	↔	**TREAT** 1) Fundamental change to LGPS Regulations implemented from 1 April 2014 (change from final salary to CARE scheme). 2) Future impacts on employer contributions and cash flows will 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**	27/05/2022
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**	27/05/2022
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**	27/05/2022
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**	27/05/2022
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	4	**21**	**28**	↑	**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**	27/05/2022
Regulatory and Compliance Risk	31	Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	4	2	1	7	2	**14**	**14**	↔	**TREAT** 1) Maintain links with central government and national bodies to keep abreast of national issues. 2)Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	**7**	27/05/2022
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**	27/05/2022

Employer Risk	33	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others. Current economic conditions will cause strain on smaller employers.	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	27/05/2022
Resource and Skill Risk	34	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints. Service may deteriorate due to the contract ending at the end of 2021. Currently transitioning to new admin provider LPP.	1	3	3	7	2	21	14	↓	**TREAT** 1) Change to LPPA has increased resilience in the administration service 2) Ongoing monitoring of contract and KPIs	2	14	27/05/2022
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	27/05/2022
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	27/05/2022
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	27/05/2022
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	27/05/2022
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	27/05/2022
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	27/05/2022
Resource and Skill Risk	41	Failure by the audit committee to perform its governance, assurance and risk management duties	3	2	1	6	3	18	18	↔	**TREAT** 1) Audit Committee performs a statutory requirement for the Pension Fund with the Pension Sub-Committee being a sub-committee of the audit committee. 2) Audit Committee meets regularly where governance issues are regularly tabled.	2	12	27/05/2022
Resource and Skill Risk	42	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	4	3	3	10	2	20	20	↔	**TREAT** 1) Person specifications are used at recruitment to appoint officers with relevant skills and experience. 2) Training plans are in place for all officers as part of the performance appraisal arrangements. 3) Shared service nature of the pensions team provides resilience and sharing of knowledge. 4) Officers maintain their CPD by attending training events and conferences.	1	10	27/05/2022

Resource and Skill Risk	43	Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	3	18	27	↑	**TREAT** 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval) 2) Comprehensive training packages will be offered to members. 3) Co-opted members boost resilience.	2	18	27/05/2022
Resource and Skill Risk	44	Loss of 'Elective Professional Status' with any Fund managers and counterparties resulting in reclassification of fund from professional to retail client status impacting Fund's investment options and ongoing engagement with the Fund managers.	4	2	2	8	2	16	16	↔	**TREAT** 1)Keep quantitative and qualitative requirements under review to ensure that they continue to meet the requirements. 2)Training programme and log are in place to ensure knowledge and understanding is kept up to date. 3)Existing and new Officer appointments subject to requirements for professional qualifications and CPD.	1	8	27/05/2022
Resource and Skill Risk	45	Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding	2	2	1	5	4	10	20	↑	**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	27/05/2022
Administrative and Communicative Risk	46	The Pension Fund is recruiting for a brand new retained HR and Pensions administration team, with finding candidates for all 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	2	33	20	↓	**TREAT** 1) A task force of key stakeholders has been assembled. Officers to feed into the internal processes necessary for the setup of an effective retained pensions team 2) Recruitment is almost complete for the retained team 3) Officers have received handover pack from the departing RBKC retained pensions team. 4) Members have chosen the new service provider as the London Pensions Partnership, with a project team established to manage the transition, which has almost fully completed. 5) A number of staff have been recruited with few posts unfilled.	2	20	27/05/2022
Administrative and Communicative Risk	47	COVID-19 affecting the day to day functions of the Pensions Administration services including customer telephony service, payment of pensions, retirements, death benefits, transfers and refunds.	2	3	3	8	1	18	8	↓	**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. 4) Since the original outbreak the administator has been able to return to business as usual	1	8	27/05/2022
Administrative and Communicative Risk	48	Failure of fund manager or other service provider without notice resulting in a period of time without the service being provided or an alternative needing to be quickly identified and put in place.	5	2	2	9	2	20	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	27/05/2022
Administrative and Communicative Risk	49	Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	2	3	7	3	21	21	↔	**TREAT** 1) Process notes are in place. 2) Development of team members and succession planning improvements to be implemented. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs.	2	14	27/05/2022
Administrative and Communicative Risk	50	Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	4	4	3	11	2	22	22	↔	**TREAT** 1) Update and enforce admin strategy to assure employer reporting compliance. 2) Implementation and monitoring of a Data Improvement Plan as part of the Service Specification between the Fund and Orbis. **TOLERATE** 1) Northern Trust provides 3rd party validation of performance and valuation data. Admin team and members can interrogate data to ensure accuracy.	1	11	27/05/2022

Administrative and Communicative Risk	51	Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	1	3	4	8	2	**16**	**16**	↔	**TREAT** 1) Contract in place with HCC to provide service, enabling smooth processing of supplier payments. 2) Process in place for LPPA 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**	27/05/2022
Administrative and Communicative Risk	52	Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	**16**	**16**	↔	**TREAT** 1) Disaster recovery plan in place as part of the service specification between the Fund and new provider LPPA 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**	27/05/2022
Administrative and Communicative Risk	53	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	1	2	4	7	2	**14**	**14**	↔	**TREAT** 1) In the event of a pension payroll failure, we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers.	1	**7**	27/05/2022
Administrative and Communicative Risk	54	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	1	1	1	3	3	**20**	**9**	↓	**TREAT** 1) Pension administration records are stored on the LPPA 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**	27/05/2022
Regulatory and Compliance Risk	55	Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation. The Fund is changing admin providers which poses a risk for a breach during transition.	3	3	5	11	3	**33**	**33**	↔	**TREAT** 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2) LBHF IT data security policy adhered to. 3) Implementation of GDPR 4) Project team in place to ensure smooth transition	1	**11**	27/05/2022
Regulatory and Compliance Risk	56	Failure to comply with recommendations from the Local Pension Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator	1	3	5	9	2	**18**	**18**	↔	**TREAT** 1) Ensure that a cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	**9**	27/05/2022
Reputational Risk	57	Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	3	2	5	10	2	**20**	**20**	↔	**TREAT** 1) Third parties regulated by the FCA and separation of duties and independent reconciliation processes are in place. 2) Review of third party internal control reports. 3) Regular reconciliations of pensions payments undertaken by Pension Finance Team. 4) Periodic internal audits of Pensions Finance and HR Teams.	1	**10**	27/05/2022
Reputational Risk	58	Financial loss of cash investments from fraudulent activity	3	3	5	11	2	**22**	**22**	↔	**TREAT** 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. 2) Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal audit assist in the implementation of strong internal controls. Processes recently firmed up 3)Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	**11**	27/05/2022
Reputational Risk	59	Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	5	2	4	11	2	**22**	**22**	↔	**TREAT** 1) Officers maintain knowledge of legal framework for routine decisions. 2)Eversheds retained for consultation on non-routine matters.	1	**11**	27/05/2022
Reputational Risk	60	Inaccurate information in public domain leads to damage to reputation and loss of confidence	1	1	3	5	3	**15**	**15**	↔	**TREAT** 1) Ensure that all requests for information (Freedom of Information, member and public questions at Council, etc) are managed appropriately and that Part 2 Exempt items remain so. 2) Maintain constructive relationships with employer bodies to ensure that news is well managed.	2	**10**	27/05/2022

Reputational Risk	61	Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process	2	2	3	7	2	**14**	**14**	↔	**TREAT** 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process. 2) Pooled funds are not subject to OJEU rules.	1	**7**	27/05/2022
Regulatory and Compliance Risk	62	Non-compliance with regulation changes relating to the pension scheme or data protection leads to fines, penalties and damage to reputation.	3	3	2	8	2	**16**	**16**	↔	**TREAT** 1) The Fund has generally good internal controls regarding the management of the Fund. These controls are assessed on an annual basis by internal and external audit as well as council officers. 2) Through strong governance arrangements and the active reporting of issues, the Fund will seek to report all breaches as soon as they occur in order to allow mitigating actions to take place to limit the impact of any breaches.	1	**8**	27/05/2022
Regulatory and Compliance Risk	63	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests	3	3	4	10	2	**20**	**20**	↔	**TREAT** 1) Publication of all documents on external website. 2) Officers expected to comply with ISS and investment manager agreements. 3) Local Pension Board is an independent scrutiny and assistance function. 4) Annual audit reviews.	1	**10**	27/05/2022

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 (LGPS) regulations in relation to benefits, administration and investments including pooling	
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 (TPR) (including the Combined Code), and the LGPS Scheme Advisory Board (SAB) including the Good Governance Review	
Understanding of the role of the Pension Fund Committee, Local Pension Board, Director of Finance and Monitoring Officer	
Awareness of Environmental, Social and Governance (ESG) investment issues	
Awareness of the UK FRC Code of Corporate Governance and the Stewardship Code	
Awareness of Risk Management and maintaining and monitoring a Risk Register	

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

5) Financial markets and products knowledge

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

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

Awareness of the risk and return characteristics of the main asset classes and understanding of the role of these asset classes in long term pension fund investing	
Understanding of the differences between active and passively managed investment strategies	
Awareness of the objectives and risk/return characteristics of the current investment strategy. Understanding of the current fund manager mandates and their role within the Fund's current asset allocation.	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
Multi Asset Credit (Fixed Income)	Y/N	Y/N
Property – Long Lease	Y/N	Y/N
Absolute Return	Y/N	Y/N
Inflation Linked	Y/N	Y/N
Passive Equities – Global/Low Carbon	Y/N	Y/N
Infrastructure	Y/N	Y/N
Private Equity	Y/N	Y/N
Illiquid Alternatives	Y/N	Y/N
Property – Affordable/Social Supported	Y/N	Y/N

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 and the relationship between investment returns, contribution rates and the funding level.	
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: 20 June 2022

Subject: Pension Fund Business Plan Outturn

Report author: Patrick Rowe, Pension Fund Manager

Responsible Director: Phil Triggs, Director of Treasury and Pensions

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SUMMARY

This report provides the outturn for the 2021/22 Business Plan.

RECOMMENDATIONS

1. That the Pension Fund Committee note the 2021/22 business plan outturn (at Appendix 1).

Wards Affected: None

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

Financial Impact

None

Legal Implications

None

DETAILED ANALYSIS

Background

1. The Myners Report to HM Treasury, compiled by Lord Myners and published in March 2001, recommended that local authority pension funds should approve an annual business plan in respect of the objectives required for the next one to three years.
2. The first business plan was presented to the Pension Fund Committee on 21 of March 2021. This report compares the outturn against the forecast made at that time, and comments on each objective outlined.

