London Borough of Hammersmith & Fulham

Pension Fund Committee

Agenda

Tuesday 15 November 2022 at 7.00 pm
Meeting Room 1 (2nd 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-optee	
Michael Adam Iain Cassidy	

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Date Issued: 07 November 2022

London Borough of Hammersmith & Fulham

Pension Fund Committee
Agenda

Item		Pages
1.	**APOLOGIES FOR ABSENCE**	
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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.

To approve the minutes of the extraordinary meeting held on 6 October 2022.

To note the open and exempt minutes of the meeting held on 7 September 2022.

This paper sets out a summary of the performance of the Local Pension Partnership Administration in providing a pension administration service to the Hammersmith & Fulham Fund. The Key Performance Indicators for the period July 2022 – September 2022, Quarter 2, inclusive are shown in Appendix 1.

5. PENSION ADMINISTRATION UPDATE 35 - 40

This paper provides a summary of activity in key areas of pension administration for the Hammersmith & Fulham Pension Fund.

6. PENSION ADMINISTRATION STRATEGY 41 - 59

This paper details why there is a requirement for a pension administration strategy for the Hammersmith & Fulham Pension Fund and Appendix 1 details the revised strategy.

7. GOVERNANCE LOG OF RECOMMENDATIONS 60 - 62

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.

8. PENSION FUND QUARTERLY UPDATE PACK 63 - 123

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

- overall performance for the quarter ended 30 September 2022;
- cashflow update and forecast;
- assessment of risks and actions taken to mitigate these.

This item includes an appendix that contains exempt information. Discussion of the appendix will require passing the proposed resolution at the end of the agenda to exclude members of the public and press.

9. TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES CONSULTATION 124 - 161

The Department for Levelling Up, Housing and Communities has issued a consultation on how local government pension funds in England and Wales should assess and manage climate risks and opportunities, proposing to disclose information in line with the Taskforce on Climate Related Financial Disclosures. The 12-week consultation will end on 24 November 2022.

10. TRIENNIAL VALUATION UPDATE 162 - 194

This paper introduces the initial results of the 2022 triennial actuarial valuation process for the London Borough of Hammersmith and Fulham Pension Fund, which are further discussed in Appendix 1.

11. DATE OF THE NEXT MEETING

To note the date of the next meeting:

- 28 February 2023

12. EXCLUSION OF THE PUBLIC AND PRESS

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

Thursday 6 October 2022

PRESENT

Committee members: Councillors Ross Melton (Chair), Florian Chevoppe-Verdier, Laura Janes and Adrian Pascu-Tulbure

Co-opted members: Michael Adam and Iain Cassidy

Other Councillors: Councillors Alexandra Sanderson (Cabinet Member for Children and Education) and Rowan Ree (Cabinet Member for Finance and Reform)

Officers: David Hughes (Director of Audit, Fraud, Risk and Insurance), Eleanor Dennis (Head of Pensions) and Debbie Yau (Clerk)

Guest: John Crowhurst (Commercial Director, Local Pension Partnership Administration)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Adam Peter Lang.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED
The open and exempt minutes of the meeting held on 7 September 2022 were both approved as accurate records of the meeting.

4. PENSION ADMINISTRATION KEY PERFORMANCE INDICATORS

The Chair welcomed John Crowhurst, Commercial Director of the Local Pension Partnership Administration (LPPA) who was joining the meeting for the first time.

John Crowhurst introduced the report which set out a summary of the performance of the LPPA in providing a pension administration service to the Hammersmith & Fulham (H&F) Fund. He detailed the casework performance against the Service Level Agreement (SLA) and helpdesk calls performance as set out in Appendix 1.

Noting that only two out of the 12 case types met the KPI performance target of 95% during the period between April and June 2022, Michael Adam asked about the key issues leading to the situation. John Crowhurst advised that accurate information from the employers was indispensable for the cases, in particular those involving active members, to proceed to the next step. It also took time for staff to communicate with the members back and forth.

Councillor Laura Janes also asked for more detail in the reports on the evaluation of KPI performance in terms of the number of cases not meeting the target of 95% and the number of days lagged behind. John Crowhurst confirmed he would ask for that granular detail to be included.

In reply to Councillor Florian Chevoppe-Verdier's enquiry, John Crowhurst said that he would check what the charge was for members' making calls to LPPA. Councillor Adrian Pascu-Tulbure asked if the LPPA had considered a call-back service to reduce wait times. John Crowhurst said they had not considered that but could explore it further. He noted the company was looking at giving callers a queue number.

Councillor Pascu-Tulbure noted with concern that the processing of death cases saw a dramatic decline in the number of cases processed on time, due to reduced resources with only 48.8% (i.e. 86 cases) being processed within the 5-day SLA. He sought information on the number of staff involved in processing the 86 cases from April to June 2022. In response, John Crowhurst advised that among some 200 administrative staff, 35 of them were in the Bereavement Team. In view of the LPPA's potential adoption of a client-centric approach and increasing staff turnover, arrangements were made for colleagues to receive cross-departmental training with a view for them to becoming more resilient under the new regime.

Councillor Janes expressed concern that payment might be discharged late to beneficiaries upon a member's death. She considered a tougher threshold should be set in this regard. John Crowhurst highlighted the work of the dedicated Bereavement Team which would breakdown the eligible pension benefits among the beneficiaries and arrange payment once the required paperwork was completed.

Councillor Alexandra Sanderson considered it important that beneficiaries' calls were answered in less than 5 minutes. Councillor Janes suggested setting up a special hotline for bereavement cases. John Crowhurst remarked that there was a separate queue for beneficiaries and the waiting time was generally less.

The Chair considered the KPI performance target of 95% was ambitious and preferred a more realistic target. John Crowhurst said that the KPIs had been set out in the discharge of the SLA and the performance measures were discussed and reviewed on a monthly basis. While the KPIs in the first quarter of 2022 had improved since Q4 of 2021, there might have an impact on the Fund's KPIs in early next year as LPPA resources would be stretched when it was migrating to the new pension administration platform by the end of 2022. John Crowhurst stated that the KPIs might need to be reviewed, with more achievable ones to be set in the future.

RESOLVED
The Committee noted the report.

5. PENSION ADMINISTRATION UPDATE

Eleanor Dennis (Head of Pensions) introduced the report which provided a summary of activity in key areas of pension administration since 26 January 2022 when the H&F Pension Fund began its new partnership with LPPA. She said that the commencement of the service with LPPA had been challenging for all stakeholders, as LPPA had been implementing and familiarising themselves with the new software (UPM) and new processes while being hampered by system outage and errors coupled with large call volumes.

At the request of Councillor Laura Janes, Eleanor Dennis and David Hughes (Director of Audit, Fraud Risk and Insurance) outlined the background of John Raisin's review report and recommendations. The report made 32 recommendations concerning governance arrangements, investment and stakeholder management. Councillor Janes asked for a copy of the independent review report.

ACTION: Debbie Yau

Councillor Rowan Ree requested that Eleanor Dennis continued to update members on the progress made against the outstanding recommendations that concerned pension administration. Eleanor Dennis advised that she would present the report going forward with the remaining pension administration actions to be provided to the Committee. She noted that there were other higher priority tasks such as the discretions policy outside the report's recommendations that would be undertaken by the Pensions Administration team, that meant that at times there would be no change to the status of the report.

Councillor Ree was keen to ensure that the outstanding Annual Benefit statements could be delivered in November 2022. John Crowhurst said that subject to information to be provided by the employers, those statements would be sent with acknowledgment of receipts by the end of November.

Noting that there were approximately 740 cases in one of the two backlogs waiting to be processed, Councillor Adrian Pascu-Tulbure said the amount was considerable and sought information on the types involved. Eleanor Dennis said as she understood, some of these cases were requesting transferring out quotes, while cases relating to active or deferred retirement were relatively few. She added that with the past administration the backlog had consisted of over 1,700 cases. Confirmation had already been provided by LPPA that they could commence work on the backlog in October 2022.

Noting the summary on the employer end of year process, Councillor Florian Chevoppe-Verdier asked about the types of employers which did not submit the required information and the consequence for failing to do so by the deadlines. Eleanor Dennis said that they tended to be schools and contractors like cleaning companies, or employers that no longer existed. As pension administration was not part of their core business, they thought they had no obligation to undertake related work such as storing relevant legacy payroll data. The Pensions Administration team had been working hard to remind these employers of their responsibilities and obligations under the law. Eleanor Dennis confirmed that those employers who chose not to engage despite these efforts might be fined by the Fund in line with the pension administration strategy.

Councillor Chevoppe-Verdier was concerned whether compensation was made to LBHF due to the system outage and errors. John Crowhurst noted that it had happened only at the commencement of the service during which LPPA was completely aware of the situation and provided daily update. As a non-profit making entity, LPPA had not entered into a penalty clause on this in the SLA. However, if similar problems lasted for more than 12 weeks, LPPA was required to devise a remedy plan, details of which would be included in the monthly risk and compliance report.

On Councillor Janes' enquiry about feedback and complaints, if any, from members and employers, Eleanor Dennis advised that the in-house pension administration team were accessible to all stakeholders to support with any issues they might have, which included by phone as each member of the team had a direct phone line to enter into dialogue or receive complaints about the services. Both employers and members could make use of the Employers' Portal to express their satisfaction or otherwise.

Councillor Chevoppe-Verdier asked if members might resort to paper form if they were cut off digitally. John Crowhurst advised that members might contact LPPA via paper correspondence or face-to-face notwithstanding that the LPPA had recently relocated its London office to Preston. The Chair remarked that it was important alternative routes were available to suit individuals' needs.

The Chair thanked the attendance of John Crowhurst and looked forward to LPPA's updates in the future. John Crowhurst said he or his colleagues in members engagement team would be pleased to join the Committee's future meetings.

RESOLVED
The Committee noted the contents of the report.

6. DISCRETIONARY POLICY

Eleanor Dennis (Head of Pensions) introduced the report which detailed why there was a discretionary policy for the H&F Pension Fund and recommended the Committee to approve the revised discretionary policy set out in Appendix 2.

In reply to Councillor Florian Chevoppe-Verdier's enquiry on the definition of "spouse", Eleanor Dennis said spouse referred to individuals that were free to marry/enter a civil partnership with each other, or cohabiting partners. To claim payment under the Cohabiting Pension, the surviving partner might need to produce supporting documentation including shared bills.

Councillor Chevoppe-Verdier noted that the LHBF might need substantial resources to handle the discretionary policy statements submitted by individual Fund employers. Eleanor Dennis advised that the discretions had been compiled in accordance with the required pensions legislation and the Local Government Pension Scheme regulations. If required, temporary resources would be deployed to meet the challenges, and to remind employers of their obligation.

Members approved the revised discretions policy for the H&F Pension Fund set out in Appendix 2, and agreed for the Head of Pensions to finalise, publish and engage Fund employers in respect of the revised discretions policy.

ACTION: Eleanor Dennis

RESOLVED
The Committee approved the revised discretions policy for the H&F Pension Fund set out in Appendix 2.

7. DATES OF FUTURE MEETINGS

The dates of future meetings were noted:

- 15 November 2022
- 28 February 2023

Members requested a briefing about the impact of the mini-budget on the investment strategy and strategic asset allocation.

ACTION: Phil Triggs

Meeting started: 7.00 pm
Meeting ended: 8.10 pm

Chair ....

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London Borough of Hammersmith & Fulham

Pension Fund Committee

Minutes

Wednesday 7 September 2022

PRESENT

Committee members: Councillors Ross Melton (Chair), Florian Chevoppe-Verdier, Laura Janes, Adam Peter Lang and Adrian Pascu-Tulbure

Co-opted members: Michael Adam (attended remotely)

Officers:
David Hughes (Director of Audit, Fraud, Risk and Insurance)
Phil Triggs (Director of Treasury and Pensions)
Patrick Rowe (Pension Fund Manager)
David Abbott (Head of Governance)

Advisers:
Kevin Humpherson (Deloitte)
Jonny Moore (Deloitte)
Marian George (Independent Advisor)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Iain Cassidy.

Apologies for lateness were received from Councillor Adam Peter Lang (who entered at 7.12pm).

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED
The open and exempt minutes of the meeting held on 20 June 2022 were both approved as accurate records of the meeting.

4. PENSION ADMINISTRATION - KEY PERFORMANCE INDICATORS

David Hughes (Director of Audit, Fraud, Risk and Insurance) introduced the report which set out a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Hammersmith & Fulham Fund. He highlighted improvements in a number of areas – particularly related to the number of cases processed and core wait times – but he said there was still a lot of work to do.

David Hughes noted that the LPPA's Commercial Director had been invited to attend the extraordinary meeting on 6 October to discuss the issues faced, the progress made so far, and plans for improvement.

The Chair welcomed the opportunity to discuss the service with the Commercial Director and suggested members submit questions and areas for discussion ahead of the October meeting.

ACTION: Committee members

Members made the following requests:

- A more detailed breakdown of the KPIs.
- A breakdown of the full enquiries process.
- How the Committee could get bottom-up feedback from members to understand their top concerns.
- The timeline to get back to normal levels of resource.

RESOLVED

The Committee noted the report.

5. DRAFT ANNUAL REPORT 2021/22

Patrick Rowe (Pension Fund Manager) introduced the report which presented the draft Pension Fund Annual Report and Statement of Accounts for the year ended 31 March 2022.

Marian George (Independent Advisor) encouraged members to fill out their training needs forms. She also discussed the recent London CIV conference, noting that the sessions would be available online shortly and recommended members to watch them and attend the conference next year. Phil Triggs (Director of Treasury and Pensions) also recommended some online training and said officers would forward links to the Committee.

ACTION: David Abbott / Phil Triggs

Councillor Florian Chevoppe-Verdier asked if the skills and staffing shortage noted on page 29 had been flagged to the Council's recruitment team. Patrick Rowe said it was a potential risk, but not currently an issue for the pensions team.

Councillor Chevoppe-Verdier asked for more information on the risk about increased life expectancy on page 30. Patrick Rowe said it was a liability risk, the valuation took many factors into account, one of which was life expectancy. Phil Triggs added that the fund had recently switched actuaries to Hymans who had very granular data on life expectancy down to individual postcodes – there was huge variation in life expectancy across the country, which the actuary would explain at the next meeting.

Councillor Chevoppe-Verdier noted the report showed £58m more being paid out of the fund each year than was going in. He asked when that would become a problem if it continued at that rate. Patrick Rowe said net cashflow was negative and the net effect was around £11m per year. To mitigate that, managers had been allocating more capital to income generating assets, but cashflow was not a significant risk at current levels.