LIST OF APPENDICES

Appendix 1: LBHF Pension Fund Business Plan Outturn 2021/22

Annex 1: LBHF Pension Fund Business Plan 2021/22

Appendix 1

London Borough of Hammersmith and Fulham Fund

Pension Fund Business Plan Outturn 2021/22

Background

At the Pension Fund Committee meeting on the 21st of March 2021, the Committee approved a business plan for 2021/22, identifying the key issues affecting the Pension Fund over the medium term and a timetable of activities needed to help achieve the strategic objectives. The business plan listed the investment process and pension administration tasks to be carried out during 2021/22, and the target date when these should be achieved.

The original 2021/22 business plan is shown as Annex 1.

Outturn 2021/22

This report sets out the outturn results of the pension fund business plan implementation, setting out each individual action required (in line with the original approved business plan shown as Annex 1) and the commentary where necessary of the outcome results of the year’s work of the Pension Fund investment and administration staff.

2021/22 Budget Outturn

	Company Name (If Applicable)	2021/22 Budget £000	*2021/22 Estimate* £000*	*2021/22 Outturn £'000*	*2021/22 Variance £'000*
Administration					
Contract Fees		395	236	230	(165)
Other costs		5	5	4	(1)
		400	**241**	**234**	**(166)**
Governance and Oversight					
Employees		479	570	644	165
Investment advisory services	Deloitte	125	132	59	(66)
Governance and compliance		160	160	142	(18)
External audit	Grant Thornton	30	30	40	10
Actuarial fees	Barnett Waddingham/ Hymans Robertson	95	95	35	(60)
		889	**987**	**921**	**32**
Investment Management					
Management, Performance and Transaction fees					
	Legal & General	205	303	318	113
	LCIV Absolute Return	1185	3,028	3,362	2,177
	Standard Life Property	265	273	988	723
	Oak Hill Advisors	600	937	679	79
	Partners Group	1175	1,400	911	(264)
	Aviva	180	160	166	(14)
	LCIV Global Bond Fund	265	345	234	(31)
	Abrdn MSPC	180	156	157	(23)
	Morgan Stanley	865	956	633	(232)
	Man Group	115	38	472	357
	Alpha Real Capital	230	-	0	(230)
	Darwin Alternatives	115	50	53	(62)
	Northern Trust	35	35	13	(22)
	LCIV	110	340	349	239
		5,525	**8,021**	**8,334**	**2,809**
Total		**6,814**	**9,249**	**9,489**	**2,675**

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

Outturn: Administration and Communication

Action 1: Annual review and publication of the Pensions Administration strategy

Outcome: **Not Achieved**

Comments: Officers have had to focus their attention on the transition to the new administration provider LPPA, so this action has not yet been met.

Action 2: Compliance and reporting of key service performance indicators (KPIs)

Outcome: **Achieved**

Comments: These are reported quarterly at Committee meetings.

Action 3: Review and publication of communication policy

Outcome: **Not Achieved**

Comments: Officers have had to focus their attention on the transition to the new administration provider LPPA, so this action has not yet been met.

Action 4: Annual report and accounts published on website

Outcome: **Partially Achieved**

Comments: While the accounts and annual report were produced within the statutory timeframes, there have been resourcing issues with the Fund's external auditor which caused delays to obtaining an external audit opinion and publishing the accounts and annual report online.

Action 5: Freedom of information (FOI) requests responded to within statutory deadline

Outcome: **Partially Achieved**

Comments: All requests have been responded to, although some have fallen outside of the statutory deadline due to the complexity of the request and the dependence on external parties to provide information. Where this occurred, it was never significantly delayed.

Outturn: Actuarial / Funding

Action 1: Provide employers with IAS19/FRS102 funding statements in line with employer year end.

Outcome: **Achieved**

Comments: We are limited in how quickly we can produce these reports as we need to first finalise the investment values and payment figures, however, we have still been able to provide our employers with the reports in a timely manner suitable to them.

Action 2: Funding level to be reported to Pension Fund Committee quarterly.

Outcome: **Achieved**

Comments: This is provided as part of the quarterly update and always achieved.

Action 3: Monitor and reconcile employer contributions remittances with the pension fund bank statement.

Outcome: **Achieved**

Comments: This is carried out on a monthly basis and always achieved.

Action 4: Member training to cover actuarial funding issues.

Outcome: **Achieved**

Comments: Hymans Robertson delivered training to all Tri-Borough boards and committees on 31/01/22

Action 5: Funding strategy reviewed and updated

Outcome: **Achieved**

Comments: The strategy is subject to constant review, with new asset classes introduced. It will next be formally reviewed in line with our post triennial valuation targets.

Outturn: Pension Fund Committee

Action 1: Train and develop all members to enable them to perform their duties effectively.

Outcome: **Achieved**

Comments: In addition to officer conducted training events, there was also breaches of the law training at the Pension Fund Committee meeting dated 23 November 2021.

Action 2: Committee papers to be issued to members five working days prior to meeting, and minutes to be circulated in a timely manner.

Outcome: **Achieved**

Comments: In line with statutory duties, the Council publishes papers for all public committees on its website at least five clear working days in advance of the meetings. Minutes are circulated to members and officers following the meeting and published on the Council's website.

Action 3: Committee meetings should include the investment advisor as appropriate

Outcome: **Achieved**

Comments: All Committee meetings included our investment advisor.

Action 4: Manager monitoring reports to be presented to Pension Fund Committee members.

Outcome: **Achieved**

Comments: These are included as part of the quarterly update pack.

Action 5: Pension Fund Committee to receive quarterly investment monitoring reports.

Outcome: **Achieved**

Comments: These are included as part of the quarterly update pack.

Action 6: Review and implement asset allocation, rebalancing where necessary.

Outcome: **Partially Achieved**

Comments: Investment allocations and variances to investment allocation policy are reported quarterly to the Pension Fund Committee. The Pension Fund does not have a specific rebalancing policy so rebalancing cannot take place without specific Committee approval. A proposed rebalancing policy will be brought to the Committee.

Action 7: Review, implement and publish the Investment Strategy Statement.

Outcome: **Achieved**

Comments: The Investment strategy statement has been reviewed and published, and will be considered as part of our post triennial valuation exercises.

Action 8: Respond to all government consultations and report to the Pension Fund Committee as necessary.

Outcome: **Achieved**

Comments: All consultations were answered and reported.

Outturn: Local Pension Board

Action 1: Provide Pensions Board members with access to training offered to Pension Fund Committee members.

Outcome: **Achieved**

Comments: Bespoke training arranged by officers is available to both Board and Committee members.

Action 2: Comply with any requests from the Pensions Board with regard to any aspect of the Scheme Manager function.

Outcome: **Achieved**

Comments: All requests were followed up.

Action 3: Pass on recommendations made by the Pension Fund Committee to the Pensions Board within a reasonable period of time.

Outcome: **Achieved**

Comments: All recommendations were passed on.

Outturn: Risk Management

Action 1: Monitor Pension Fund expenses for the year against the agreed forecast.

Outcome: **Achieved**

Comments: Breakdowns of outturn against budget is provided above.

Action 2: Produce an Annual Statement of Accounts and achieve an unqualified audit.

Outcome: **Achieved**

Comments: This was achieved in line with the Fund's statutory duties.

Action 3: Ensure ongoing risk assessments of the management of the Fund.

Outcome: **Achieved**

Comments: these are included as part of the quarterly update pack and are reviewed by committee and board on that basis.

Action 4: Review MiFID documentation to ensure the Fund retains its professional investor status.

Outcome: **Achieved**

Comments: Documentation is updated as and when required.

Action 5: Obtain independent internal controls assurance reports for investment managers and fund global custodian.

Outcome: **Achieved**

Comments: This is carried out and compiled as part of the year-end close down process.

Action 6: Approve the Risk Register

Outcome: **Achieved**

Comments: This is carried out as part of the quarterly review and approved each quarter.

Outturn: Further Information

Action 1: Review the performance of the Fund's investment advisor against its stated aims and objectives.

Outcome: **Achieved**

Comments: This was taken to Committee on 28 February 2022.

Annex 1

London Borough of Hammersmith and Fulham Fund

Business Plan 2021/22

Introduction

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

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

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

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

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

2021/22 Forecast Expenditure

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

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

Administration and Communication

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

Actuarial / Funding

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

Pension Fund Committee

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

Local Pension Board

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

Risk Management

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

Further Information

Review the performance of the Fund's investment advisor against its stated aims and objectives.

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 20 June 2022

Subject: Aviva Infrastructure Income Fund Update

Report author: Matthew Hopson, Strategic Investment Manager

Responsible Director: Phil Triggs, Director of Treasury and Pensions

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SUMMARY

The purpose of this report is to update the Committee on the Pension Fund's investment in the Aviva Infrastructure Income Fund. Specifically, the Fund's investment advisor, Deloitte, has produced a report relating to the various issues that Aviva is facing, and the subsequent position Aviva has on Deloitte's rated list as a recommended manager, or otherwise. Deloitte has recommended a suitable course of action.

RECOMMENDATION

1. The Pension Fund Committee is recommended to act in accordance with Deloitte's view and recommendation, as outlined on page 3 of the attached Deloitte report, shown as Exempt Appendix 1.

Wards Affected: None

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

Financial Impact
None.

Legal Implications
None.

DETAILED ANALYSIS

Background

1. In early 2021, Aviva Investors informed its clients of its intention to apply a soft close its Aviva Investors Infrastructure Income Fund (“AIIIF”), which the Fund did not choose to pursue.
2. Additionally, there have been a number of asset specific issues that have negatively impacted the fund’s performance and the potential outlook of AIIIF. The assets in question are the Project Hull, Project Barry, and Project Boston biomass plants, which currently have litigation issues associated with them.
3. Aviva hosted an Open Forum Meeting to provide an update on a number of topics, including the biomass plants, which led to subsequent discussions between Deloitte and Aviva to ascertain the situation in more detail.
4. An update on this matter was provided to the Committee on 28 February 2022, recommending that the Committee consider its liquidity options.
5. The attached Deloitte report outlines a number of liquidity options and the implications of each.

LIST OF APPENDICES

Exempt Appendix 1: Deloitte report on the Aviva Investors Infrastructure Income Fund.

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 20/06/2022

Subject: Code of Practice 14 Requirements and Compliance Review

Report author: Patrick Rowe, Pension Fund Manager

Responsible Director: Phil Triggs, Director of Treasury and Pensions

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Summary

As part of the independent review, it was recommended that a report be produced outlining the key themes and requirements of the TPR Code of Practice 14, and a review of the Fund's current compliance with each guideline be carried out.

The below report addresses both recommendations.

Recommendations

1. The Pension Fund Committee is requested to 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

DETAILED ANALYSIS

Background

1. The Code of Practice 14 was issued by The Pensions Regulator (tPR), which is the body that regulates UK occupational and personal pension schemes provided through employers.

2. This code of practice is directed at scheme managers and the members of pension boards of public service pension schemes and connected schemes. The code came into effect from 1 April 2015.

3. The Pension Regulator's statutory objectives are to:

    - protect the benefits of pension scheme members;
    - reduce the risks of calls on the Pension Protection Fund (PPF);
    - promote and improve understanding of the good administration of work-based pension schemes;
    - maximise compliance with the duties and safeguards of the Pensions Act 2008;
    - minimise any adverse impact on the sustainable growth of an employer (in relation to the exercise of the Regulator's functions under Part 3 of the Pensions Act 2004 only).

4. The regulator has a portfolio of regulatory tools, including the issuance of codes of practice, to enable it to meet its statutory objectives. Codes of practice provide practical guidance in relation to the exercise of functions under relevant pensions legislation and set out the standards of conduct and practice expected from those who exercise those functions.

5. The Code of Practice 14 is not a statement of the law and adherence to it is not necessary in every circumstance. Alternative approaches to those appearing in the code of practice are acceptable, although they must still meet the underlying legal requirements of the relevant legislation.

6. The Public Service Pensions Act 2013 (the 2013 Act) introduces the framework for the governance and administration of public service pension schemes and provides an extended regulatory oversight by the regulator.

7. The regulator is required to issue one or more codes of practice, covering specific matters relating to public service pension schemes. This code of practice sets out the legal requirements for public service pension schemes in respect of those specific matters. It contains practical guidance and sets out standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.

8. This code of practice is split into four sections, each with subsections:

1. Governing your scheme
    a. Knowledge and understanding required by pension board members

    b. Conflicts of interest and representation
    c. Publishing information about schemes

2. Managing risks
    a. Internal controls

3. Administration
    a. Scheme record-keeping
    b. Maintaining contributions
    c. Providing information to members

4. Resolving issues
    a. Internal dispute resolution
    b. Reporting breaches of the law

9. To review the code of practice in full please visit:

    https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice

10. The following is an assessment of the London Borough of Hammersmith and Fulham Pension Fund's compliance with each section.

Governing your scheme

Knowledge and understanding required by pension board/committee members

1. The LBHF Pension Fund Knowledge and Skills policy sets out clear guidance on training standards, and sessions are regularly provided, both before committee meetings and ad hoc sessions, to ensure members skills and knowledge are kept up to date.

2. Therefore, compliance with this requirement has been met.

Conflicts of interest and representation

3. Conflicts of interest should be identified, monitored, and managed. A register of interests should provide a simple and effective means of recording and monitoring dual interests and responsibilities. Schemes should also capture decisions about how to manage potential conflicts of interest in their risk registers or elsewhere. The register of interests and other relevant documents should be circulated to the pension board for ongoing review and published, for example, on a scheme's website. Conflicts of interest should be included as an opening agenda item at board meetings and revisited during the meeting where necessary. This provides an opportunity for those present to declare any interests, including other responsibilities, which have the potential to become conflicts of interest, and to minute discussions about how they will be managed to prevent an actual conflict arising.

4. Members of the Pension Fund Committee and Local Pension Board are required to complete and sign a register of interests declaration which is published on the LBHF website and renewed as required. During all committee/board meetings, there is an opportunity for those present to declare any conflicts of interest and remove themselves from certain parts of the agenda where this may have an impact. Legal advice can be sought on whether certain matters should be declared. Where a conflict of interest has been declared, this is recorded in the minutes of the meeting.

5. Therefore, compliance with this requirement has been met.

Publishing information about schemes

6. The scheme manager for a public service scheme must publish information about the pension committee/board for the scheme and keep that information up-to-date.

7. The information must include:
   - who the members of the pension committee/board are;
   - representation on the committee/board of members of the scheme; and
   - the matters falling within the pension board's responsibility.

8. Details of this information is published on the LBHF website and is kept up-to-date.

9. Therefore, compliance with this requirement has been met.

Managing risks

Internal controls

1. Internal control is a process for assuring an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. Broadly, internal control involves everything that controls risk to an organisation.

2. Internal controls consist of segregation of duties, organisational structures, implementation of authorisation and approval of transactions, protection of physical assets, management procedures, accounting structures, personnel management and arrangements for supervision.

In order to mitigate against risk, the Pension Fund:

- makes arrangements and procedures to be followed in the administration and management of the scheme;
- provides systems for monitoring that administration and management have been implemented as required;
- makes arrangements and procedures to be followed for the safe custody and security of the assets of the scheme; and

- subjects itself to regular internal audit, such that advice can be taken as to the presence of and adherence to internal controls.

3. Current processes in place:

- the Fund currently maintains a risk register that is reviewed and updated quarterly and presented to the Pension Fund Committee and the Pensions Board;
- the Fund has a risk policy statement that dictates how risks are managed;
- members of the Committee are provided with adequate training to ensure the appropriate management of risk and to ensure there is appropriate challenge for investment decisions;
- external legal advisors review investment manager documentation where relevant to minimise legal risk;
- all funds are held with a global custodian, Northern Trust, to ensure the safe custody and security of the scheme assets;
- any transactions carried out with the global custodian require authorisation from two signatories on a pre-approved list and two factor authentication for online payments;
- officers review manager accounting records to the global custodian records to ensure they match and investigate any discrepancies;
- LBHF ensures that all pension fund bank account payments are checked and verified before processing payment within the internal team;
- fund payments to suppliers must be made with valid purchase orders and suppliers verified through the IBC system
- internal audit regularly checks the systems of internal controls to ensure that they are adequate and adhered to;
- officers reconcile the bank account quarterly and contributions on a monthly basis;
- external audit review the Council’s accounts and processes annually, with audit committee responsible for reviewing the audit findings report;
- officers review each investment managers statement of internal controls as part of the final accounts process;
- officers maintain procedure notes for investment processes and provide training for new members of staff, ensuring appropriate handover processes;
- a new process for capturing journal evidence has been established to ensure easier efficiency for year end to journal evidence audit processes.

4. Therefore, compliance with this requirement has been met.

Administration

Scheme record-keeping

1. Schemes must keep records of member information, transactions, and pension board meetings and decisions. A failure to maintain complete and accurate record and put in place effective internal controls can affect the ability of schemes to carry out basic functions.

2. The Scheme follows processes to aid in achieving the above such as:

- working with an external administration provider (LPPA) to maintain, review and update member information on a regular and ongoing basis, and to ensure quality and completeness in the data;
- transactions are reconciled monthly between the bank statement, the ledger, and the remittance advice slips submitted by scheme employers;
- minutes are recorded and published for all committee meetings, which include decisions made.

3. Therefore, compliance with this requirement has been met.

Maintaining contributions

4. Schemes should monitor pension contributions, resolve payment issues and report payment failures, as appropriate, so that the scheme is administered and managed in accordance with the scheme regulations and other legal requirements.

5. The Scheme carries out the following:

- the Scheme maintains a payment tracker to monitor payment of employer and employee contributions in line with statutory regulations;
- these are reported to the Pension Administration team each month who then take appropriate action. Where a payment deadline has been missed, the team has the option to send reminders, issue fines, or report any regular, material missed contributions to the Regulator;
- there are occasionally late payments from month to month, particularly when the 19th day falls on a weekend, but these are generally resolved within a couple of days and are generally immaterial;
- the payment tracker is updated each month and aids in highlighting discrepancies although there have been none in recent years to report.

6. Therefore, compliance with this requirement has been met.

Providing information to members

7. The law requires schemes to disclose information about benefits and scheme administration to scheme members and others.

8. The Scheme provides members with information regarding their benefit statements via an online portal. Members are notified via email when their statement is ready and prompted to login to view it. Additionally, there is a central hub where members can visit to find more information about the Scheme at https://lbhfpensionfund.org/resources/.

9. Therefore, this requirement has been met.

Resolving issues

Internal dispute resolution

1. The Scheme must make and implement dispute resolution arrangements to cover matters relating to the scheme between the managers and one or more people with an interest in the scheme.

2. The Scheme has a guide on internal dispute resolution procedures published at https://www.lbhfpensionfund.org/resources/internal-dispute-resolution-procedure-idrp/ which members are able to access.

3. Therefore, this requirement has been met.

Reporting breaches of the law

4. Certain parties are required to report breaches of the law to the Regulator where they have reasonable cause to believe that:

    - a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with;
    - the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.

5. The Pension Fund has in place a Breaches Policy that provides instruction on classification of when a breach has occurred and how/who by it should be reported.

6. Therefore, compliance with this requirement has been met.

Agenda Item 12

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 20 June 2022

Subject: Responsible Investment Statement

Report author: Patrick Rowe, Pension Fund Manager

Responsible Director: Phil Triggs, Director of Treasury and Pensions

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SUMMARY

This paper introduces the draft Responsible Investment policy for the London Borough of Hammersmith and Fulham (LBHF) Pension Fund, which is attached as Appendix 1 to this paper.

RECOMMENDATIONS

1. That the Pension Fund Committee note the Responsible Investment Statement.

Wards Affected: None

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

Financial Impact

None

Legal Implications

None

DETAILED ANALYSIS

Background

1. This is the second Responsible Investment Statement published by the Pension Fund. The first statement was published in September 2020, so this statement seeks to update the position of the fund and provide more relevant and up-to-date case studies on achievements made by the Fund to date.

2. The statement is broken down into sections that discuss and present progress on the Fund's:
    a. Investment horizon
    b. Carbon journey
    c. Impact modelling
    d. Task Force on Climate Related Financial Disclosures
    e. ESG case studies
    f. Voting and engagement
    g. Connected Organisations
    h. ESG Dashboard

LIST OF APPENDICES

Appendix 1: Responsible Investment Statement

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Responsible Investment Statement

London Borough of Hammersmith and Fulham Pension Fund • 2022

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Introduction

Responsible Investment is defined by the United Nation's 'Principles for Responsible Investment' document as an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and to generate sustainable, long-term returns.