Councillor Chevoppe-Verdier asked if the number of admitted bodies varied over the past year and how much by. Patrick Rowe said it did vary but only by small numbers (single digits).

Councillor Chevoppe-Verdier, in reference to the table on communications to residents on page 107, asked how often the publications were sent out and the total volume of paper being sent. Patrick Rowe said that related to pensions administration. David Hughes said the communications strategy was being reviewed and would be presented to the Committee shortly. Committee members encouraged a transition to electronic communications. David Hughes said he would feed that back to the Administration team.

ACTION: David Hughes

Marian George noted that some of the strategies in the appendices should have been tagged with publication dates for clarity.

ACTION: Patrick Rowe

Councillor Chevoppe-Verdier felt the governance of the London CIV was unclear and asked how members were appointed. Phil Triggs said the CIV's governance had evolved over its life. He would provide information on the appointment process in an update.

ACTION: Phil Triggs

Councillor Chevoppe-Verdier said the resolution of the tables on pages 136 to 143 made them difficult to read. He asked officers to ensure reports were clear and accessible and suggested they follow the WCAG web accessibility standards.

Councillor Adam Peter Lang noted the pound had fallen to a 37 year low against the US dollar and asked what the implications were for the fund. Kevin Humpherson (Deloitte) said that over the long-term currency was not a major factor in investment returns.

Councillor Adrian Pascu-Tulbure raised concerns about rising inflation and asked if the H&F fund was at particular risk with its investments. Kevin Humpherson suggested the Committee look in more detail at interest rate exposure, inflation risk, and currency risk following the actuarial valuation outcome. Marian George agreed that inflation was something to consider when looking at investment strategy and suggested training would be useful in that area.

The Chair requested some training on currency exposure and inflation. Councillor Chevoppe-Verdier asked that officers sent any recommended training opportunities to them – and suggested a standing agenda item on upcoming training sessions.

ACTION: Phil Triggs

Councillor Pascu-Tulbure, in reference to the graph on page 20, asked for views on how quickly costs could be reduced to the benchmarks. Patrick Rowe said he expected costs to come down in the next year.

RESOLVED
The Committee approved the draft Pension Fund Annual Report for 2021/22 and delegated approval of the final version to the Director of Treasury and Pensions in consultation with the Chair.

6. RESPONSIBLE INVESTMENT STATEMENT

Patrick Rowe (Pension Fund Manager) introduced the report which presented the Responsible Investment policy for the London Borough of Hammersmith and Fulham Pension Fund.

The Chair asked when the ESG dashboard would be made available on the Council's website. Patrick Rowe said he hoped it would be online in the next few weeks.

Councillor Florian Chevoppe-Verdier asked for more information on the DWP's new reporting requirements referenced on page 163. Phil Triggs said the 12-week consultation paper for future climate change disclosure requirements was specifically for the LGPS. The requirements built on the work of the DWP taskforce with enhancements. He said officers would raise the issue of possible duplication of work that pools and administrative authorities were required to do. Implementation was planned for financial year 2023/24. He noted that a paper would come to the November meeting.

ACTION: Phil Triggs

Councillor Chevoppe-Verdier noted that officers and members should expect feedback on the map used for the dashboard due to areas that were not internationally recognised (Taiwan, Kosovo etc.). The Chair suggested adding a disclaimer to the map explaining that it didn't represent any particular views of the Council.

ACTION: Patrick Rowe

Phil Triggs informed members that Patrick Rowe was scheduled to present the ESG dashboard at a national LGPS conference on the 9th of September. The Chair suggested linking up with the communications team to publicise it.

RESOLVED
The Committee approved the Responsible Investment Statement.

7. GOVERNANCE REVIEW LOG OF RECOMMENDATIONS

Phil Triggs (Director of Treasury and Pensions) gave an update on the progress log of recommendations that came from an independent review of the governance arrangements for the Pension Fund. He noted that 27 of the recommendations had been implemented and there were only 5 left to go, which were mainly administration related.

The Chair asked for an update on the administration recommendations at the extraordinary meeting in October. David Hughes said officers would produce an update on how the actions would be addressed.

ACTION: David Hughes

RESOLVED
The Committee noted the log of recommendations.

8. PENSION FUND QUARTERLY UPDATE PACK

Patrick Rowe (Pension Fund Manager) introduced the report which provided the Committee with a summary of the Pension Fund's overall performance for the quarter ended 30 June 2022, a cashflow update and forecast, and an assessment of risks and mitigating actions. He noted that, while it had been a challenging quarter, the fund had performed fairly well due to its defensive asset allocation strategy and the overall diversification of the portfolio. Over the year, the fund was up 2.1 percent against the benchmark.

Kevin Humpherson and Jonny Moore (Deloitte) discussed the findings of the Deloitte investment performance report.

Councillor Florian Chevoppe-Verdier asked what the impact of the new requirements of the US Securities and Exchange would be. Kevin Humpherson said it would increase the costs of some managers.

Councillor Chevoppe-Verdier asked if the new London CIV CEO was in place yet. Marian George said he was due to join in November.

Michael Adam suggested it was the right time for an update on liabilities. Kevin Humpherson said he would pick it up with Hymans.

ACTION: Kevin Humpherson

Councillor Adrian Pascu-Tulbure asked if officers expected returns to remain negative for the rest of the year and if members should be concerned. Marian George said there was likely to be volatility in the short term, but the fund was invested for the long term. Volatility did not impact pension fund members as their contribution rates were fixed and while it would impact employers, their contribution rates were smoothed over the long-term.

Councillor Laura Janes asked to what extent the cost-of-living crisis was factored in as a risk to the fund. Patrick Rowe said the risk register had been updated and the risks around inflation had been upgraded. There were increased risks around liabilities, market performance, and the financial stability of admitted bodies.

Michael Adam suggested looking at the risk that inflation posed to admitted bodies and to the fund more broadly if an admitted body failed and the fund had to pick up the costs. The Chair supported the recommendation.

ACTION: Patrick Rowe

RESOLVED
The Committee noted the report.

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

RESOLVED
The Committee resolved, 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.

10. INFRASTRUCTURE EQUITY – MARKET CONSIDERATIONS

Phil Triggs (Director of Treasury and Pensions) introduced the report which covered the parameters and characteristics required from an infrastructure allocation to replace the current outgoing allocation to the Aviva Investors Infrastructure Income Fund.

RESOLVED

1. The Committee noted the report.

2. The Committee requested a briefing note to provide a progress update on the Aviva Investors Infrastructure Income Fund liquidation.

3. The Committee requested a report on reallocation options for the November meeting.

11. LONDON CIV PASSIVE EQUITY PROGRESSIVE PARIS-ALIGNED SUB FUND

Patrick Rowe (Pension Fund Manager) introduced Jonny Moore (Deloitte) who presented the report which provided a summary of the London CIV Passive Equity Progressing Paris-Aligned Sub Fund (the PEPPA Sub Fund) and compared the index differences between it and the Fund's current low carbon passive global equity mandate.

RESOLVED

1. The Committee noted the report.

2. The Committee requested more analysis of the options available.

12. MAN GPM COMMUNITY HOUSING FUND – FINANCING FACILITY

Phil Triggs (Director of Treasury and Pensions) introduced the report which gave an update on the terms proposed by Man GPM for the Community Housing Fund (CoHo Fund).

Kevin Humpherson (Deloitte) briefed members on the proposed terms and in response to a question from Councillor Laura Janes, he said there were no additional costs or risks.

RESOLVED
The Committee agreed the recommendation to act in accordance with the view outlined by Deloitte in Appendix 1.

13. DATES OF FUTURE MEETINGS

The dates of future meetings were noted:

- 6 October 2022
- 15 November 2022
- 28 February 2023

The Chair highlighted the extraordinary meeting scheduled for 6 October 2022 which would focus on pensions administration.

Councillor Laura Janes noted that she was the only female member of the Committee and recommended that a more gender-balanced membership be considered when members were next due to be appointed in May 2023.

Meeting started: 7.00 pm
Meeting ended: 9.31 pm

Chair ....

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

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: **Pension Fund Committee**

Date: 15/11/2022

Subject: Key Performance indicators

Report author: Eleanor Dennis, Head of Pensions

Responsible Director: Sukvinder Kalsi, 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 July 2022 – September 2022, Quarter 2 (Q2), inclusive are shown in the Appendix 1.

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

There are no direct financial implications as a result of this report. Costs of the pensions administration service, including costs of additional commissioned work provided by LPPA are met from the Pension Fund.

Sukvinder Kalsi, Director of Finance, 3rd November 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) 3rd November 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 report is on the performance of our administration partner LPPA it covers Q2 of the pension fund scheme year. The KPI's detailed in Appendix 1 of the pension administration report cover the period 01 July 2022 to 30 September 2022 inclusive.

3. During the period July to September 2022, LPPA processed 1047 SLA cases, an increase of 41 cases for the Hammersmith & Fulham Fund. The KPI performance target of 95% was met for 5 case types (an improvement on the 2 met last quarter), which consisted of new joiners, aggregations, deferred benefits and retirements for both active and deferred's. However, in 6 areas 90% of KPI's were achieved, an improvement on the 4 met in Q1.

4. There is no KPI measure for the telephone Helpdesk but the service provision continues to improve, with average call wait times held consistently around 3 minutes.

Performance in key areas

5. Retirements – Performance on this task area has seen a much needed improvement. For active retirements a KPI of 100% was achieved for the first time from LPPA. The processing of deferred retirements also improved, as 97.2% were processed on time compared to 90.4% in Q1.

6. Deaths – The processing of death cases has improved slightly from the 48.8% of cases completed on time in Q1, to 48.8% processed within the 5 day SLA in Q2. The Head of Pensions continues to work with the LPPA team to improve this performance.

7. Transfers – 135 cases in total (an increase of 64 cases from Q1) were received by LPPA. 40 transfer in's were processed within the 6 working days SLA and 76 transfer out's.

8. Refunds – There were 44 received in Q2 however there was a fall in performance for this area as only 75% of cases received were processed within the 6 day turnaround compared to 97.6 % of cases in Q1.

9. LPPA are entering the final phase of migrating 9 clients (300,000 members) to their new pension administration platform UPM in Q3, between October 2022 to January 2023 inclusive. This may have an impact on the Fund's KPI's as LPPA resources are stretched and there will be periods of system outage. However because of this they are reducing their SLA's from 95% of high priority cases (which are death and retirement cases), being processed on target to 90%. With all other cases including transfers, refunds and estimates falling from 95% to 70%.

Summary

10. Quarter 2 of LPPA providing an administration service to the Fund has seen an improvement in most areas, however there remains room for improvement from LPPA in particular in processing of death cases. The Head of Pensions hopes to see continued improvement in the next quarter despite LPPA's internal migration project.

11. None

Risk Management Implications

12. None

Climate and Ecological Emergency Implications

13. None

Consultation

14. None

LIST OF APPENDICES

<u>Appendix 1 – LPPA Pension Administration report July – September 2022</u>

LPP
Local Pensions Partnership Administration

Hammersmith & Fulham Pension Fund

Quarterly Administration Report

1st July – 30th September 2022

lppapensions.co.uk

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DEFINITIONS

Page 6

Casework Performance Against SLA

Performance is measured once all information is made available to LPPA, to enable them to complete the process. All casework has a target timescale in which to complete the process, and performance is measured as the % of cases that have been completed within that timescale.

Page 7

Casework Performance Against SLA

The category of 'Other' on this page covers cases including, but not limited to:

- Benefit revisions
- Maternity/paternity cases
- Ill Health cases
- Scheme Opt-Out cases
- Cases raised to cover 'Member Online Portal' registration queries
- P60 queries
- 50/50 scheme changes
- APC / AVC queries

Please note the number of cases brought forward, does not match the corresponding number of outstanding cases reported in the previous quarter (due to reasons including the deletion of cases during the current reporting period).

Page 9 & 10

Helpdesk Performance

Average wait time measures the time taken from the caller being placed into the queue, to them speaking with a Helpdesk adviser.

The percentage of calls answered does not include calls that are abandoned by the caller where the wait time is less than 2 minutes.

All figures reported in this section are non-client specific, as not all member calls are dispositioned at client level. This means that call volumes and wait times are not at client level - however, as calls are answered (through our various IVR options) in relation to wait time, performance across all LPPA clients is broadly the same

As the needs of our business, Clients and Members change, we adapt our reporting to suit the current trends and ensure sight of common topics.

For this reason it is necessary to update and add new topics in the reason for calls. To accommodate the multitude of reasons we have created a "Other" category which includes (but not limited to) 'Information Only', 'Website', 'Resend Documents'.

OUR CORE VALUES

This administration report is produced in accordance with the Service Level Agreement (SLA) for the provision of pension administration services.

The report describes the performance of Local Pensions Partnership Administration (LPPA) against the standards set out in the SLA.

Within LPPA, our values play a fundamental role in guiding our behaviour as we grow our pensions services business and share the benefits with our Clients.