The London Borough of Hammersmith and Fulham Pension Fund is committed to being a responsible investor and a long-term steward of the assets in which it invests. The Fund has a fiduciary duty to act in the best interests of its beneficiaries and this extends to making a positive contribution to the long-term sustainability of the global environment.

There are a wide range of ESG issues, with none greater currently than climate change and carbon reduction. The Pension Fund recognises climate change as the biggest threat to global sustainability alongside its administering authority employer, Hammersmith and Fulham, which has committed itself to achieving carbon neutrality by 2030.

The Pension Fund acknowledges that the neglect of corporate social responsibility and poor attention paid to environmental, social and governance issues is more likely to lead to poor or reduced shareholder returns. Therefore, the ESG approach has become integral to the Fund's overall investment strategy and recognises ESG factors as central themes in measuring the sustainability and impact of the Fund's investments

Investment Horizon

The London Borough of Hammersmith and Fulham Pension Fund Investment Strategy Statement (ISS) sets out the Fund's policy on investment, risk management, LGPS pooling and environmental, social and governance issues. Alongside this the Fund's core investment beliefs set out the foundation of discussions, regarding the structure of the Fund, its strategic asset allocation and the selection of investment managers, incorporating ESG factors into this decision-making process.

The Fund's investment priorities over the coming years will be centred around the following topics:

Infrastructure

- The Fund has a 2.5% commitment to renewable infrastructure. Target assets include solar power and onshore windfarms. The fund will look to maintain this allocation and possibly extend it.

Real Estate

- The Fund has appointed a dedicated affordable housing manager, Man Group, with an allocation of 2.5%.

Equities

- The Fund has a 45% allocation to equities across two managers, LGIM and MSIM. The LGIM fund has a low carbon focus, and the MSIM fund has a strong ESG focus, specifically avoiding 'sin' stocks.

Carbon Journey

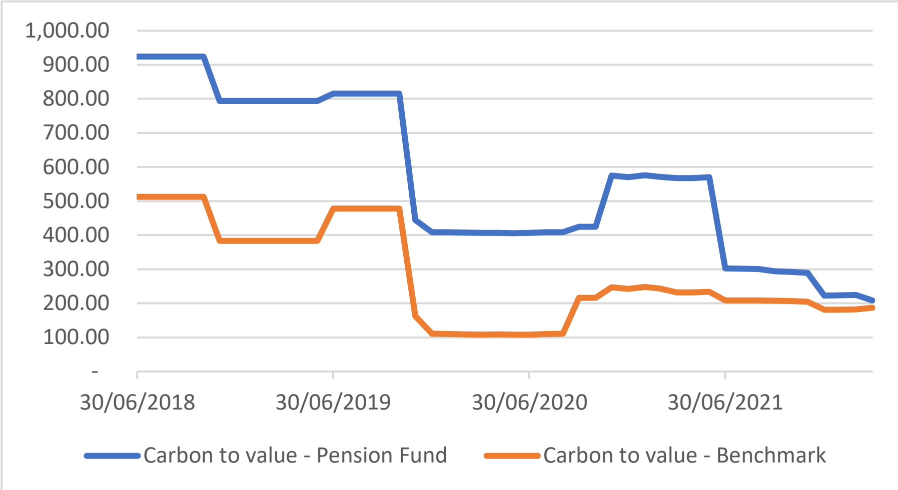
Historically, the London Borough of Hammersmith and Fulham Pension Fund has had a strong focus on ESG which was formalised in its first Investment Strategy Statement, published in 2017. Shortly after a 2.5% commitment was made towards furthering the infrastructure mandate to specifically include renewables.

This also led to an investigation into the risks of holding fossil fuel companies, where consideration was given to the impact of divesting. The Fund has since committed to reducing its carbon emissions, alongside Hammersmith and Fulham. The Pension Fund commissioned a carbon mapping of the Fund's equity and property investments as at 30 June 2018. This included metrics such as carbon intensity, carbon emissions, stranded assets, and energy transition.

Since this mapping took place, the Fund transitioned its London CIV (LCIV) UK Equity allocation and Legal & General (LGIM) Global Passive Equities into the LCIV Global Sustain Fund and LGIM World Low Carbon Target Index Fund. The Global Sustain Fund seeks to provide a concentrated high-quality global portfolio of companies, however, excludes tobacco, alcohol, gambling, weapons, fossil fuels, and gas or electrical utilities. The LGIM World Low Carbon Target Index Fund tracks the MSCI World Low Carbon Target whereby an Environmental, Social and Governance screening of companies takes place to remove those companies which do not meet the required ESG criteria.

During 2021, the Fund commissioned a review of its property mandates with a view to investing within social supported or affordable housing. Man Group was appointed to manage a 2.5% allocation to affordable housing. Determining the carbon cost of alternative assets has to date been difficult, however, one key driver in the decision to appoint Man Group was their commitment to providing the fund with data on the carbon impact of its activities and ensuring where possible that electric vehicle charging points and solar panels are installed on its developments.

The *carbon to value invested* metric is used to reflect how efficient companies are at creating shareholder value, relative to the carbon emissions produced. The following graph depicts the Fund's carbon to value invested journey across its equity allocations against the FTSE World Index, from 30 June 2018 to 31 March 2022. The weighted average carbon to value invested of the Fund has fallen by circa 77% during this time.



September 2018
Renewable Infrastructure manager appointed

August 2018
TruCost Carbon review as at 30th June 2018

November 2018
Investment in Future Low Carbon Fund

June 2020
Investment in MSIM Global Sustain Fund

The Greenhouse Gas (GHG) emissions of the Pension Fund are reported in tonnes of CO_2 (tCO_2e). These carbon emissions can be broken down into three reporting categories as follows:

- **Scope 1:** emissions directly attributable to a company e.g. vehicles
- **Scope 2:** indirect emissions relating to a company e.g. heating and electricity supply of buildings
- **Scope 3:** emissions not directly attributable to a company but those further up and down its value chain e.g. buying products from suppliers[1]

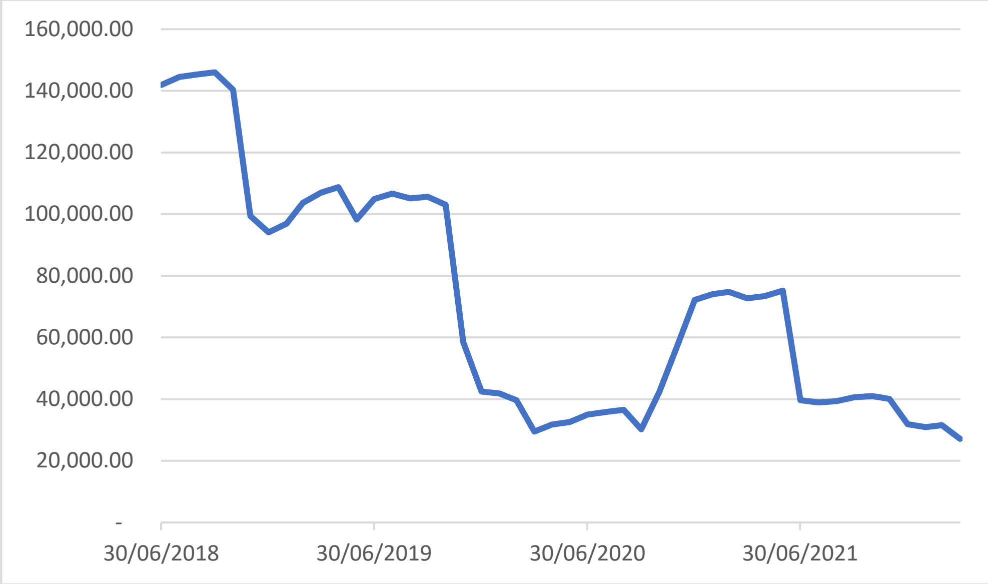
•1 tonne of CO_2 is equal to…

- 1 month's emissions of the average UK person[2]
- 2.6 economy flights from Amsterdam to Rome[3]
- 6,000 km by Citroen Picasso model car[4]

The following chart plots the Fund's equity allocation by absolute tonnes of CO_2 emissions from 30 June 2018 to 31 March 2022. It is estimated that the Fund has reduced its CO_2 emissions by circa 81% over this period.

Where possible the Fund reports on scope 1, 2 and 3 emissions, however as this data can be difficult to collect, this may vary amongst the Fund's asset classes and managers.

Absolute tCO2e per annum

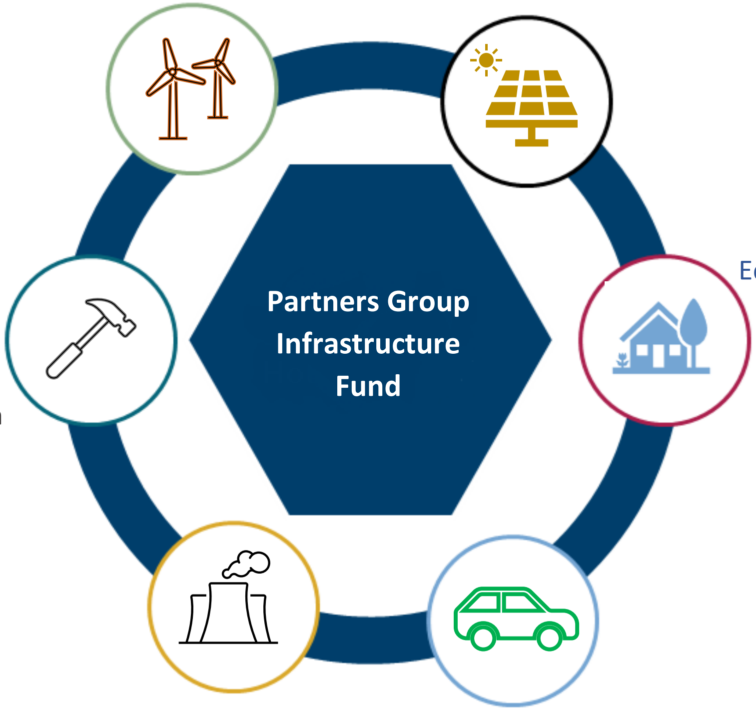


1:https://www2.deloitte.com/uk/en/focus/climate-change/zero-in-on-scope-1-2-and-3-emissions.html?gclid=EAIaIQobChMIjsWNhfKu9QIVqejtCh3FSQ0lEAAYASAAEgLiIfD_BwE 2:https://www.nulacarbon.com/some-notes-on-climate-action/whats-in-a-tonne#:~:text=As%20an%20example%2C%20one%20tonne,person%20living%20in%20Sri%20Lanka! 3:https://www.climateneutralgroup.com/en/news/what-exactly-is-1-tonne-of-co2/ 4:https://www.planete-energies.com/en/medias/close/mechanisms- putting-price-carbon

Impact Modelling

Grassroots & Murra Wirra wind farms wil generate 2.8% of Australia's electricity needs

1,421,598 MWh renewable energy generated



3,439 peak jobs during asset construction

Equivalent to 290,239 households

10.03 million metric tons CO2e emissions avoided

Emissions equivalent to 2,181,410 passenger vehicles driven for one year

MMC homes can significantly reduce residential water usage, using 29% less water than home built to regulation standards

Buildings currently account for 40% of carbon emissions in the UK – emitting 58.5m tonnes of CO2 per year – and 60% of all waste produced

MMC homes can reduce the CO2 emissions of a home by 15% over the estimated 60-year life of the home, saving ~ 137kg of CO2 per residence

Modern Methods of Construction can reduce waste by 90% and emissions by 50%, compared with traditional building methods

Home constructed by the fund, using MMC, can utilise more energy efficient materials, making them 20% more energy efficient than traditional brick and block construction

The Fund is constructing 373 MMC modular home, and made one of the largest investments into modular housing in 2020

Based on a fund size of EUR 1080 million (Hammersmith and Fulham Pension Fund's commitment is EUR 55 million), and up to September 2020. Source of information is the Partner's Group LIFE Impact Report 2020.. *based on achievements in 2020, source Partner's Group Corporate Sustainability Report 2020.

Source: Man GPM RI Community Housing Fund

Task Force on Climate Related Financial Disclosures

The Department for Work and Pensions (DWP) has announced a phased introduction of the planned new mandatory measures that ensure trustees are legally required to assess and report on the financial risks of climate change within their investment portfolios.

Although not yet compulsory for public sector pension schemes, it is anticipated these regulations will be extended to the public sector and therefore the LGPS by 2023.

The proposed new measures will ensure that trustees are legally required to assess and report on the financial risks of climate change within their portfolios, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The Financial Stability Board's Task Force on Climate Related Financial Disclosures is a global, private, independent body formed in December 2015.

The Board has advised a number of TCFD recommendations in relation to climate change, which can be split into four thematic areas.

Governance: Establish and maintain oversight of relevant climate risks and opportunities for your scheme

- Definer clear roles and responsibilities for the management of climate related risks/opportunities.
- Formulate governance policies, including role and responsibilities in relation to climate change.
- Improve training and knowledge in relation to climate change

Strategy: Identify climate risks and opportunities which will affect the scheme's investment strategy and consider the resilience of the strategy.

- Identify related risks and opportunities and define clear goals over the short, medium and long term.
- Conduct scenario testing for the scheme's assets and liabilities e.g how a temperature risk of 1.5C to 2.0C will affect the fund

Risk Management: Establish and maintain processes to identify, assess and manage relevant climate risks and opportunities

- Create a risk register of climate related risks and maintain assessments over the short to long term horizons.
- Incorporate these risks into the wider integrated risk management process

Metrics and Targets: Select and monitor a minimum of three climate metrics for the scheme's investment portfolio, setting targets to measure performance

- Establish the quality of data available to identify an appropriate third climate metric for the scheme.
- Select at least one appropriate target and measure performance against and review annually.

ESG Case Studies

Environmental

Social

Governance

Environmental, Social and Governance factors are key indicators in measuring the sustainability and suitability of an investment. There is growing research which suggests, when integrated into business decisions and portfolio construction, these can offer stability in future returns.

The Fund expects managers to integrate ESG factors into investment analysis and decision making. Monitoring these effectively can assist with resolving issues at early stages through effective engagement with companies and board members. The Fund expects asset managers where possible to engage and collaborate with other institutional investors, as permitted by relevant legal codes to ensure the greatest impact.

The measurement of ESG performance is still developing and benefitting from significant improvements. There are several performance benchmarks and disclosure frameworks that exist to measure the different aspects of available ESG data which include carbon emissions and a variety of social impact scores.

Environmental: Murra Warra Wind Farm

In September 2018 Partners Group entered into an agreement to acquire and construct Murra Wirra Wind Farm, a wind power project in Victoria, Australia.

The project comprises the installation of 613.7MW Turbines with an aggregate capacity of 226MW.

As at September 2020 all 61 turbines have been erected, commissioned, and are producing electricity. To that date 675,095.51 MWh had been generated.

Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

Source: Partner's Group Life Impact Report 2020

Social: Man Group case study

The Pension Fund holds the Man GPM RI Community Housing Fund. The fund seeks to achieve the dual objective of providing financial returns alongside well defined social and environmental outcomes by accelerating the provision of new affordable homes in the United Kingdom. The fund is focused on addressing the shortage of new, high-quality housing in the UK, which is affordable to those earning the median income and below, including young families and the key workers that have been priced out of the housing market. It seeks to provide new homes across multiple rental and ownership tenures, with a strong focus on creating sustainable communities.

To date, the fund has committed to 827 new homes in England, with a target of at least 3,000 homes by 2026. Their target is to offer at least 50% at sub-market rates (discounted rent or shared ownership), with a target of 70%.

Source: Man Group

Governance: Cardinal Health case study

In May 2021, LGIM America co-filed a shareholder resolution, together with our investor colleagues within The Investors for Opioid Accountability (IOPA), asking the company to publish annually an in-depth report disclosing its direct and indirect lobbying activities and expenditures, as well as its policies and procedures governing such activities (a ‘Political Contributions and Activities Report’).

Following engagements with the company, the board agreed to expand its Political Contributions and Activities Report to include all disclosures relating to state lobbying expenses exceeding US$25,000; payments to trade associations and other organisations (including to those that draft and support model legislation); and the approach the company will take when a trade association of which it is a member takes a position which differs from the company’s corporate position.

Source: LGIM ESG Impact Report December 2021

Voting & Engagement

The Committee has delegated the Fund's voting rights to the investment managers, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the investment managers to vote in the best interests of the Fund. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

The Fund will continue to collaborate with the London CIV on maintaining a shared voting policy for the equity managers on the London CIV platform and actively seek to align these policies with manager insights. Lobbying with other London CIV clients will give the Pension Fund greater control and impact over our voting choices and a centralised process will ensure our voting remains consistent and has the greatest impact.

The Pension Fund views engagement with companies as an essential activity and encourages companies to take positive action towards reversing climate change. The Westminster Pension Fund is a responsible owner of companies and cannot exert that positive influence if it has completely divested from all carbon intensive producing companies. The Pension Fund will continue to encourage positive change whilst officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including carbon and other ESG considerations.

Engagement: Mizuho case study

As part of the LGIM World Low Carbon Fund, LGIM have been engaging with Mizuho Financial Group, a global bank based in Japan, over a number of years on climate-related issues.

LGIM have maintained continual engagement with the company as part of their Climate Impact Pledge and monitored the company's progress.

At Mizuho's 2020 AGM, LGIM supported a climate-related shareholder resolution for disclosure of a Paris-Aligned business strategy for the company. This was the first such resolution of its kind within the Japanese banking sector.

Following this, in June 2021, Mizuho published its first TCFD report ahead of its 2021 AGM, with the report committing to accelerate the banks coal phase-out by 10 years. Alongside this, Mizuho has addressed concerns over lack of scope 3 emissions disclosure and pledged to set and disclose interim scope 3 targets by the end of 2022.

MIZUHO

Source: Morgan Stanley ESG Report Q3 2020

LCIV Global Sustain

53
Total Management Meetings

41
ESG Engagements

ESG Engagements by Topic:

30
Environment

22
Social

17
Governance

Of which, engagements on:

28
Climate Change

14
Diversity

5
Cyber Security

Source: Morgan Stanley ESG Report Q3 2021

LGIM Low Carbon

158
Total number of engagements over quarter

126
Number of companies engaged with

ESG Engagements by Topic:

88
Environment

84
Social

84
Governance

27
Other

Top 5 engagement topics:

1. Climate Change
2. Remuneration
3. Diversity
4. Energy
5. Climate impact pledge

Source: LGIM ESG Report Q1 2022

Connected Organisations

The Pension Fund recognises that significant value can be achieved through collaboration with other stakeholders. The Pension Fund works closely with its LGPS pool company, other LGPS funds and member groups such as the Local Authority Pension Fund Forum (LAPFF), to ensure corporate interests are aligned with the Pension Fund's values.

The Pension Fund actively contributes to the engagement efforts of pressure groups, such as LAPFF and requires investment managers to vote in accordance with the LAPPF's governance policies. In exceptional cases, investment managers will be required to explain their reason for not doing so, preferably in advance of the AGM.

The Local Authority Pension Fund Forum are a collection of over 83 local authority pension funds, with assets under management of over £300bn, promoting the highest standard of governance with the aim of protecting the long-term value of pension funds. The LAPFF engage directly with companies, on behalf of all asset owners and pension fund trustee members, on issues such as executive pay, reliable accounting and a transition to a net carbon zero economy.

LAPFF Case Study

The LAPFF produce quarterly engagement reports, covering all ESG related issues from climate change, governance, human rights and cyber security.

Over the quarter to 31 March 2022, the LAPFF engaged with 50 companies, including Shell, BHP and Astra Zeneca.

During the quarter to March 2022, LAPFF met with BHP to discuss concerns regarding the company's progress on house building in the affected area of Mariana, Brazil, after the dam collapse in 2015.