Page 27

Casework Performance Against SLA

Page 28

In this section…

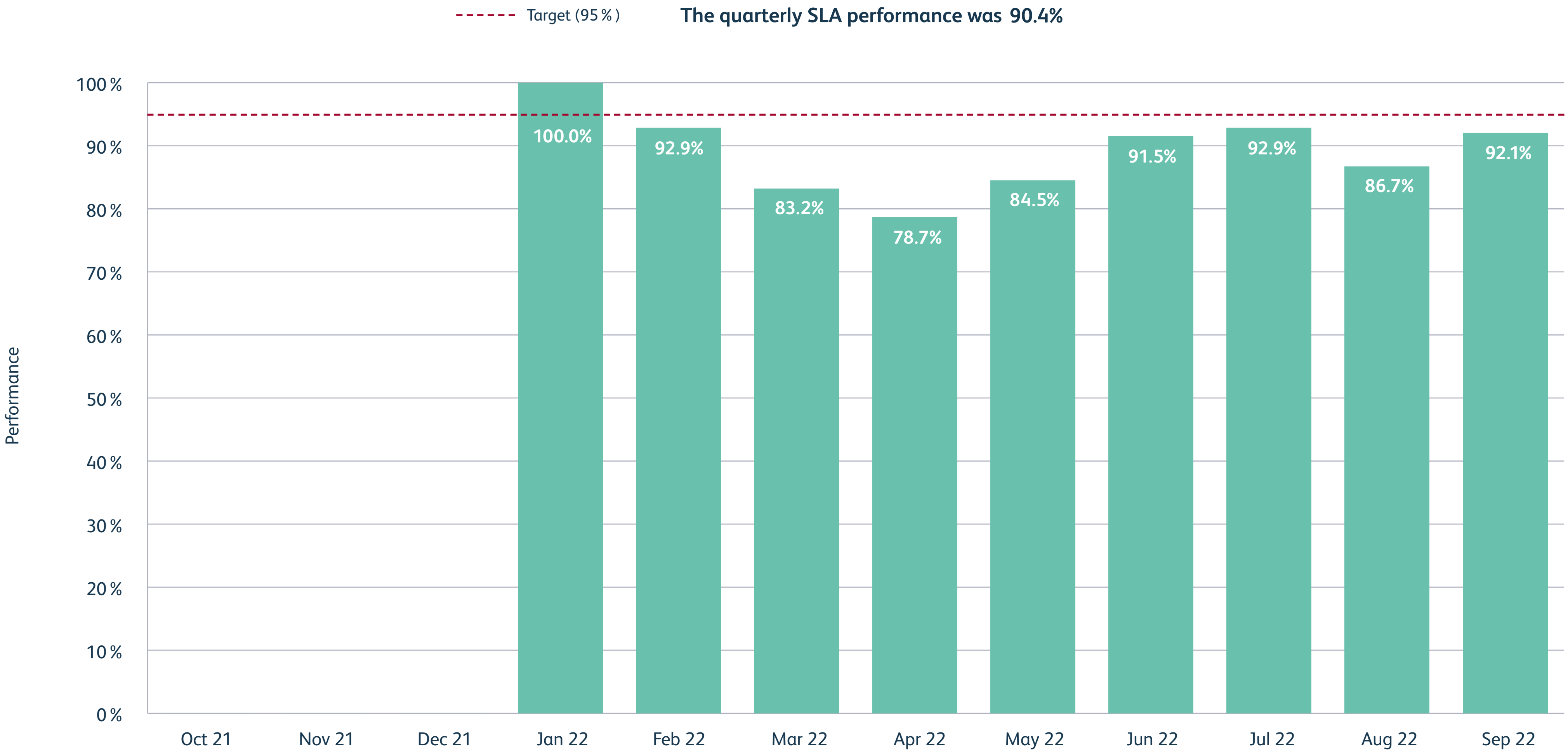
- Performance – All cases
- Performance Standard

CASEWORK PERFORMANCE AGAINST SLA

PERFORMANCE – ALL CASES

CLIENT SPECIFIC

The quarterly SLA performance was 90.4%



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CASEWORK PERFORMANCE AGAINST SLA

PERFORMANCE STANDARD

CLIENT SPECIFIC

Target (95 %)

	SLA target (working days)	Total Processed	
New Starters	10	286	96.5%
Transfers In	10	54	74.1%
Transfers Out	10	81	91.4%
Estimates	10	94	81.9%
Deferred Benefits	15	67	95.5%
Retirements - Deferred	5	214	97.2%
Retirements - Active	5	37	100.0%
Refunds	5	44	75.0%
Deaths	5	76	59.2%
Correspondence	10	80	88.8%
Aggregation	10	14	100.0%
Other		135	96.3%

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Helpdesk Calls Performance

The Helpdesk deals with all online enquiries and calls from Members for all funds that LPPA provide administration services for.

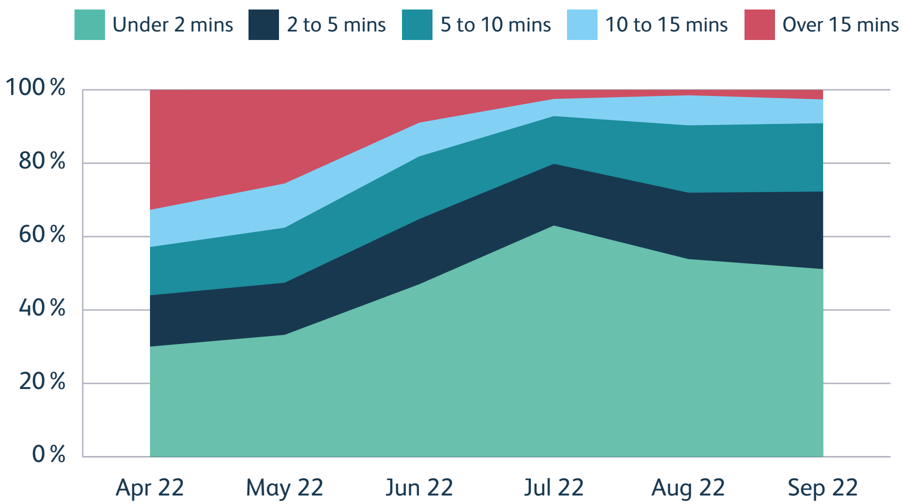
In this section…

- Wait time range
- Calls answered (%)
- Calls answered (volumes)

HELPDESK CALLS PERFORMANCE

WAIT TIME RANGE

ALL LPPA



	Under 2 mins	2 to 5 mins	5 to 10 mins	10 to 15 mins	Over 15 mins
Apr 22	30.0 %	14.0 %	13.2 %	10.1 %	32.7 %
May 22	33.2 %	14.2 %	15.0 %	12.1 %	25.5 %
Jun 22	47.0 %	17.7 %	17.1 %	9.2 %	9.0 %
Jul 22	63.0 %	16.8 %	13.0 %	4.7 %	2.5 %
Aug 22	53.9 %	18.1 %	18.3 %	8.2 %	1.5 %
Sep 22	51.2 %	21.1 %	18.6 %	6.5 %	2.6 %

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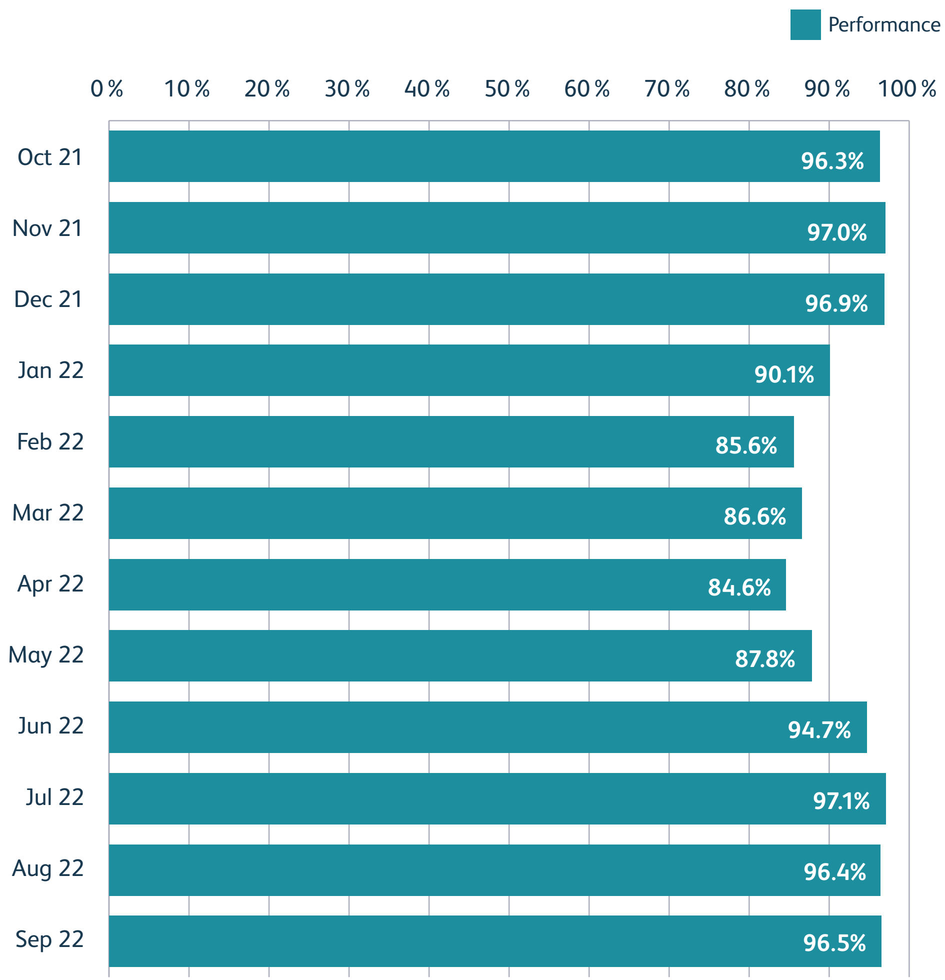
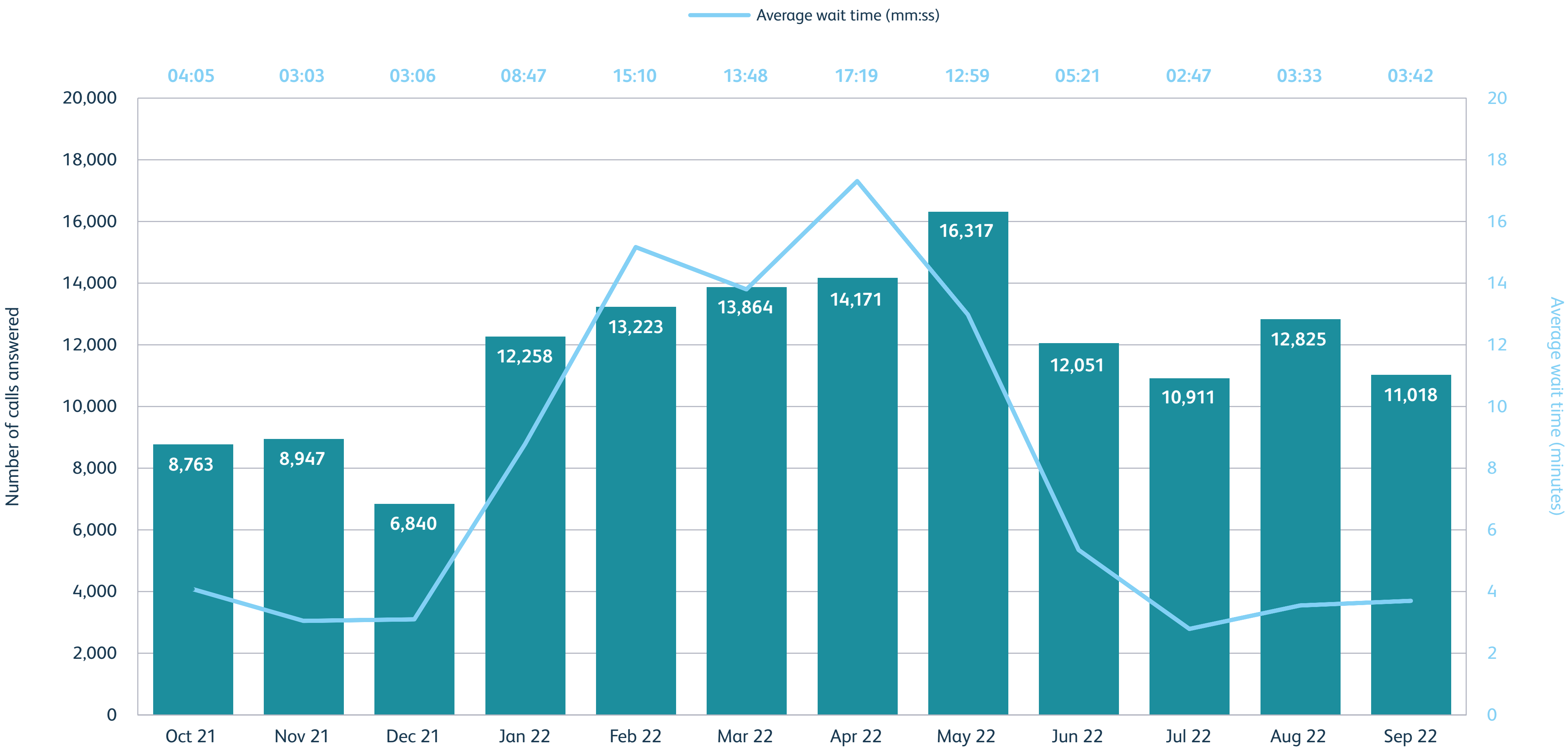
CALLS ANSWERED (%)

ALL LPPA



HELPDESK CALLS PERFORMANCE

CALLS ANSWERED (VOLUMES) ALL LPPA



LPP

Local Pensions Partnership Administration

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: **Pension Fund Committee**

Date: 15/11/2022

Subject: Pension Administration Update

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

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

One of the key priorities for the LGPS is to pay and administer its members and their beneficiaries. The Hammersmith & Fulham Pension Fund (HFPF) delegates its administration duties to Local Pension Partnership Administration (LPPA). The Fund continues to strive to deliver an efficient and effective service to its stakeholders against a growing trend of an increasing numbers of tasks and challenges. Challenges include increasing complex legislation, data challenges, limited resources and difficulty in engaging with employers, which mean some issues will take months or years to resolve fully.
This paper provides a summary of activity in key areas of pension administration for the HFPF.

RECOMMENDATIONS

The Pension Fund Committee are 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.

Sukvinder Kalsi, Director of Finance 4th November 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) 4th November 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. The service delivered by LPPA continues have challenges but is improving albeit slower than anticipated and continues to be monitored closely. With stakeholders starting to see the benefits of the change of administrators within this 10 month period since we began the partnership with LPPA.

Update on key areas

2. Employers – LPPA's employer engagement team and the LBHF in house team continue to work to engage with the employers who have not yet submitted their end of year data for 2021/22. LPPA have also offered online training

sessions for employers on topics such as the monthly submission process and LGPS essentials 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 LPPA team have run slightly over the original deadline for this task due to annual leave and system outage but are due to complete by 7th November 2022. A final project summary will be provided to the Committee at the next meeting.

4. Backlog – The processing of the backlog of 740+ cases inherited from the previous pension administrators is due to commence shortly and progress updates will be provided to the Committee by the Head of Pensions.

5. Communications – Calls to the Helpdesk fell slightly from 1006 in Q1 to 978 in Q2. The helpdesk experience for the Fund remains consistent as most calls were answered within 3 minutes in Q2 as was in Q1. Members also received a member newsletter.

6. Annual Benefit statements –Those that were not able to be sent out due to no updated information from the employer in August, have been advised and will be sent a statement on 30 November 2022 and any further outstanding statements in January 2023.

7. Annual allowance – Pension savings statements were sent out to all members who exceeded the annual allowance limit of £40,000 in 2021/2022. This was sent to 51 members who were all issued with their statements by the 6 October statutory deadline.

8. Engagement – There continues to be an positive trend from all membership groups in engaging with the online portal. As this has increased again since Q1 by 1123 for the period July to September 2022 to 3502.

9. John Raison recommendations – as detailed in Appendix 1 the pension administration strategy has been revised. The Head of Pensions will continue to update the Committee with progress on other outstanding pension administration tasks.

Conclusion

10. The pension administration service delivered by LPPA continues to show improvement. LPPA continue to work collaboratively with the Head of Pensions. The Head of Pensions continues to work with LPPA to improve the service experienced by our stakeholders including members and beneficiaries.

Equality Implications

11. None

Risk Management Implications

12. None

Climate and Ecological Emergency Implications

13. None

Consultation

14. None

LIST OF APPENDICES

Appendix 1 – Hammersmith & Fulham Log of recommendations

Appendix 1

Hammersmith & Fulham Pension Fund - 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	Partly completed	The Head of Pensions 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 nonvoting 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 SubCommittee 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	15-Nov-22	Complete	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. To be approved in 15/11/22 Committee meeting.
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 Triborough 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 Triborough 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.

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: **Pension Fund Committee**

Date: 15/11/2022

Subject: **Pension Administration Strategy**

Report author: Eleanor Dennis, Head of Pensions

Responsible Director: Sukvinder Kalsi, Head of Finance

SUMMARY

This paper details the why there is a requirement for a pension administration strategy for the Hammersmith & Fulham Pension Fund and Appendix 1 details the revised strategy.

RECOMMENDATIONS

To approve the revised 2022 pension administration strategy for the Hammersmith & Fulham Pension Fund.

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

This report recommends that the Pension Fund Committee approve the revised 2022 pension administration strategy for the Hammersmith & Fulham Pension Fund as set out in Appendix 1. This is in compliance with the obligation in the existing strategy to keep the strategy under review and The Local Government Pension Scheme Regulations 2013 (reg 59).

Angela Hogan, Chief Solicitor (Contracts and Procurement) 1st November 2022

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Proposal

1. The Local Government Pension Scheme (LGPS) regulations 2013 require fund authorities to have in place a pension administration strategy that sets out the standards and responsibilities of performance and best practice that Fund and scheme employers should follow who participate in the Local Government Pension Scheme (LGPS).

2. The objective of this clearly define the roles and responsibilities updated version is to Discretions are powers that enable employers to choose how to apply the scheme in respect of certain provisions.

3. These have been compiled in accordance with the LGPS regulations as detailed in Appendix 1 and the highlighted mandatory discretions.

4. Fund employers have been consulted to finalise this draft in accordance with the requirements of the LGPS regulations.

Reasons for Decision

5. The recommendation is that the committee accept this revised pension administration policy which will replace the previous policy dated January 2017 with immediate effect.

6. Once approved the revised strategy will be issued to all fund employers for their information and published on the pension fund internet site.

Equality Implications

None

Risk Management Implications

None

Climate and Ecological Emergency Implications

None

Procurement implications

None

LIST OF APPENDICES

Appendix 1 - Hammersmith & Fulham Pension Fund Draft Administration Strategy 2022

Appendix 1 – Pension Administration Strategy 2022

1. **Introduction**

1.1 This is the Pension Administration Strategy (PAS) of the London Borough of Hammersmith and Fulham Pension Fund (the Fund). This document explains the aims that the strategy is intended to achieve and outlines the responsibilities of the Fund and its scheme employers towards achieving the aims. This document explains how performance of the Fund and scheme employers will be monitored and actions that may be taken when employers do not meet the expected standards. This document also explains how the Fund will communicate with its scheme employers and the resources that are available to assist employers.

1.2 The Fund has prepared this Pension Administration Strategy in line with regulation 59 of The Local Government Pension Scheme (LGPS) Regulations 2013.

1.3 The Fund and scheme employers must also have regard to overriding pensions legislation, regulatory guidance and The Pension Regulator Code of Practice for Public Sector Pensions when carrying out their duties.

1.4 This Administration Strategy has been produced in consultation with the scheme employers within the Fund and applies to the Fund and all scheme employers, including the Administering Authority in its capacity as a scheme employer.

1.5 This Administration Strategy will be kept under review and may be subject to amendment following the issue of relevant legislation, regulatory guidance or when the Fund identifies improvements can be made. Future amendments will be made in consultation with scheme employers.

2 **Purpose and aims of the Pension Administration Strategy**.

2.1 The service will be measured by assessing how the Fund and scheme employers are meeting their responsibilities, and objectives and how satisfied LGPS members are with the service.

2.2 The PAS details what actions are required and when to ensure the Fund and its scheme employers meet the high service standards and overarching regulatory targets. This will ensure that key activities such as retirement and transfer payments are paid correctly and on time, whilst ensuring contributions are paid to the fund accurately and in a timely manner.

2.3 The PAS will always help to ensure data security and sensitivity in line with GDPR requirements.

2.4 The Fund aims to provide assistance and knowledgeable guidance in a friendly, cooperative manner to scheme employers, LGPS members and other stakeholders as required, utilising all resources available.

2.5 The Fund seeks to improve the knowledge and understanding of the LGPS with Scheme Employers, ensuring that employer representatives have the skills and working knowledge applicable and establish good working relationships based on collaboration.

2.6 The PAS will outline the resources available to scheme employers in order for them to administer the pension scheme to the expected standards.

2.7 The Fund seeks to improve and maintain the understanding of the scheme with LGPS members so they are aware of the benefits available to them and can make informed decisions regarding their pension benefits.

2.8 The key to ensuring this service is delivered in practice will be ensuring that the Fund and scheme employers perform the right actions in a timely manner. Therefore, this PAS also sets out the roles and responsibilities of the Fund and Scheme Employers, including the performance standards for each and the aim is to ensure all processes are performed in the timescales outlined.

2.9 The Fund would always seek to work proactively and productively with scheme employers when something goes wrong, when time frames are persistently missed, or inaccurate data is being consistently provided. The PAS will therefore detail how scheme employer's performance will be monitored and where improvement is required.

2.10 This PAS outlines the procedure for working with employers constructively to remedy the immediate situation and to help ensure there is no repeat. Financially penalties will be imposed as a last deterrent to persistent poor performance by a scheme employer.

2.11 The PAS will highlight that the Fund and Scheme Employers must keep and retain compliance with The Pension Regulator's Codes of Practice.

2.12 The PAS will help ensure that scheme employers provide data which allows for the Fund to maintain accurate records for all necessary member calculations and for calculating employer liabilities.

3. How the aims will be achieved

3.1 The Fund will communicate with scheme employers in a clear, concise and timely manner to provide regular updates and ensure scheme employers know that where to send their enquiries i.e. via the in-house LBHF Pensions Team and Fund Administrators Local Pensions Partnership Association (LPPA).

3.2 Technical guidance is offered via the Fund's and LPPA's websites. The in-house Pension Team is also available to assist Scheme Employers as and when required and there is also training provided by the pension administrator, LPPA.

3.3 All LGPS data must be submitted electronically for speed, accuracy and security. Scheme employers must register with LPPA's online employer portal. The portal is secure and validates data submissions so scheme employers will be asked to review inaccurate or incomplete data before it is accepted by LPPA. Scheme employers should keep to the agreed methods of data exchange. Emails or post must be sent securely considering GDPR requirements.

3.4 The Fund will ensure assistance is provided to scheme employers when writing or reviewing their LGPS discretionary policy statement. The Fund has guidance, a template document and example of a discretionary policy statement which scheme employers can utilise.

3.5 The Fund will provide templates and guidance to scheme employers to assist with the correct calculation of pension contributions due to the Fund. The Fund will keep in touch with all scheme employers to avoid incorrect payments or late payments.

3.6 The Fund will provide guidance and advice to scheme employers in relation to the letting of a service contract which involves the TUPE transfer of employees who are eligible for the LGPS to ensure a smooth process with regard to onboarding an admission body and avoid excessive delays. The Fund provides contractor information and set instructions for the letting authority and prospective contractor. All parties must act in good faith to ensure appropriate admission and bond agreements are put in place.

3.6 Scheme employers should provide key contacts at their organisation who deal with the administration of their LGPS members. Scheme employers must notify us immediately when a contact changes and must have appropriate succession planning in place i.e. new staff receive a suitable hand over.

3.7 The Fund will monitor the performance of its third party service providers such as administrators, actuary and legal advisors. The scheme employer must also monitor the performance of its third-party suppliers such as external payroll.

3.8 Scheme employers will be helped to understand the problems which will arise through poor and late data submissions both for themselves and the distress that this may have for LGPS members. For example, the late submission of leaver information could mean a member has a delayed pension payment, leading to financial distress, whilst the scheme employer's own funding position could be inaccurately measured leading to higher contribution rates payable and funding deficits inaccurately developing.

3.9 he Fund and LPPA will actively assist third party payroll providers appointed by scheme employers, by giving relevant training and guidance so the payroll provider can adequately perform the LGPS duties which are the responsibility of the scheme employer. In turn, a scheme employer should: -

- Agree with their payroll provider what LGPS duties the payroll provider will perform and what duties the scheme employer will perform. This should be agreed at the outset of working with the payroll provider.

- Inform the Fund, at least one month in advance when there is a change of payroll provider and agree a dedicated contact for the Fund.

- Ensure that the payroll provider is aware of the required performance levels and how data and contributions should be sent.

- Continually monitor the performance of their payroll provider and check all data and contribution payments submitted by the payroll provider on behalf of the scheme employer.

- Make the payroll provider aware of the fees and reporting which could occur for any poor performance. The scheme employer may wish to agree that they are reimbursed for incurred charges and remedied for any reputational damage caused by their payroll providers poor performance.

- Ensure that they confirm key policies or decisions to the Fund as required.

3.11 Scheme employers must have regard to the Fund's data retention policy which requires personal data to be retained for a minimum of 15 years after termination of employment. Therefore, the employer must ensure data is obtained from a payroll provider in the event that they move payroll services.

3.12 Scheme employers must understand their responsibilities when considering their LGPS members for ill health retirement but help and guidance is available from the LBHF in house pensions team and fund administrators LPPA. Each scheme employer must understand that they are responsible for determining whether their member should be retired on ill health grounds and as to which tier should be awarded.

3.13 Scheme employers must also be aware that they are responsible for any requests by a former scheme member to have their deferred pension put into payment.

3.14 The Fund and LPPA will keep up to date with technical updates for the LGPS and wider pensions landscape to ensure correct processes are in place and pension benefits are accurately calculated. The Fund will provide relevant updates to scheme employers as necessary.

3.15 The Fund will take account of The Pension Regulators Codes of Practice to ensure all parties are compliant.

3.16 The Fund and LPPA will ensure specific member queries are responded to in an efficient and timely manner.

3.17 Scheme employers will be expected to compile with any reasonable data requests from auditors, the pensions regulator, LPPA, the pensions ombudsman or other regulatory body.

4 Scheme Employer duties and expectations

4.1 General/overarching responsibilities

Task	Time frame	Further information
Provide the Fund with main employer contact representative or advise of change	Within 5 working days of becoming a scheme employer or change in contact	N/a
Appoint an adjudicator to review a stage 1 internal dispute (IDRP process)	Within 5 working days of becoming a scheme employer	Refer to LGPS site
Formulate, publish and keep under review a discretionary policy statement	Existing employers should have their policy composed following the LGPS Regulations 2013. New employers should complete this within one month of joining the scheme.	The Fund has Guidance, a discretionary policy template and example to assist employers.
Monitor tier 3 ill health pensioners and review.	At 18-month review date.	Employer to decide whether gainful employer has been obtained, whether tier 3 pension continues or whether pension should be uplifted to tier 2.

4.2 New scheme joiner

Task	Time frame	Further information
Determine when to enrol an employee into the LGPS.	Upon joining employer or the date a person becomes eligible to be enrolled in the scheme.	All employers will need to give due regard to TPR requirements. Different types of employers will have different requirements. Admission Bodies will need due

		regard to the requirements of their admission agreement.
Decide the contribution rate payable by member and notify the member.	Upon joining the scheme and review each April and in line with employer discretionary policy.	Employee bandings can be found at lgpsmember.org website. These are updated every April in line with CPI.
Notify pension administrators of new joiner	Within 30 working days of an employee joining the scheme	Data uploaded to administrator portal
Provide new joiners with information regarding the LGPS.		Guides and sample documents (lgpsregs.org)

4.3 Active member activities

Task	Time frame	Further information
Change in hours	Within 30 working days of hour change	Data uploaded to administrator portal
Move member from main section of the scheme to 50:50 section or vice versa following member election	At the next pay period following member election	Ensure correct contribution rate used at the next pay period following member election 50-50-contribution-flexibility-form.pdf (lbhfpensionfund.org)
Change in personal circumstances such as name or address	Within 30 days of change	Data to be uploaded to administrator portal
Leavers under 55 or opt outs	Within 30 days of leaving the scheme	Data to be uploaded to administrator portal
Voluntary Retirement where known or any leaver over 55	As soon as possible after leaving the scheme, at most within 10 days of leaving the scheme	Data uploaded to administrator portal
Retirement on ill health grounds	As soon as possible after leaving the scheme, at most within 10 days of leaving the scheme	Data uploaded to administrator portal and provide ill health certificate. It is the employer's responsibility to determine whether their member should be retired on ill health grounds and as to what tier is granted.
Flexible retirement	Within 10 days of leaving the scheme.	Data uploaded to administrator portal. Must take note of flexible

		retirement policy. Member must reduce hours. Must also enter person into the scheme as a new joiner on the reduced hours.
Redundancy retirement (members over 55)	Within 10 working days of leaving the scheme.	Employer must request an estimate first so financial strain cost is known.
AVC	Set up payroll to deduct AVC contribution from next available payrun	AVC contributions are paid directly to the AVC provider.
APC	Set up payroll to deduct AVC contribution from next available payrun	APC contributions are paid to the Fund and must be included on monthly data submissions.
Notify Fund of death in service	Within 5 working days	Next of kin contact information should also be provided and leaver details uploaded to employer portal
Provide relevant pay for Annual allowance or divorce calculations	Within 30 working days	Pay will be required for an applicable period which will be outlined at time of request.

4.4 Monthly contribution and data submission

Task	Time frame	Further information
Pay all contributions to the Fund	Must be paid by 19th of the following month that the contributions relate to	Pay by BACS and quoting unique reference code when paying.
Submit remittance spreadsheet to the Fund	Must be submitted by 19th of the following month that the contributions relate to	Remittance spreadsheet will be issued upon joining and at each April. This details the employer contribution rate payable which has been certified by the Fund Actuary.
Submit monthly data for all LGPS members	On a monthly basis	Upload data to Fund Administrator online portal
Pay any financial strain costs to the Fund	Within 30 working days of receipt of invoice	Financial strain will arise in redundancy cases or waiving early retirement deductions. Employer should always obtain an estimate first.

Refund	Refund members who opt out within 3 months of joining through the payroll	Contributions to be refunded in the next payroll from receiving the opt out form.