In 2021 only 3 houses, to a total of 10 had been built, however, by the time of the meeting a total of 47 had been built. LAPFF expressed their view that this was still inadequate but welcomed the progress whilst recognising the work to still be done

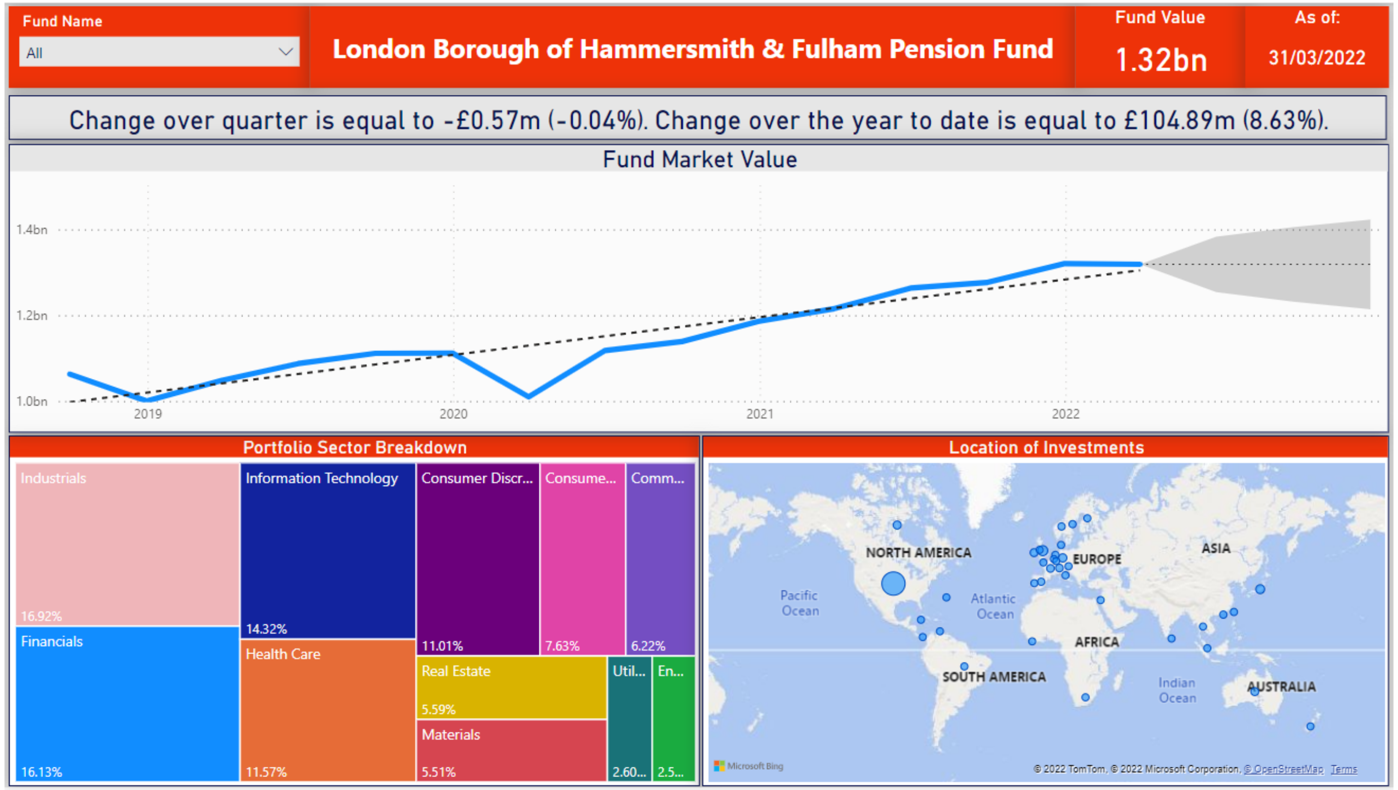
Source: LAPFF Quarterly Engagement Report 31 March 2022

ESG Dashboard

Pension Fund officers have developed an interactive dashboard that provides an overview of the fund, specially focusing on ESG. The intention of the dashboard is to provide further accountability and allow members of the Fund to explore the impact of its investments. The dashboard is available to access at the following URL:

https://app.powerbi.com/view?r=eyJrIjoiYjc2ZTEyZjItODI0Yi00NzY2LWJkNTMtODAwYjNlNWNjYTQ5IiwidCI6IjUwZDhjMTE1LWI3N2YtNDM5NS1hM2JhLTNiNDA3Y2FmMGQ4OCIsImMiOjh9

The following images provide a sample of what the dashboard contains:



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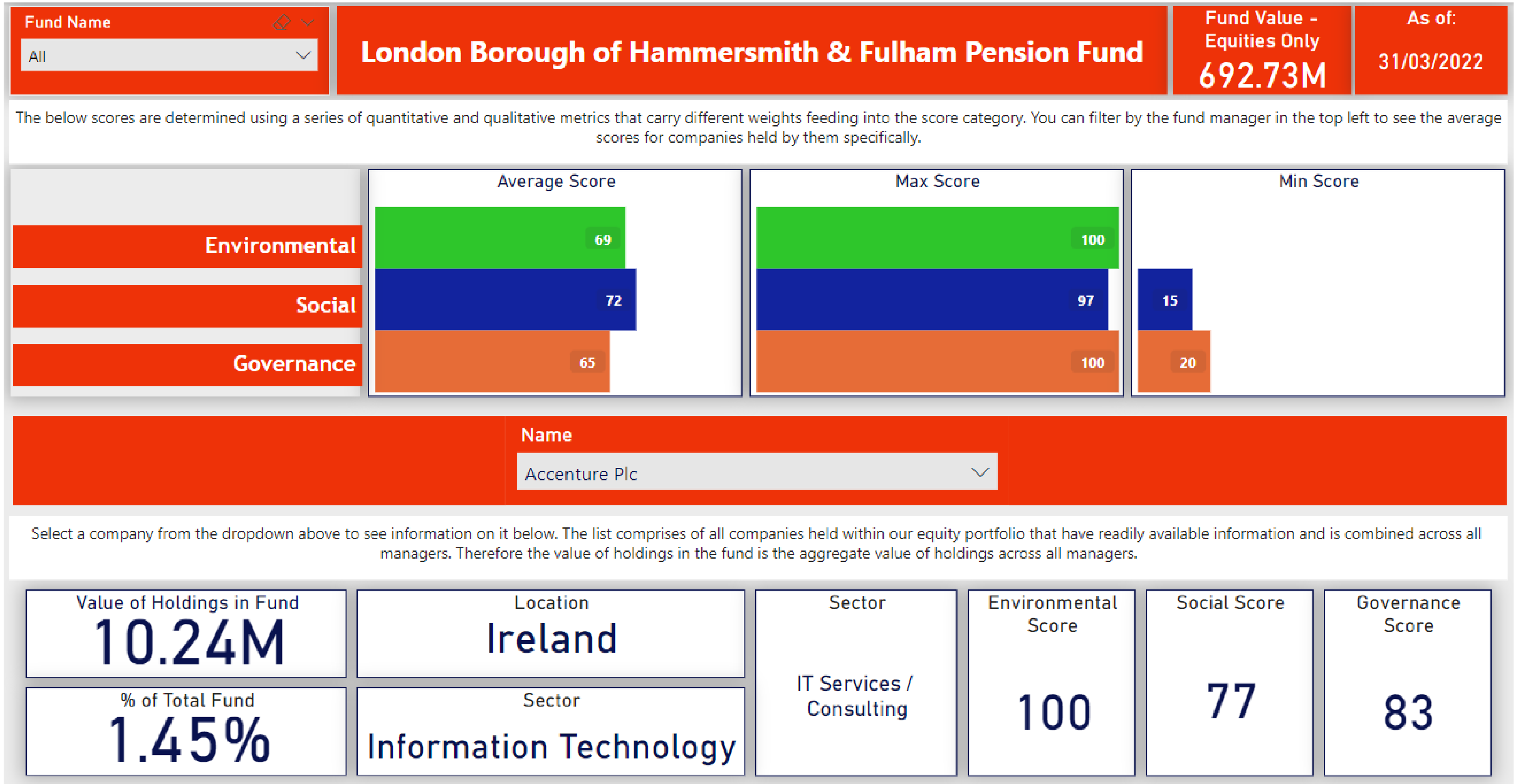
| Responsible Investment Statement • 2021


Fund Name
All
London Borough of Hammersmith & Fulham Pension Fund
Fund Value - Equities Only
692.73M
As of:
31/03/2022
The below scores are determined using a series of quantitative and qualitative metrics that carry different weights feeding into the score category. You can filter by the fund manager in the top left to see the average scores for companies held by them specifically.
Environmental
Social
Governance
Average Score
69
72
65
Max Score
100
97
100
Min Score
15
20
Name
Accenture Plc
Select a company from the dropdown above to see information on it below. The list comprises of all companies held within our equity portfolio that have readily available information and is combined across all managers. Therefore the value of holdings in the fund is the aggregate value of holdings across all managers.
Value of Holdings in Fund
10.24M
% of Total Fund
1.45%
Location
Ireland
Sector
Information Technology
Sector
IT Services / Consulting
Environmental Score
100
Social Score
77
Governance Score
83

Fund Name

All

Environmental Analysis

Fund Value

1.32bn

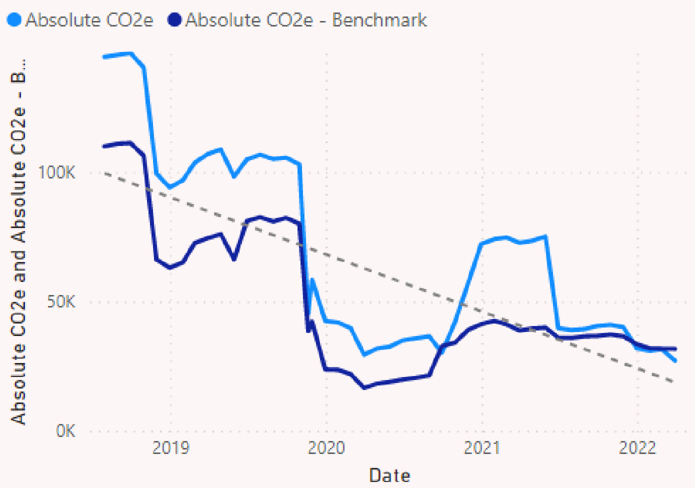
As of:

31/03/2022

Top 10 Holdings by £

Company	Fund Holdings
Accenture Plc	£10,244,338
Alphabet Inc	£17,917,150
Amazon.com, Inc.	£10,298,303
Apple Inc	£17,333,781
Link Administration Holdings Ltd	£13,158,214
Microsoft Corporation	£28,527,452
Procter & Gamble Co	£9,011,127
Reckitt Benckiser Group Plc	£9,663,361
SAP SE	£10,459,477
Visa Inc	£12,692,897

Absolute CO2e and Absolute CO2e - Benchmark by Date



Highest Emissions (Scopes 1,2 & 3 in Tons)

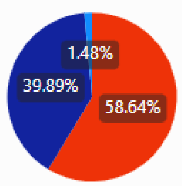
- Airbus SE
- Chevron Corporation
- Corning Incorporated
- Cummins Inc.
- Exxon Mobil Corporation
- General Motors Company
- Magna International Inc.
- Mosaic Co
- Procter & Gamble Co

Highest Waste Producers by Net Sales or Revenue

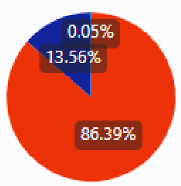
- Agnico Eagle Mines Ltd
- B2Gold Corp.
- Kinnevik AB
- Kirkland Lake Gold Ltd
- Link Administration Holdings Ltd
- Lundin Mining Corporation
- Northern Star Resources Ltd
- REA Group Limited
- Wheaton Precious Metals Corp

*the above is based on each company as a whole rather than each company in absolute terms and are not in any particular numerical order.