4.5 Outsourcing of Council and Academy services and admission bodies

Task	Time frame	Further information
Actuary report for tender stage of service contract	Letting authority to provide required information 30 working days before tender stage	Actuary will detail employer contribution and required bond value on receipt of required information.
Admission Agreement	Letting authority to provide required information within 7 working days of contract being awarded.	HFTUPE2 form can be provided on request. Admission and bond agreement to be drafted and signed by all parties.
Academy conversion	Local Authority to request pension valuation of converting schools 60 working days before conversion date.	To ensure Actuary report is completed calculating new academy contribution rate and opening funding position.
Bond review	Admitted body to request a review of their bond 90 working days before bond expiry date.	N/A
Cessation	Admitted body to provide notice within 10 working days of last active LGPS member leaving the scheme.	N/A

5. **Administering Authority duties and expectations**

5.1 General and overarching responsibilities

Task	Time frame	Further information
To formulate, write and publish an administration strategy statement.	To be reviewed every 3 years and updated as necessary	Which will be made available on the Fund's website [Hammersmith and Fulham Pension Fund (lbhfpensionfund.org)]
To formulate, write and publish a funding strategy statement.	To be reviewed annually and updated as necessary	Which will be made available on the Fund's website [Hammersmith and Fulham Pension Fund (lbhfpensionfund.org)]

To formulate, write and publish a communication policy.	To be reviewed and updated as necessary	Which will be made available on the Fund's website Hammersmith and Fulham Pension Fund (lbhfpensionfund.org)
To formulate, write and publish a governance and compliance policy.	To be reviewed annually and updated as necessary	Which will be made available on the Fund's website Hammersmith and Fulham Pension Fund (lbhfpensionfund.org)
To arrange for the Pension Fund valuation. Consult and issue the rates and adjustment certificate to scheme employers	Triennially with the next review to take place 31/03/2022. Advise employers of revised contribution rate one months prior to implementation date.	Each scheme employer will be communicated to individually.
To publish the Pension Fund's annual report and accounts	On an annual basis.	Which is available on the Fund's website Hammersmith and Fulham Pension Fund (lbhfpensionfund.org)
To publish the Pension Fund's final audited accounts	On an annual basis.	Which is available on the Fund's website Hammersmith and Fulham Pension Fund (lbhfpensionfund.org)
To notify new employers of their contribution rate.	Upon employer joining the scheme in advance of an existing employer's rate change on 1 April	N/A
Maintain and publish an IDRP process and manage complaints	Appoint stage 1 and stage 2 adjudicators and keep these under review.	Which is available on the Fund website
Produce annual benefit statements (ABS)for active and deferred members	Deferred members to receive ABS by 30 June. Active members to receive ABS by 31 August	ABS run as at 31 March for active members but at the April PI increase date for deferred members
Process annual allowance each year for members who have exceeded the annual limit.	LPPA to notify members who have breached annual allowance by end of the tax year following the ABS date.	N/A
Issue P60's to pensioner and beneficiary pensioner members	LPPA	Theses are available on members LPPA portal.
Issue initial payslip to pensioners for the first month's payment	LPPA	Member will access via the members LPPA portal. Hard copy payslips will be

electronically via the portal.		issued on request but may incur a charge.
Advise pensioners of pensions increase and tax code amendments affecting the value of pension paid	LPPA	Further details will be available on the members LPPA portal.
Answering customer emails	LPPA - Within 10 working days	N/A

5.2 New scheme joiner and change of member details

Task	Time frame	Further information
Establish pension record for new scheme joiner upon notification from scheme employer	LPPA	N/A
Issue notification of new pension record to scheme member	LPPA - Within 10 working days	N/A
Change of name/marital status/address/hours worked/service break upon notification from scheme employer	LPPA – Within 30 working days	N/A

5.3 Member leaving the scheme

Task	Time frame	Further information
Calculate deferred benefits following receipt of complete and accurate leaver information from scheme employer	LPPA – Within 10 working days	N/A
Issue deferred benefit statement to member	LPPA - Within 10 working days	Notification to be issued electronically
Provide retirement option to members who are retiring as confirmed by scheme employer or other leavers over age 55	LPPA - Within 10 working days	N/A

5.4 Member retirement

Task	Time frame	Further information
Provide retirement options to active eligible	LPPA - Within 10 working days	N/A

members if notified of retirement by scheme employer or if over 55 at date of leaving		
Provide retirement options to deferred members at age 55, 60 and NRA or upon request from a deferred member aged 55 or over	LPPA – Within 10 working days	N/A
Retirement benefits processed following positive election from a member	LPPA	N/A

5.5 Transfers, interfund, aggregations and Divorce CETV's

Task	Time frame	Further information
Provide Transfer-in quote upon member request	LPPA – 10 working days	N/A
Provide Transfer out quote upon member/authorised provider request	LPPA – 10 working days	N/A
Notification to member of complete transfer in / interfund adjustment / aggregation of LGPS membership	LPPA – 10 working days	N/A
Payment of transfer out CETV to receiving scheme/ interfund adjustment to receiving LGPS Fund	LPPA – Within 30 working days	N/A
Provision of CETV for fund proceedings	LPPA- 10 working days	N/A
Implementation of pension sharing or earmarking order	LPPA – within 30 working days	Ex-spouse pension record established (Pension Credit member) and LGPS member debited as per court order

5.6 **Deaths**

Task	Time frame	Further information
Acknowledgement to next of kin following notification of death of member	LPPA – 5 working days	N/A

Calculation and notification of benefits due to dependent(s)	LPPA – Within 30 working days	N/A
Implementation of beneficiary pension	LPPA – Within 30 working days	N/A
Decision made and payment of death grant	LPPA – Within 15 working days	N/A

6. **Assistance and support for scheme employers**

6.1 Points of contact – scheme employers can contact LPPA, by email, telephone and by completing an enquiry form. Scheme employers can also contact the dedicated LBHF in-house Pensions Team with regulation and administration queries and the LBHF in-house Pensions Specialist with queries regarding the letting of service contacts, LGPS admissions and TUPE transfer of LGPS members.

6.2 Training – The fund administrators offer training and practical guidance regarding LGPS issues and will hold various training events regarding LGPS administration which will be communicated to scheme employers. Scheme employers should ensure that pension dedicated HR and payroll staff view and attend such training to learn and keep their LGPS knowledge up to date. Scheme employers can also request training on subjects as required. Employers should ensure that when a dedicated pension staff member leaves their employment, that they ensure a complete hand over is carried out to ensure a continuation of knowledge is retained by the organisation.

6.3 Communications – In line with LBHF's communication policy; concise, easy to understand and targeted communications delivered to scheme employers and members from the in-house Pensions Team or LPPA.

6.4 IT and digital – scheme employers and members both have access to LPPA's web portal – PensionPoint for members and Civica Pensions platform for scheme employers. PensionPoint allows members to log into their real time pension accounts, view their documents, view and amend personal information and run pension estimate calculations as many times as they wish. This allows greater ownership and transparency for members and puts them in control of their retirement. Scheme employers must submit ad hoc data such as new joiners and leavers data to the Civica Pensions platform and submit a monthly data file containing everything the Fund needs to administer their members pensions correctly. All data submissions are automatically validated at the point of submission to ensure the accuracy of member data and therefore the benefits due to the member.

6.5 LBHF website – offers members and employers up to date information and news regarding the LGPS, key Pension Fund documents and useful links to national LGPS resources such as lgpsregs.org and lgpsmember.org, as well as key contacts outlined above.

6.6 Monitoring of scheme employers – all employers will be monitored for timeliness and accuracy of data submitted and contribution payments and will be notified in the event of missed deadlines and steps put in place to ensure an appropriate level of performance is maintained. We may take steps outlined within this document in the event that a scheme employer fails to make correct contribution payments or data submissions and/or is persistently late with making correct contributions payments or data submissions through our charging policy and scheme employers may be reported to the pension regulator in the event of material breaches.

7 Remedying poor performance by scheme employers

7.1 The Fund will be required to act when a scheme employer fails to pay pension contributions or persistently fails to pay on time. This will also be the case if data is not submitted to the Fund or is persistently submitted late. Action will also be taken if an employer's poor performance in respect of compliance with the LGPS regulations results in warnings or fine being levied against the Pension Fund the Pensions Regulator, Pension Ombudsman, HMRC or other regulatory body.

7.2 The Fund will work closely with scheme employers who may be experiencing difficulties with payments or administration, attempting to aid the resolution of their difficulties through specific case assistance or general training as required with an appropriate action plan implemented. If improvement is not made, then a warning will be issued to an employer will be notified of outstanding requirements, deadlines and charges/reporting action which will be taken if improvements are not made. If, following a warning, improvements are not made, then a charge for the additional administrative duties will be issued as outlined in this document. An employer may be charged for each incident of late payment or late date submission.
An employer who reaches three charges in a scheme year, or where the Fund deems one action is of significant material interest, will be reported to The Pensions Regulator, who has the powers to take employers to court and impose fines.
Admitted body employers who have gained entry to LBHF Pension Fund via the award of a service contract and through signing admission agreement may have their admission agreement terminated, which will mean their LGPS employees will no longer be eligible for membership of the pension scheme and a cessation calculation will be required.

7.3 Employers must be aware that if they outsource their payroll function to a third-party provider, then it is still the employer who is responsible for the administration and contribution payments of their LGPS members. Therefore, it is the scheme employer who would be charged and reported further to paragraph 7.2. Employers should therefore monitor and work closely with their third party payroll provider accordingly.

7.4 Charges may be applied to scheme employers as per the following table. Data or payments must be accurate and correct within the time frame.

Task	**Time frame**	**Charge if time frame exceeded for correct submission**
Notify pension administrators of new joiner – upload all starter information to web portal	Within 30 working days of employee joining the scheme	£125 per case
Leavers under 55 or opt outs – upload leaver information to web portal	Within 30 working days of leaving the scheme	£125 per case
Any type of retirement – provide leaver notification and any other relevant information, e.g. ill health certification for an ill health retirement	As soon as possible after leaving the scheme, at most within 10 working days of leaving the scheme.	£250 per case
Payment of monthly contributions or deficit payment	Monies must be cleared by 19th day of the following month in which contributions were deducted, e.g. Contributions deducted in January must be paid by 19 February.	£250 per incident following two warnings within a scheme year
Monthly data submission to LPPA and schedule/remittance submission to LBHF Pensions Team	Data must be submitted	£125 per incident

8. LBHF Pension Fund (Re-)Charging Policy

8.1 Charges may be levied for poor employer performance as per paragraph 7.4.

8.2 LBHF Pension Fund reserve the right to recharge scheme employers if the Pension Fund receives a fine from a regulatory body in respect of an employer’s breach of the LGPS regulations or other regulations.

8.3 Employers will be recharged in the following circumstances following an invoice received by the Fund in respect of dealings with third parties on behalf of the employer. Scheme employers should endeavour to find out applicable charges in advance and the Fund will do its best to communicate applicable charges where known.

Third party	Event/report	Further information
Actuary	FRS102/IAS19 accounting disclosure reports	Accounting disclosures are required by some bodies, particularly academies at the end of applicable financial year.
Actuary	Admission report	Required when a service contract is being let. Default is the letting authority is responsible for payment unless agreement in place for contractor to pay.
Actuary	Bond Review	Required when a contractor's bond is due to expire. Default is the contractor is responsible for payment unless agreement in place for the letting authority to pay.
Actuary	Cessation report	Required when a contractor leaves the Fund. Default is the contractor is responsible for payment unless agreement in place for the letting authority to pay.
Legal	Admission Agreement	Drafting and issuing of admission agreement. Default is the letting authority is responsible for payment unless agreement in place for contractor to pay.
Legal	Bond Agreement (or other security such as Guarantee Agreement)	Drafting and issuing of bond agreement. Default is the letting authority is responsible for payment unless agreement in

		place for contractor to pay.
Actuary/legal	Ad hoc requests or instances	Any fees incurred for actuarial or legal work specifically requested or caused by a scheme employer.
Pension Fund Administrators	Ad hoc requests or instances	Any fees incurred for administrative projects specifically requested or caused by a scheme employer.
Fund Employers	Filing to provide evidence of implementing pension policy i.e. data retention or discretions	£250 per incident

9 Further information – Regulations and guidance

9.1 LGPS specific regulations - Local Government Pension Scheme Regulations 1995, 1997, 2008, and current 2013. Local Government Pension Scheme (Transitional Protection) Regulations 2014. Local Government Investment Regulations 2016 - Scheme regulations (lgpsregs.org)

9.2 Overarching regulations – The Pensions Act 1993, 1995, 2004, 2014. The Public Sector Pensions Act 2013, 2015. Finance Acts 2004, 2006 ,2014. Occupational & Personal Pension Schemes (Disclosure of Information) Act. https://www.legislation.gov.uk/

9.3 LGPS Governing bodies and regulators – The Pensions Regulator Workplace pensions law - auto enrolment | The Pensions Regulator. Local Government Association Home | Local Government Association. LGPS Scheme Advisory Board LGPS Scheme Advisory Board - Home (lgpsboard.org).

9.4 Administering Authority and scheme employer website LGPS Regulations and Guidance (lgpsregs.org)

9.5 LGPS member website - Home: LGPS (lgpsmember.org)

9.6 LBHF Fund website Home | Hammersmith and Fulham Pension Fund (lbhfpensionfund.org). See the Fund website for other useful Fund specific documents such as Communications Policy, Memorandum of Understanding, Governance Compliance Statement, Discretionary Policy Statement for the administering authority, Funding Strategy Statement, Annual report and accounts, Fund Valuation rates and adjustment certificate.

Agenda Item 7

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 15 November 2022

Subject: Governance Log of Recommendations

Report author: Patrick Rowe, Pension Fund Manager

Responsible Director: Phil Triggs, Tri-Borough 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 with a view to setting a deadline for final completion, given the lengthy time period that has passed since publication of the report.

Wards Affected: None

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

Financial Impact

None

Legal Implications

None

DETAILED ANALYSIS

Background

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

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 five outstanding.

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.

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 15 November 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 30 September 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 – Q2 2022/23

1. This report and attached appendices make up the pack for the quarter two (Q2) ended 30 September 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:

   - Global markets performance was negative over the quarter, with global equity indices returning a -4.8% in local currency terms over the quarter.

   - Overall, the investment performance report shows that over the quarter to 30 September 2022, the market value of the assets increased by £3.1m to £1,249.1m.

   - The Fund outperformed its benchmark net of fees by 1.3% in delivering a return of 0.4% over the quarter. The initial triennial valuation results suggest a funding level of 105% as at 31 March 2022.