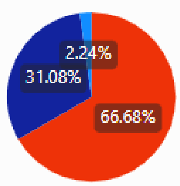
Has Programs & Targets to Protect Biodiversity



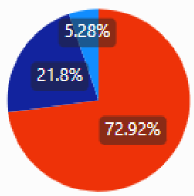
Discloses Greenhouse Gas Emissions



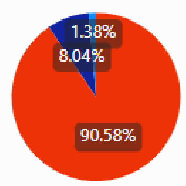
Has Renewable Energy Usage Targets



Commits to Stakeholder Engagement



Integrates Sustainability Plans into Business Activities



Yes No In-conclusive

Fund Name
All

Social Analysis

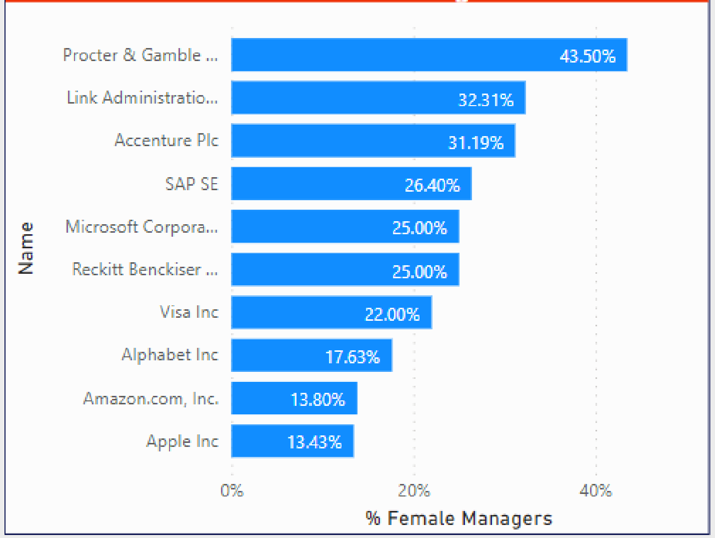
Fund Value
1.32bn

As of:
31/03/2022

Top 10 Holdings by £

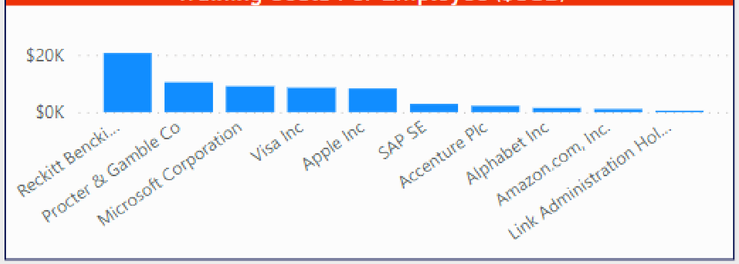
Company	Fund Holdings
Accenture Plc	£10,244,338
Alphabet Inc	£17,917,150
Amazon.com, Inc.	£10,298,303
Apple Inc	£17,333,781
Link Administration Holdings Ltd	£13,158,214
Microsoft Corporation	£28,527,452
Procter & Gamble Co	£9,011,127
Reckitt Benckiser Group Plc	£9,663,361
SAP SE	£10,459,477
Visa Inc	£12,692,897

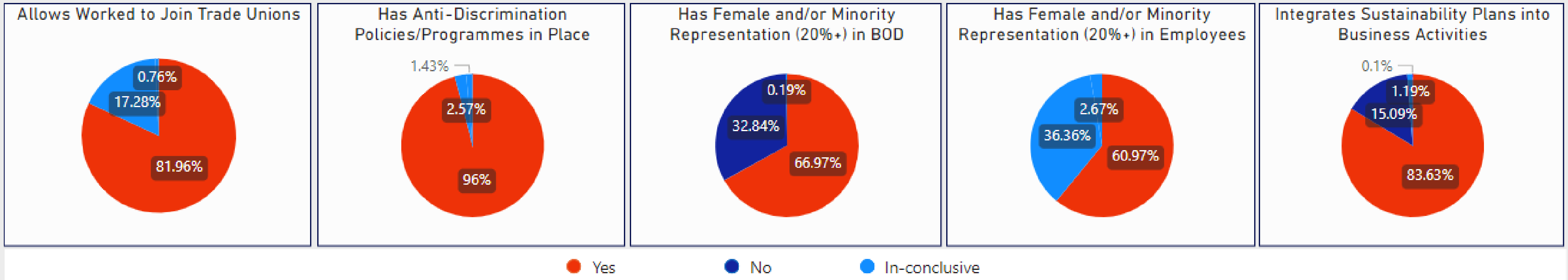
% of Female Managers



Total Injuries and Fatalities Relative to 1m Hours Worked

Training Costs Per Employee ($USD)





Fund Name

All

Governance Analysis

Fund Value

1.32bn

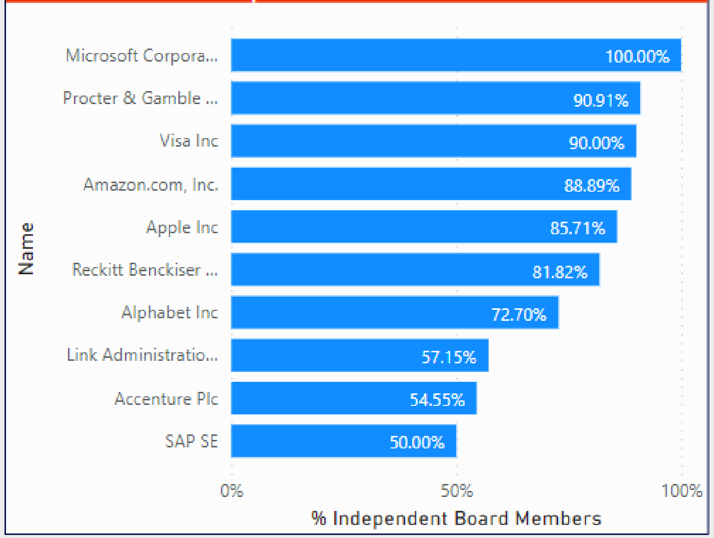
As of:

31/03/2022

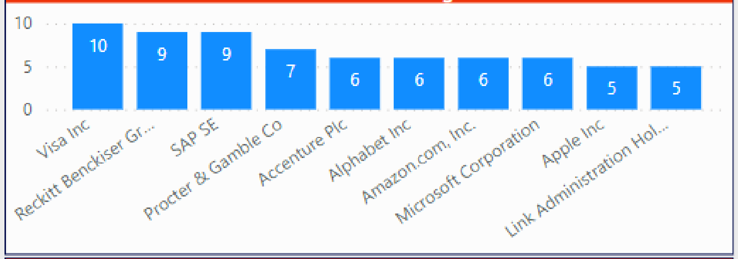
Top 10 Holdings by £

Company	Fund Holdings
Accenture Plc	£10,244,338
Alphabet Inc	£17,917,150
Amazon.com, Inc.	£10,298,303
Apple Inc	£17,333,781
Link Administration Holdings Ltd	£13,158,214
Microsoft Corporation	£28,527,452
Procter & Gamble Co	£9,011,127
Reckitt Benckiser Group Plc	£9,663,361
SAP SE	£10,459,477
Visa Inc	£12,692,897

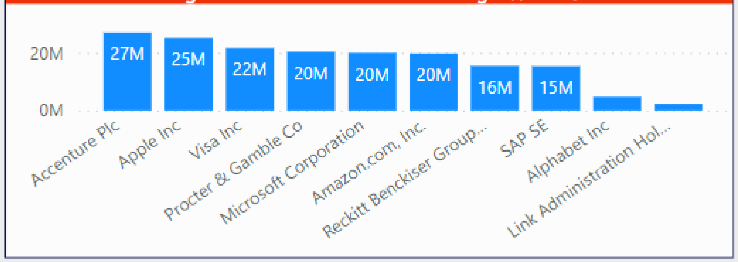
% of Independent Board Members

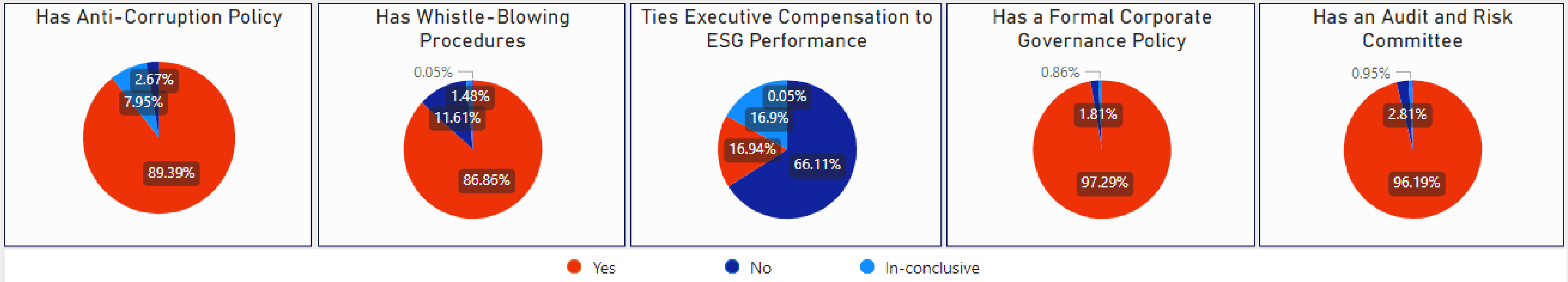


Number of Board Meetings Per Year



Highest Remuneration Package ($USD)





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LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 20 June 2022

Subject: Governance Log of Recommendations

Report author: Patrick Rowe, Pension Fund Manager

Responsible Director: Phil Triggs, Director of Treasury and Pensions

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SUMMARY

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

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

RECOMMENDATIONS

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

Wards Affected: None

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

Financial Impact

None

Legal Implications

None

DETAILED ANALYSIS

Background

1. A Treasury and Pensions review of shared services arrangements was commissioned in 2019 and a report published early in 2020. The review concluded that the shared services arrangement for Treasury and Pensions should continue, and a further recommendation determined that officers should commission an independent governance review of the LBHF Pension Fund.