   - Over the year to 30 September 2022, the fund outperformed its benchmark by 2.9%, returning -1.7% overall.

   - The driving factor to performance over the quarter came from the outperformance of the Abrdn Long Lease Property Fund.

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 30 June 2023. An analysis of the differences between the actuals and the forecast for the quarter is also included.

4. Appendix 4 contains the Pension Fund's risk registers.

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

6. The ESG dashboard can be found at:

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

7. Aviva confirmed that the redemption notice was received and that total redemptions (three) for this annual window amount to less than 10% of the NAV threshold, therefore no additional time has been flagged outside the standard liquidity procedures. At the time of writing, we understand that Aviva is to make all other investors in the fund aware of all available units from redeeming investors at the next Investor Advisory Committee in November.

8. An additional note on market conditions in relation to the recent mini-budget and its impact on the Pension Fund is as follows:

- the new Chancellor has now announced that the ex-Chancellor's "mini-budget" policy relating to 45p to 40p reduction, corporation tax reductions and a raft of other tax concessions have now been reversed or abolished. The national insurance rate reduction, however, has made it through.

- With more confidence now in the system, we have already begun to see a rallying in UK government gilt prices, with some stability in yields, following these announcements.

- That said, it is likely that investors will remain sceptical as to the government's fiscal approach and the government's regard to the Bank of England for some time to come.

- It is now apparent that the Bank of England's closing of gilt market intervention beyond 14 October 2022 was one of the key factors which led to the ex-Prime Minister recalling the ex-Chancellor from the US, terminating his tenure, and appointing Jeremy Hunt as the new Chancellor.

- Last month's market movements mainly impacted schemes with high exposure to UK gilts, particularly those utilising high levels of leverage as part of an LDI strategy. LBHF has some direct exposure to UK government bonds. Ruffer (circa 21% of LBHF) has a 40% allocation to UK gilts. The LCIV Global Bond Fund (circa 7% of LBHF) has a 7% allocation to UK credit. We can expect these aspects of the strategies to fall in value where yields increase, but there is a limited impact on the total portfolio.

- LBHF is in a relatively strong position to cope with the rising gilt yields in isolation, although it is worth noting that wider capital markets have also experienced some volatility.

- In terms of mitigation, LBHF has a very well-diversified portfolios and has protection in place to the extent that direct exposure to UK government bond yield fluctuation is limited. LBHF has a well diversified portfolio.

Risk Management Implications

1. This is included in the risk registers.

LIST OF APPENDICES

Appendix 1: Scorecard at 30 September 2022

Appendix 2a: Deloitte Quarterly Report for Quarter Ended 30 September 2022
Appendix 2b: Deloitte Quarterly Report for Quarter Ended 30 September 2022 (EXEMPT)

Appendix 3: Cashflow Monitoring Report

Appendix 4: Pension Fund Risk Registers

Appendix 1

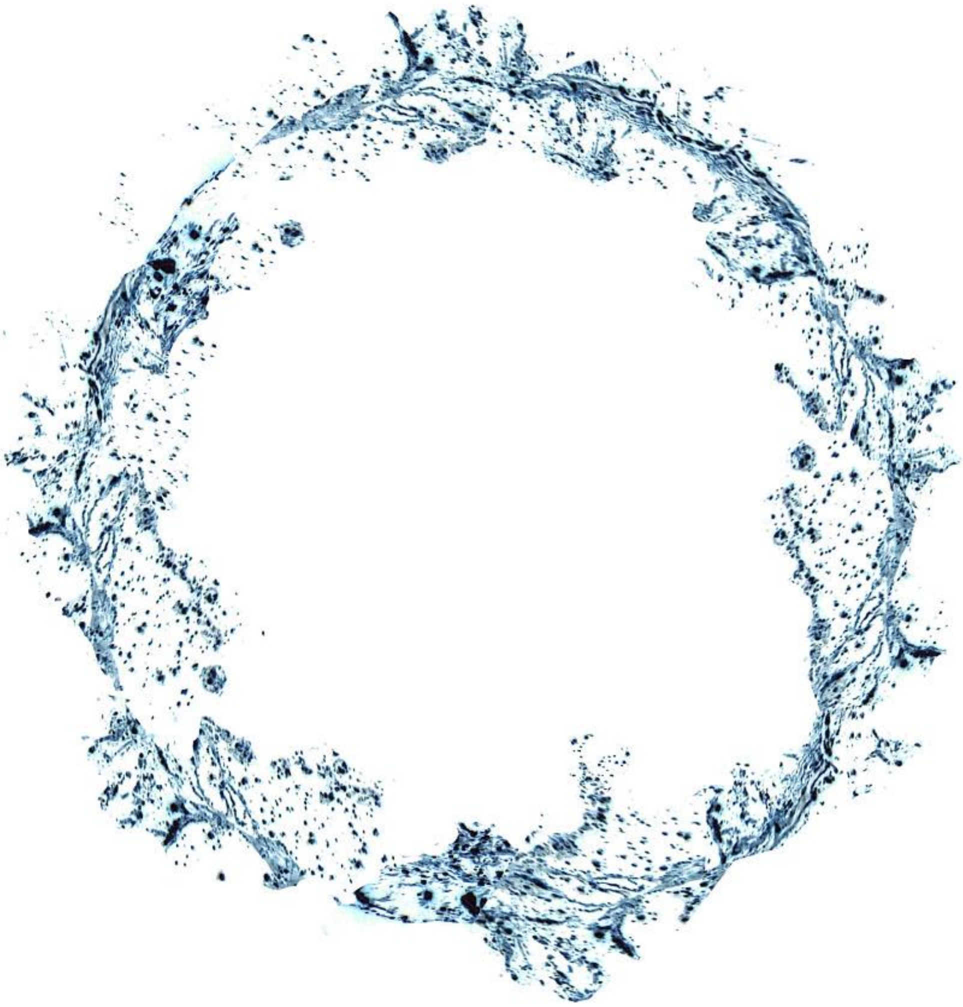
Scorecard at 30 September 2022

London Borough of Hammersmith and Fulham Pension Fund Quarterly

Monitoring Report

	Mar 22 £000	Jul 22 £000	Aug 22 £000	Sep 22 £000	Report reference/Comments
Value (£m)	1,288	1,279	1,278	1,245	IRAS reports. June balance was 1,240.
% return quarter	-0.81%	-0.66%	-0.05%	0.41	
% return one year	9.83%	1.96%	-0.08%	-0.85	
LIABILITIES					
Value (£m)	1,322				No funding updates due to triennial valuation currently underway. Will resume next quarter.
Surplus/(Deficit) (£m)	(36)				
Funding Level	97%				
CASHFLOW					
Cash balance	2,841	5,650	6,892	6,891	Appendix 3
Variance from forecast	(9,695)	(818)	(86)	1,403	
MEMBERSHIP					
Active members	4,856			5,199	Reports from Pension Fund Administrator
Deferred beneficiaries	6,232			6,110	
Pensioners	5,804			5,086	
RISK					
No. of new risks					Appendix 4: Risk Register
No. of ratings changed				1	
LGPS REGULATIONS					
New consultations	None	None	None	One	
New sets of regulations	None	None	None	None	

Deloitte.



London Borough of Hammersmith & Fulham Pension Fund

Investment Performance Report to 30 September 2022

Deloitte Total Reward and Benefits Limited
November 2022

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1 Market Background

Gilt market volatility

Kwasi Kwarteng's mini-budget on 23 September sparked a significant sell-off in government bonds as investors lost confidence in the new UK government's fiscal policy. The extent of yield increases placed a great deal of strain on collateral sufficiency forcing leveraged LDI managers to trim gilt exposure which created further upward pressure on yields. The Bank of England was forced to intervene, with its temporary gilt purchase programme providing much needed stability to gilt markets and the UK financial system more broadly.

Global equities

As inflation continued to move higher across many major economies over the quarter, central banks reaffirmed their commitment to fighting inflation. The Federal Reserve, European Central Bank and Bank of England all raised interest rates over the quarter, adding to the pressure on consumers and increasing the risk of future economic weakness.

Over the third quarter of 2022, global equity markets continued to perform poorly as economic conditions deteriorated. The FTSE All World Index returned -4.8% in local currency terms. Performance across all global regions was negative in local currency terms. Asian Pacific (ex-Japan) equities saw the sharpest decline due largely to the increased risk of a global slowdown. The war in Ukraine and ongoing tensions between China and Taiwan also weighed on sentiment during the quarter. The FTSE All World Asia Pacific ex Japan Index returned -8.7% in local currency terms over the quarter. Emerging Market equities also lagged other regions, proving sensitive to both the risk of global economic weakness and the strength of the US dollar, which has appreciated strongly in response to aggressive monetary policy tightening by the Federal Reserve.

UK equities outperformed overseas markets over the quarter, despite the political turmoil in late September. Relative gains were largely attributable to the UK market's overweight exposure to the outperforming oil and gas sector. However, the FTSE All Share Index still fell in value returning -3.4%.

The fiscal package announced by Kwasi Kwarteng also contributed to sterling weakness pushing sterling to an all-time low when measured against the US dollar. Consequently, currency hedging will have detracted from investment returns over the third quarter.

Government bonds

UK nominal gilt yields increased over the third quarter across all maturities as investors priced in further rate rises. The Bank of England raised interest rates twice over the quarter, for a combined increase of 1.0%, with the UK base rate sitting at 2.25% at the quarter end. With UK CPI continuing to rise, the Bank of England is expected to press ahead with further rate rises. This expectation and the gilt sell-off following the UK Government's fiscal package announcement resulted in an almost 2.5% rise in nominal gilt yields at shorter maturities. Consequently, the All Stocks Gilts Index delivered a return of -12.8% over the quarter, whilst the longer-dated Over 15-year Index delivered a return of -18.8%.

Over the third quarter, real yields on index-linked gilts had risen by 0.7%. The All Stocks Index-Linked Gilts Index delivered a return of -9.3% over the third quarter, whilst the longer-dated Over 15-year Index-Linked Gilts Index delivered a return of -11.1%.

Corporate bonds

Credit spreads on sterling denominated investment grade corporate bonds widened over the quarter in response to the combination of monetary policy tightening and a weaker economic outlook. The iBoxx All Stocks Non-Gilt Index returned -11.0% over the three months to 30 September 2022.

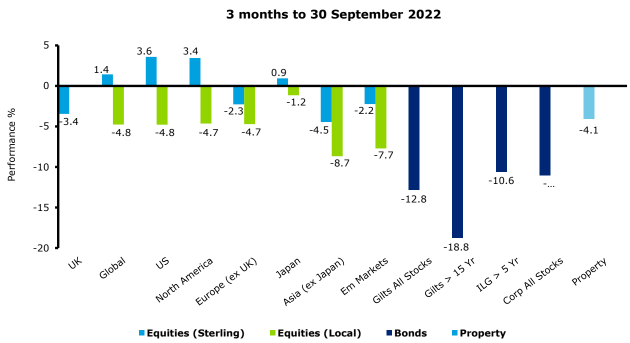
Property

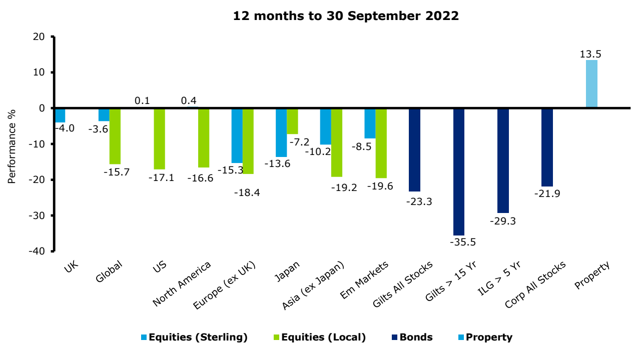
The MSCI UK All Property Index delivered a return of -4.1% over the third quarter of 2022 with valuations beginning to show signs of weakness. The industrial sector performed poorly over the quarter, returning -7.3%, whilst the office and retail sectors returned -1.6% and -1.9% respectively. Performance over the 12 months to 30 September 2022 remains strong with the MSCI UK All Property Index delivering a return of 13.5%.

Responsible Investing

The heavy dependence of many European countries on Russian energy was highlighted further over the third quarter as Nord Stream 1, the main pipeline supplying gas to Europe from Russia, was closed for maintenance in July, coming back into operation briefly before Russia shut it down again in September. This continued to increase energy prices and promoted fears over potential energy shortages this winter.

The MSCI World ESG Focus Index delivered a return of -6.6% over the three-month period underperforming the wider MSCI World Index by c. 0.4%, largely due to being underweight outperforming oil and gas stocks.





2 Performance Overview

2.1 Investment Performance to 30 September 2022

Breakdown of Fund Performance by Manager as at 30 September 2022 Fund	Manager	3 month	1 year	3 year p.a.	5 year p.a.
Equity Mandate					
	LCIV Global Equity Core Fund	-1.1	-5.1	n/a	n/a
MSCI AC World Index		1.4	-4.2	n/a	n/a
Difference		-2.5	-1.0	n/a	n/a
	LGIM Low Carbon Mandate	2.0	-3.3	8.3	n/a
MSCI World Low Carbon Target Index		2.0	-3.2	8.4	n/a
Difference		0.0	-0.1	-0.1	n/a
Dynamic Asset Allocation					
	LCIV Absolute Return Fund	0.8	2.3	7.3	5.1
3 Month Sterling SONIA + 4% p.a.		1.4	4.8	4.4	4.5
Difference		-0.5	-2.4	2.8	0.6
Global Bonds					
	LCIV Global Bond Fund	-5.1	-19.3	-5.4	n/a
Barclays Credit Index (Hedged)		-4.8	-17.4	-4.4	n/a
Difference		-0.3	-1.9	-1.0	n/a
Secure Income					
	Partners Group MAC[2]	0.4	13.1	8.6	6.7
3 Month Sterling SONIA + 4% p.a.		1.4	4.8	4.4	4.6
Difference		-1.0	8.3	4.2	2.1
	Oak Hill Advisors	-5.5	-7.9	0.4	1.0
3 Month Sterling SONIA + 4% p.a.		1.4	4.8	4.4	4.5
Difference		-6.9	-12.6	-4.1	-3.5
	abrdn MSPC Fund	0.0[5]	-9.0	n/a	n/a
Blended benchmark[4]		-12.2	-20.7	n/a	n/a
Difference		12.2	11.7	n/a	n/a
	Darwin Alternatives	1.9	n/a	n/a	n/a
3 Month Sterling SONIA + 6% p.a.		1.9	n/a	n/a	n/a
Difference		0.0	n/a	n/a	n/a
	Partners Group Infra[2]	7.8	25.0	17.9	14.1
	Aviva Infra Income[3]	11.5	25.0	9.9	n/a
Inflation *Protection*					
	abrdn Long Lease Property Fund	-2.4	6.4	6.8	6.9
FT British Government All Stocks		-12.1	-21.2	-7.5	-1.3
Difference		9.7	27.6	14.3	8.2
Affordable Housing					
	Man GPM	-0.4	n/a	n/a	n/a
3 Month Sterling SONIA + 4% p.a.		1.4	n/a	n/a	n/a
Difference		-1.8	n/a	n/a	n/a
Total Fund		0.4	-1.7	5.2	5.5
***Benchmark*[1]**		-0.9	-4.5	4.2	5.5
Difference		1.3	2.9	1.0	0.0

Source: Northern Trust (Custodian). Figures are quoted net of fees. Differences may not tie due to rounding.
Please note that there also exists a residual private equity allocation to Invesco and Unicapital – this allocation makes up less than 0.1% of the Fund's total invested assets.
[1] The Total Assets benchmark is calculated using the fixed weight target asset allocation.
[2] Partners Group Multi Asset Credit and Direct Infrastructure Fund performance provided to 31 August 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 30 September 2022, the MSPC Fund was measured against a blended benchmark of 9% 3 Month Sterling SONIA and 91% ICE ML Sterling BBB Corporate Bond Index.
[5]Data unavailable as at 30 September 2022 so assumed a nil 0% return to be consistent with Northern Trust's Total Fund calcuation approach.