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

3. Mr Raisin completed his governance report in November 2020 and the report was presented to the Pension Fund Committee on 3 March 2021.

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

5. The log shows that good progress has been made, with 27 recommendations implemented, and 2 commenced.

LIST OF APPENDICES

Appendix 1: Log of Recommendations

Recommendations Log

Recommendation number	Recommendation	Timeline immediancy	Timeline date	Status	Comments
1	The Council give consideration to the removal of all reference to the Pensions function from the Terms of Reference of the Audit and Pensions Committee and that this Committee be renamed the Audit Committee.	Immediate	03-Mar-21	Complete	Agreed at Annual Council on 28 April 2021
2	The Council give consideration to revising the Constitution to place all responsibility for the LGPS pensions function with the Pension Fund Sub-Committee and that this be renamed "The Pension Fund Committee" and that its elected member membership be 6 voting councillors.	Immediate	03-Mar-21	Complete	Agreed at Annual Council on 28 April 2021
3	To amend the Responsibilities of the Pension Fund Sub-Committee (The Pension Fund Committee) as set out in Appendix 2 of this report.	Immediate	03-Mar-21	Complete	Agreed at Annual Council on 28 April 2021
4	The Pension Fund Sub-Committee (The Pension Fund Committee) actively seek to co-opt one or two non-administering authority non-voting members in order that Employers beyond the LBHF may participate in the decision making forum of the LBHF Pension Fund.	Immediate	2022/2023	Progress Started	The Pensions Manager has already actioned the appointment of employee representative, Peter Parkin. The recruitment of future employer representatives will be actioned after the new service with admin provider, LPPA, has been established.
5	The Pension Fund Sub-Committee (The Pension Fund Committee) actively seek to co-opt a non-voting Employee representative.	Immediate	2022/2023	Complete	
6	The Officers involved in preparing future LBHF Pension Fund Annual Reports specifically ensure both the inclusion and consideration of the Pension Administration Strategy as required by the LGPS Regulations and relevant Statutory Guidance.	Immediate		Complete	Included in 20/21 annual report
7	The Pensions Sub-Committee seek assurance from the Officers that the Annual Report and Statement of Accounts for 2019/20 have been prepared taking careful account of relevant Statutory Guidance (particularly that relating to preparing the Annual Report) and that in future years the Officers confirm this in the covering report presenting the draft Annual Report and Accounts.	Immediate		Complete	Included in 20/21 annual report
8	A Training Needs Assessment is urgently completed in respect of all Pension Board Members and that a comprehensive programme of training to address identified needs (including coverage of recent and current developments in the LGPS) be provided as soon as practical.	Immediate		Complete	Initial report was considered at the 21 July 2021 committee. Training needs schedule to be tabled for 28 Feb 22 meeting.
9	That consideration be given to paying an allowance to Local Pension Board Members for actual attendance at Board Meetings (including any training held before a Board meeting).	Immediate		Complete	Officers have reviewed this recommendation and decided not to implement it at this time.
10	A report and procedure relating to reporting Breaches of the Law, which is in accordance with the relevant guidance in The Pension Regulator's Code of Practice No 14, is urgently prepared for consideration and approval by the Pension Fund Sub-Committee.	Not Immediate	31-Mar-22	Complete	Approved by committee on 21 July 2021
11	Training on reporting Breaches of the Law is provided jointly for both Members of the Pension Fund Sub-Committee and the Local Pension Board as a matter of urgency.	Not Immediate	31-Mar-22	Complete	This will be provided by Clifford Sims of Squire Patton Bogg prior to 23 November 2021 committee meeting.
12	A Breaches of the Law Log be maintained and is presented on a quarterly basis to the Pension Fund Sub-Committee and to each meeting of the Pension Board.	Immediate		Complete	Part of the quarterly update pack
13	The LBHF Knowledge and Skills Self-Assessment form (for Sub-Committee and Pension Board Members) be expanded to include a specific new section on Pensions Administration.	Not Immediate	31-Mar-22	Complete	Now included on the assessment form.
14	Appropriate training in respect of Pensions Administration be provided to both Sub-Committee and Local Pension Board Members as soon as practical.	Not Immediate	31-Mar-22	Complete	Training provided at 21 October 2021 session. Admin included as a category on knowledge assessment form. Admin to be provided as a regular training category.
15	That consideration is given to scheduling regular training sessions, immediately before Pension Fund Sub-Committee meetings.			Complete	Training prior to meetings is ongoing
16	A comprehensive LBHF Pension Fund Medium Term Business Plan incorporating an Annual Plan and a detailed Annual Budget, is developed and approved annually by the Pension Fund Sub-Committee and formally monitored on a quarterly basis.	Immediate	03-Mar-21	Complete	Business plan and budget for 21/22 approved
17	The LBHF Pension Fund annual budget should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and Employers.	Immediate	03-Mar-21	Complete	Budget conforms to required standards
18	That a Pensions risk policy be prepared for approval by the Pension Fund Sub-Committee which sets out the Pension Funds approach to risk. This should include a clear statement on the responsibilities of Officers in relation to Risk Management.	Not Immediate	31-Mar-22	Complete	Taken to February 2022 meeting
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	Complete	Scheduled for later in 21/22
20	The Risk Register is redesigned with risks listed under each of the seven headings in the CIPFA Guidance on managing risks in the Local Government Pension Scheme, issued in 2018.	Not Immediate	31-Mar-22	Complete	Risk register complies with CIPFA layout
21	The LBHF Pension Fund have a separate and specific Annual Internal Audit Plan, approved by the Pension Fund Sub-Committee which includes a focus on Pension Administration issues in their broadest sense, both those carried out by the LBHF Pension Fund directly and those delegated to a third-party Pensions Administrator.	Not Immediate	2022/2023	Complete	Internal Audit are in discussions with officers to identify areas for the annual audit plan, as well as liaising with LPPA's Audit and Compliance Team to establish the coverage of their Internal Audit Plan, to determine the Annual Internal Audit Plan for the Pension Fund which will be reported to the Pension Fund Committee early in the new financial year and to the next meeting of the Pension Board.
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	2022/2023	Complete	As above
23	A report to the Pension Fund Sub-Committee be prepared in respect of any "Community Admission Body" in the LBHF Pension Fund which specifically identifies the current position regarding their covenant with the Fund and which makes proposals for the ongoing monitoring and, as appropriate, strengthening of these covenant arrangements.	Not Immediate	2022/2023	Not Started	The admitted bodies will be reviewed after the Fund has completed its transfer of pension administration service to LPPA, as this is a priority for both the Fund and the employers for this high risk project. It will also allow full consideration to be given to the inhouse team function in its monitoring of employers' compliance.
24	Given the Communications Policy has not been updated since 2016 it should be reviewed and updated as a matter of urgency and a new version presented to the Pension Fund Sub-Committee for their consideration and approval.	Not Immediate	2022/2023	Not Started	This policy will be updated after the Fund's transfer of its administration service to LPPA, so that it can be brought fully up to date, in line with LPPA services, which are not all known yet.
25	As the Pensions Administration Strategy dates from 2016, it should be thoroughly and comprehensively reviewed as soon as practical including meaningful consultation with all Scheme Employers and Members of the Pension Board.	Not Immediate	2022/2023	Not Started	This Strategy will be reviewed and updated after the Fund has completed its transfer of pension administration service to LPPA, as this is a priority for both the Fund and the employers. It will also allow full consideration to be given to the inhouse team function in its monitoring of employers compliance.
26	As a matter of urgency the Pension Fund Sub-Committee, and the Pension Board, receive a report and briefing from Officers on the requirements of The Pension Regulators Code of Practice No 14 "Governance and administration of public service pension schemes" of April 2015 and the implications and requirements of subsequent statements, surveys and reports issued by The Pensions Regulator applicable to the LGPS since 2015.	Not Immediate	31-Mar-22	Complete	Work has commenced on elements of the assessment. As set out above, the implementation of the new Pensions Administration Service with LPPA has been prioritised and there are a number of key milestones related to the embedding of the service over the next few months. Once these have been achieved, this action will then be able to be progressed in respect of pensions administration.
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	Complete	As above
28	That the Fund Actuary should be fully appraised of the situation relating to the state and quality of the data/records of LBHF Pension Fund members as held by the Pensions Administration service provided by Surrey County Council and be asked for their comments, observations and suggestions with regard to this issue.	Not Immediate	31-Mar-22	Progress Started	Discussions have already commenced with the actuary and an outline plan confirmed. This includes analyses of the Pension Fund data at points in time , including post migration to LPPA. The results of which will be shared with the committee in scheme year 2022/2023 but work will be ongoing throughout 2021/2022.
29	That appropriate expertise specifically relating to the LGPS, including as necessary, external support should be available in the formulation of the contract/tender documentation, actual contract award process and subsequent monitoring arrangements for the new external Pensions Administration service provider. Cognisance should also be taken of relevant CIPFA Guidance including "Administration in the LGPS A guide for pensions authorities" (November 2018) and "Managing Risk in the LGPS" (December 2018).	Immediate		Complete	The Director of Audit, Fraud, Risk and Insurance, as chair of the Pensions Taskforce, confirms that appropriate internal and external specialist advice and support have been engaged to support the implementation of a delegation agreement for the service to be provided by Local Pensions Partnership (LPP), an experienced LGPS pensions administration provider
30	The LBHF Pension Fund carefully and seriously consider combining all activity of the Fund under a single senior officer.	Closed and not to be progressed.		Complete	This recommendation has implications for the structure of the whole Tri-borough pension arrangement and is not a decision that can be taken forward at this point or a decision for the Pension Fund committee.
31	Should the scope of the role of an existing officer be expanded to cover all the activity of the Pension Fund proper consideration be given to reviewing and consequently enhancing their terms and conditions of service including remuneration.	Closed and not to be progressed.		Complete	This recommendation has implications for the structure of the whole Tri-borough pension arrangement and is not a decision that can be taken forward at this point or a decision for the Pension Fund committee.
32	The Pension Fund Sub-Committee consider the appointment of an Independent Advisor with a remit across the Governance, Investment, Funding, Pensions Administration and Training activity of the LBHF Pension Fund.	Unassigned		Complete	Recruitment complete. Appointed advisor will attend meeting on 28 Feb 22.