3 Total Fund

3.1 Investment Performance to 30 September 2022

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Total Fund - Net of fees	0.4	-1.7	5.2	5.5
Benchmark(1)	-0.9	-4.5	4.2	5.5
Net performance relative to benchmark	1.3	2.9	1.0	0.0

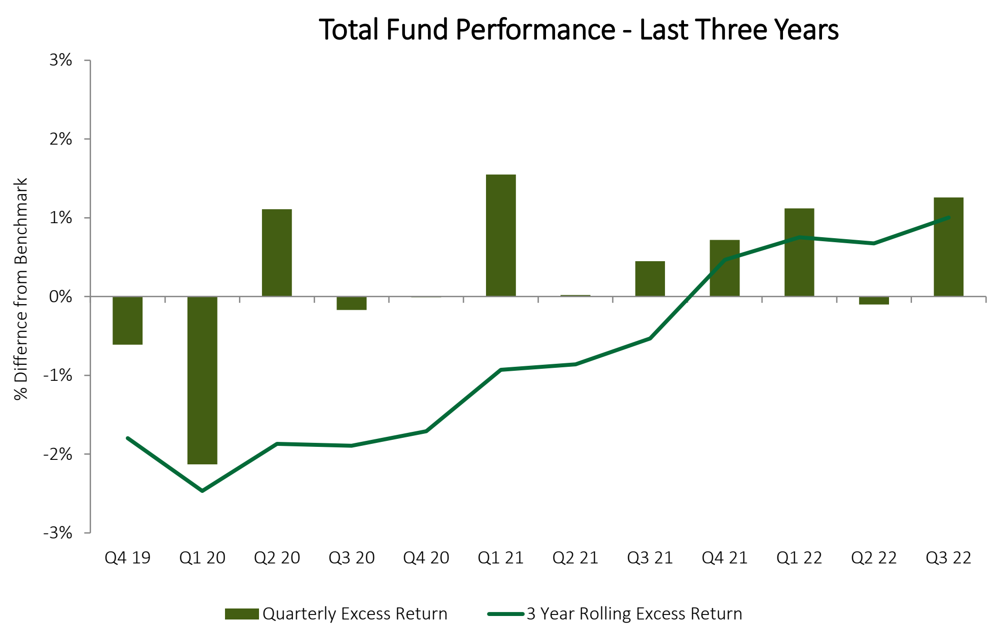
Source: Northern Trust. Relative performance may not sum due to rounding.
(1) Fixed weight benchmark

Note, at the time of writing, performance data for the abrdn MSPC Fund was unavailable and therefore recorded as 0.0% for the 3-months to 30 September 2022. and the impact on Total Fund returns quoted below over each period may be subject to change upon receipt of the updated abrdn MSPC performance including the third quarter of 2022.

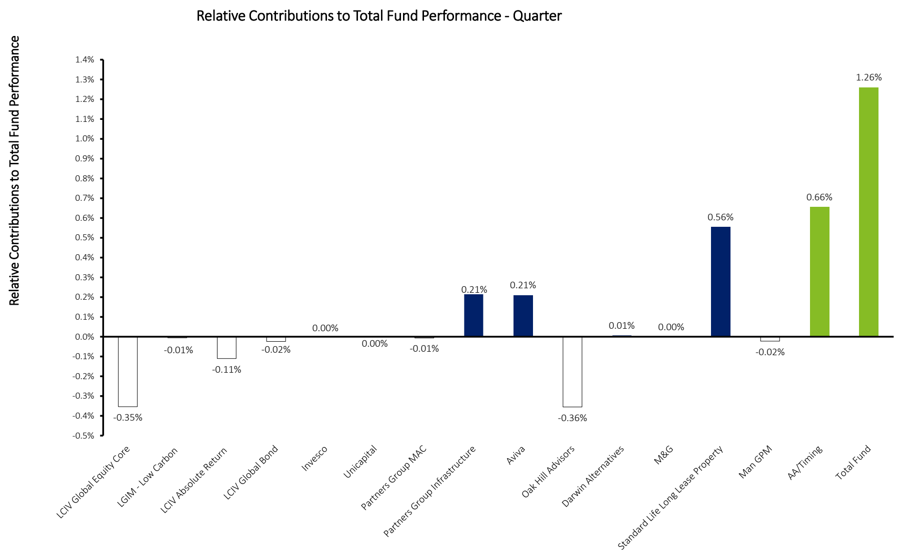
Over the quarter to 30 September 2022, the Total Fund delivered a negative absolute return of 0.4% on a net of fees basis, outperforming the fixed weight benchmark by 1.3%.

Over the year to 30 September 2022, the Total Fund delivered a negative return of 1.7% on a net of fees basis, outperforming its fixed weight benchmark by 2.9%. The Total Fund delivered positive absolute returns of 5.2% p.a. and 5.5% p.a. on a net of fees basis over the longer three- and five-year periods to 30 September 2022 respectively, outperforming the fixed weight benchmark by 1.0% p.a. over the three year period and performing in line with the fixed weight benchmark over the five years to 30 September 2022.

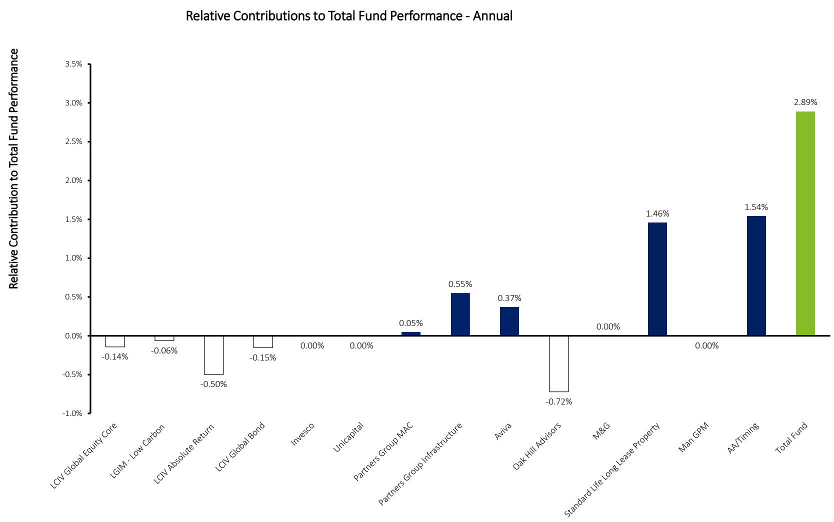
The chart below compares the net performance of the Fund relative to the fixed weight benchmark over the three years to 30 September 2022. The 3-year rolling excess return remained positive over the third quarter of 2022.



3.2 Attribution of Performance to 30 September 2022



The Fund outperformed its fixed weight benchmark by c. 1.3%, over the quarter to 30 September 2022 with relative performance primarily driven by the outperformance of the Standard Life Long Lease Property Fund, and to a lesser extent the Partners Group and Aviva infrastructure mandates. The Standard Life Long Lease Property Fund outperformed its benchmark as property continued to deliver positive returns whilst the gilts-based benchmark suffered from the rise in gilt yields. Meanwhile, the largest negative contributors to relative performance were the Global Equity Core Fund and Oak Hill Advisors Secur Income Fund, which both underperformed over the third quarter of 2022 in what was a challenging quarter for both equity and credit assets, as inflation expectations rose, monetary policy tightened and the anticipated likelihood of a recession increased. Note, at the time of writing, 30 September 2022 data for abrdn MSPC and Alpha Real Capital was unavailable and has therefore been excluded from the attribution analysis.



Over the year to 30 September 2022, the Fund outperformed its fixed weight benchmark by c. 2.9% with outperformance over the twelve month period primarily driven by the performance of the Standard Life Long Lease Property Fund – and to a lesser extent the Partners Group and Aviva infrastructure mandates - as the property market delivered a positive return whilst the gilt-based benchmark suffered from a rise in gilt yields over the year. This was partly offset by the negative relative performance of the LCIV Absolute Return Fund and Oak Hill Advisers Secure Income Fund which were the primary negative contributors to relative performance, and underperformed their respective benchmarks over the year to 30 September 2022.

3.3 Asset Allocation

The table below shows the value of assets held by each manager as at 30 September 2022 alongside the Target Benchmark Allocation.

Manager	Asset Class	Actual Asset Allocation				
		30 June 2022 (£m)	30 Sept 2022 (£m)	30 June 2022 (%)	30 Sept 2022 (%)	Benchmark Allocation (%)
LCIV	Global Equity Core	177.1	175.1	14.2	14.0	15.0
LGIM	Low Carbon Equity (passive)	367.2	374.6	29.5	30.0	30.0
	Total Equity	**544.3**	**549.7**	**43.7**	**44.0**	**45.0**
LCIV	Absolute Return	259.5	261.7	20.8	20.9	10.0
LCIV	Global Bond	91.5	86.8	7.3	7.0	10.0
	Total Dynamic Asset Allocation	**351.0**	**348.5**	**28.2**	**27.9**	**20.0**
Partners Group[1]	Multi Asset Credit	8.1	8.1	0.6	0.6	0.0
Oak Hill Advisors	Diversified Credit Strategies	64.5	61.0	5.2	4.9	5.0
Partners Group[1]	Direct Infrastructure	48.5	52.3	3.9	4.2	5.0
Aviva	Infrastructure Income	27.1	29.8	2.2	2.4	2.5
abrdn	Multi Sector Private Credit	50.8	50.8	4.1	4.1	5.0
Darwin Alternatives	Leisure Development Fund	33.2	33.8	2.7	2.7	2.5
	Secure Income	**232.2**	**235.8**	**18.6**	**18.9**	**20.0**
abrdn	Long Lease Property	71.3	69.6	5.7	5.6	5.0
Alpha Real Capital	Ground Rents	25.0	25.0	2.0	2.0	5.0
Man GPM	Affordable Housing	15.7	16.2	1.3	1.3	2.5
	Total Inflation Protection	**112.0**	**110.8**	**9.0**	**8.9**	**15.0**[2]
Northern Trust	Trustee Bank Account	6.3	4.2	0.5	0.3	0.0
	Total[3]	**1,246.0**	**1,249.1**	**100.0**	**100.0**	**100.0**

Source: Northern Trust (Custodian) and have not been independently verified.
Figures may not sum to total due to rounding.
[1] Partners Group Multi Asset Credit and Direct Infrastructure valuations provided by Northern Trust with a month's lag (i.e. as at 31 May 2022 and as at 31 August 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.

The Fund's £32m commitment to the Darwin Alternatives Leisure Development Fund was drawn for investment on 1 January 2022, funded via a combination of the LGIM MSCI World Low Carbon Index Fund and the Oak Hill Advisors Diversified Credit Strategies Fund.

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. Over the second quarter, Alpha Real Capital issued a draw down request for £25m to be paid on 1 June 2022, funded from cash held in the Trustee Bank Account. Alpha Real Capital expects to draw the Fund's remaining over the coming months.

Over the quarter, Man GPM issued a capital call of £1.8m to the Fund for payment by 12 July 2022. As such, the Fund's total commitment is c. 60% drawn for investment following the capital call as at 12 July 2022. Following quarter end, Man GPM issued a distribution of c. £1.0m to the Fund on 11 October 2022, including an equalisation payment to reflect the impact of new investors committing to the strategy at the most recent close.

3.4 Yield Analysis as at 30 September 2022

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

Manager	Asset Class	Yield as at 30 Sept 2022
LCIV	Global Equity Core	1.42%[1]
LGIM	Low Carbon Equity	1.60%[1]
LCIV	Absolute Return	1.34%[1]
LCIV	Global Bond	5.68%
Partners Group	Multi-Asset Credit	7.90%[1]
Oak Hill Advisors	Diversified Credit Strategy	10.80%
Aviva Investors	Infrastructure	6.10%[1]
abrdn	Long Lease Property	3.81%[1]
	Total	**2.29%**

[1] Represents yield to 30 June 2022 as 30 September 2022 yield data not available at the time of writing.

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 £12.2bn within the 16 sub-funds (not including commitments to the private markets strategies) as at 30 September 2022, an increase of £0.1bn.

As at 30 September 2022, the total assets under oversight, including passive investments held outside the London CIV platform, stood at £23.8bn, a decrease of c. £0.9bn over the quarter. Total commitments raised by the private market funds stood at £2.2bn of which £808m had been drawn as at 30 June 2022 (latest date available for this data at the time of writing).

Personnel

In April 2022, Mike O'Donnell, 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. Mike intends to step back from a full-time role, exploring an alternative challenge. Mike will remain in his role until March 2023 and will support the London CIV during the transition period. Following quarter end, in August 2022, the London CIV announced that Dean Bowden has been appointed as London CIV CEO in succession to Mike O'Donnell. The appointment is subject to FCA approval, with Dean set to join the London CIV in November 2022 and spend a few weeks working with Mike to fully integrate himself into the role before formally taking over. Dean brings considerable experience of the asset management and broader investment and savings industry, having spent much of his career with Quilter (formerly Old Mutual and Skandia), most recently as CEO and Director of Quilter Investors Portfolio Management and Managing Director and Director of Quilter Investors Limited, while also undertaking the role of Quilter's Group Head of Responsible Investment where he had responsibility for the design of the Group responsible investment and responsible business strategies.

Over the quarter, Pruthvi Odedra, Private Markets Portfolio Manager, announced his decision to leave the London CIV in January 2023. The London CIV has commenced the recruitment process for the position.

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. £523m as at 30 September 2022, a decrease of c.£6m over the quarter.

As at 30 September 2022, the Morgan Stanley Global Sustain Fund, which the LCIV Global Equity Core Fund is based upon, held assets under management of c. $3.4bn, representing a decrease of c. $0.4bn over the third quarter of 2022, primarily as a result of negative market movements.

Personnel

There were no significant personnel changes to the Morgan Stanley Global Sustain Fund over the second 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, with the 30 June 2022 AuM not available at the time of reporting.

Personnel

Within the Index team, LGIM welcomed 5 new joiners over the second quarter of 2022:

- Karan Bhanot, ETF Investment Strategist;
- Rory Loader, ETF Business Relationship Analyst;
- Matthew McCarthy, ETF Portfolio Manager;
- Thomas Yunus, ETF Portfolio Manager; and
- Steven Grieve, Fixed Income Fund Manager.

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

4.4 Ruffer

Business

As at 30 June 2022, Ruffer held c. £26.5bn in assets under management, an increase of £0.5bn over the third quarter of 2022.

Personnel

During the third quarter, Ruffer announced that Aled Smith, Partner at Ruffer, will be leaving the firm, who had been overseeing the Net Zero Asset Manager Initiative for Ruffer. Aled's responsibiltiies will be shared between other senior directors in the research team. Ruffer have confirmed there will be no primary impact on the investment process or decision-making which continues to be led by Henry Maxey and Jonathan Ruffer.

There were no other significant personnel changes to the Ruffer Absolute Return Fund over the third quarter of 2022.

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 continue to rate Ruffer and the strategy.

4.5 PIMCO

Business

PIMCO held c. $1.8tn in assets under management as at 30 June 2022, a decrease of $0.2tn over the quarter primarily as a result of negative market movements. The LCIV Global Bond Fund had assets under management of c. £563m as at 30 September 2022, a decrease of £27m over the third quarter of 2022.

Personnel

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

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. $131bn as at 30 June 2022, representing an increase of c. $4bn since 31 December 2021. Note, Partners Group provides AuM updates biannually.

Multi Asset Credit

The Partners Group MAC Fund's net asset value stood at c. £40.5m as at 30 June 2022, a decrease of c. £1.0m since the previous quarter end valuation at 31 March 2022 predominately due to negative portfolio returns over the quarter and a distribution of capital which totaled £100k split across all investors, with the Fund receiving a c. £20k share.

The investment period for the 2014 MAC vintage finished in July 2017, and the Fund continues to make distributions back to investors. Partners issued one distribution over the quarter, with £100k distributed on 29 June 2022, split across all investors.

Direct Infrastructure

As at 30 June 2022, the Direct Infrastructure Fund had drawn down c. 78% of its total €1,081m commitment value for investment, with c. 100% of the total Direct Infrastructure Fund's portfolio committed to investment opportunities.

Personnel

There were no significant team or personnel changes to the Multi Asset Credit Fund team 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 30 June 2022, remaining unchanged over the second quarter.

The MSPC Fund has a robust indicative pipeline of private credit assets with 22 private assets held in the portfolio as at 30 June 2022 representing 72% of portfolio commitments.

Personnel

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

Darwin Alternatives held assets under management of c. £1,034m as at 30 September 2022, with the Leisure Development Fund's net asset value standing at c. £226m as at quarter end.

Personnel

There were no significant team or personnel changes over the quarter to 30 September 2022.

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 30 June 2022, remaining unchanged over the second quarter of 2022.

The Diversified Credit Strategies Fund's net asset value stood at c. $3.2bn as at 30 September 2022, decreasing by $1.1bn over the quarter. The Diversified Credit Strategies Fund saw approximately $447.9m of net cash outflows during the third quarter of 2022.

Personnel

There were no significant team or personnel changes over the quarter to 30 September 2022.

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, however do note the senior leavers over the quarter (albeit not directly involved in the DCS Fund). 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. £1.57bn as at 30 September 2022, increasing by £0.12bn over the third quarter.

Personnel

There were no significant team or personnel changes over the quarter to 30 June 2022.

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 and would not put it forward to our clients. At the 20 June 2022 Pension Fund Committee Meeting, the Pension Fund Committee agreed to proceed with the proposed full disinvestment from the Fund's investment in the Aviva Investors Infrastructure Income Fund and, in June 2022, the Pension Officers served notice to fully disinvest from AIIIF with the proceeds expected to be received over the following 12 months from the accounting date of 31 December 2022.

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 30 June 2022, remaining relatively unchanged over the 3 month period since 31 March 2022.

Personnel

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

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

4.12 Alpha Real Capital

Business

As at 30 June 2022, Alpha Real Capital's total assets under management stood at c. £4.7bn, remaining broadly unchanged over the quarter.

The Alpha Real Capital Index Linked Income Fund's net asset value stood at £2,033m as at 30 June 2022, an increase of £83m since 31 March 2022.

The Fund's commitment with Alpha Real Capital was closed on 17 May 2021, with the Fund having committed £60m to the strategy. During the second quarter, 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 third 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. $2.5bn in assets under management as at 30 September 2022, including commitments, a decrease of c. $0.7bn over the quarter. The Community Housing Fund's NAV stood at c. £115.7m as at 30 June 2022.

Commitments to the Community Housing Fund now total £235m. The Fund's total capacity is £400m.

Over the quarter, Man GPM issued a capital call of £1.8m to the Fund for payment by 12 July 2022. As such, the Fund's total commitment is c. 60% drawn for investment following the capital call as at 12 July 2022. Following quarter end, Man GPM issued a distribution of c. £1.0m to the Fund on 11 October 2022, including an equalisation payment to reflect the impact of new investors committing to the strategy at the most recent close.

Personnel

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

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 30 September 2022

At 30 September 2022, the assets under management within the 16 sub-funds of the London CIV stood at £12.2bn, with a further combined £2.3m 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. £0.9bn to c. £23.8bn over the quarter. The table below provides an overview of the sub-funds currently available on the London CIV platform.

Sub-fund	Asset Class	Manager	Total AuM as at 30 June 2022 (£m)	Total AuM as at 30 Sept 2022 (£m)	Number of London CIV clients	Inception Date
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	1,890	1,236	5	11/04/16
LCIV Global Alpha Growth Paris Aligned	Global Equity	Baillie Gifford	1,033	1,731	10	13/04/21
LCIV Global Equity	Global Equity	Newton	684	544	3	22/05/17
LCIV Global Equity Core	Global Equity	Morgan Stanley Investment Management	529	523	2	21/08/20
LCIV Global Equity Focus	Global Equity	Longview Partners	849	854	5	17/07/17
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	547	561	8	11/01/18
LCIV Sustainable Equity	Global Equity	RBC Global Asset Management (UK)	1,226	1,244	8	18/04/18
LCIV Sustainable Equity Exclusion	Global Equity	RBC Global Asset Management (UK)	400	556	4	11/03/20
LCIV PEPPA	Global Equity	State Street Global Advisors	501	511	2	01/12/2021
LCIV Global Total Return	Diversified Growth Fund	Pyrford	223	212	3	17/06/16
LCIV Diversified Growth	Diversified Growth Fund	Baillie Gifford	841	802	9	15/02/16
LCIV Absolute Return	Diversified Growth Fund	Ruffer	1,124	1,141	10	21/06/16
LCIV Real Return	Diversified Growth Fund	Newton	176	168	2	16/12/16
LCIV MAC	Fixed Income	CQS & PIMCO	1,153	1,174	12	31/05/18
LCIV Global Bond	Fixed Income	PIMCO	590	563	7	30/11/18
LCIV Alternative Credit	Fixed Income	CQS	360	354	3	31/01/2022
Total			**12,126**	**12,174**		

Source: London CIV

5.2 Private Markets

The table below provides an overview of the London CIV's private markets investments as at 31 March 2022. (Note, 31 March 2022 he latest available data given there is at least a quarter lag in reporting, and in addition the most recent quarterly report has not been received at the time of drafting.)

Sub-fund	Total Commitment as at 31 March 2022 (£'000)	Called to Date (£'000)	Undrawn Commitments (£'000)	Fund Value as at 31 March 2022 (£'000)	Number of London CIV clients	Inception Date
LCIV Infrastructure Fund	399,000	168,261	230,739	183,934	6	31/10/2019
LCIV Inflation Plus Fund	213,000	206,262	6,738	202,070	3	11/06/2020
LCIV Renewable Infrastructure Fund	853,500	188,822	664,678	199,536	13	29/03/2021
LCIV Private Debt Fund	540,000	219,726	320,274	230,764	7	29/03/2021
The London Fund	195,000	24,983	170,017	24,268	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 30 September 2022

	Last Quarter (%)	One Year (%)
Net of fees	-1.1	-5.2
Benchmark (MSCI World Net Index)	1.4	4.2
Global Franchise Fund (net of fees)	2.0	-8.3
Net Performance relative to Benchmark	-2.5	-1.0

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

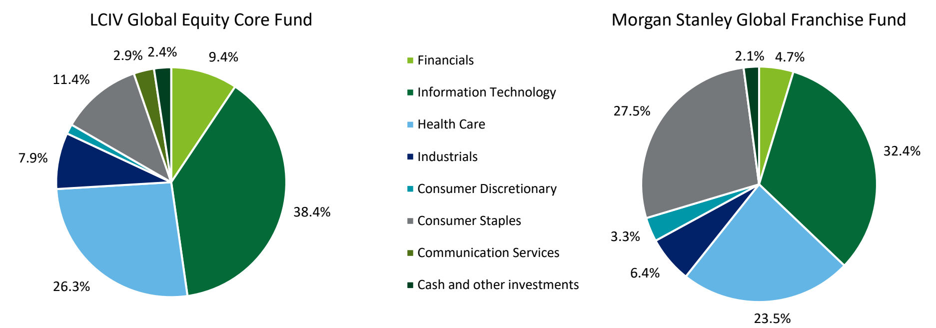
The LCIV Global Equity Core Fund delivered a negative return of -1.1% on a net of fees basis over the quarter to 30 September 2022, underperforming the MSCI World Net Index by 2.5%. Over the longer twelve-month period to 30 September 2022, the strategy has underperformed its benchmark by 1.0%, delivering a negative absolute return of -5.2% 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 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 3.1% over the quarter.

6.2 Portfolio Sector Breakdown at 30 June 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 30 June 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. 8.6% to tobacco stocks as at 30 June 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 at 30 June 2022

The table below summarises the Global Equity Core Fund portfolio's key characteristics as at 30 June 2022, compared with the Morgan Stanley Global Franchise Fund.

	LCIV Global Equity Core Fund	Global Franchise Fund
No. of Holdings	40	33
No. of Countries	8	5
No. of Sectors*	7	6
No. of Industries*	16	13

*Not including cash

Source: London CIV and Morgan Stanley

Holdings

The top 10 holdings in the Global Equity Core Fund account for c. 47.4% of the strategy and are detailed below.

Global Equity Core Fund Holding	% of NAV
Microsoft	6.8
Visa	5.9
Reckitt Benckiser	5.2
Accenture	4.7
Danaher	4.6
SAP	4.6
Thermo Fisher Scientific	4.3
Abbott Laboratories	3.9
Baxter International	3.7
Becton Dickinson	3.7
Total	**47.3***

Global Franchise Fund Holding	% of NAV
Microsoft	8.7
Philip Morris	7.6
Reckitt Benckiser	6.9
Visa	5.9
Danaher	5.4
Accenture	4.8
Thermo Fisher Scientific	4.8
SAP	4.5
Abbott Laboratories	4.4
Baxter International	3.8
Total	**57.0***

*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 30 September 2022

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)
Net of fees	2.0	-3.3	8.3
Benchmark (MSCI World Low Carbon Target)	2.0	-3.2	8.4
Net Performance relative to Benchmark	0.0	-0.1	-0.1

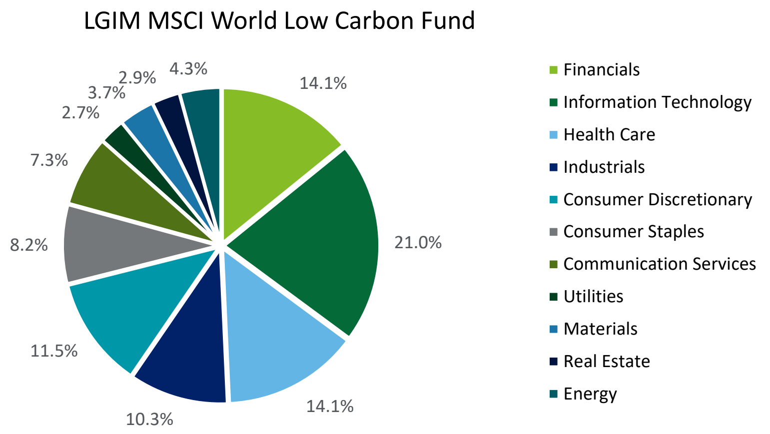
Source: LGIM and Northern Trust. Relative performance may not tie due to rounding.

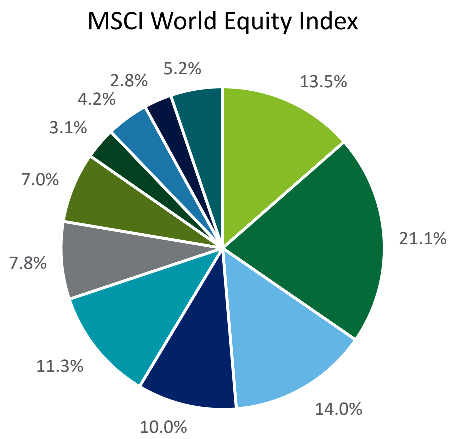
The LGIM MSCI World Low Carbon Index Fund delivered a positve absolute return of 2.0% on a net of fees basis over the quarter to 30 September 2022, performing broadly in line with its MSCI World Low Carbon Target benchmark.

Over the one-year-period to 30 September 2022, the LGIM MSCI World Low Carbon Index Fund delivered an absolute return of -3.3% on a net of fees basis, slightly underperforming its MSCI World Low Carbon Target benchmark by 0.1%. Over the longer three-year period, the strategy delivered a return of 8.3% p.a. on a net of fees basis, slightly underperforming its MSCI World Low Carbon Target benchmark by 0.1% p.a. over the period.

7.2 Portfolio Sector Breakdown at 30 June 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 30 September 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 reflect the 'low carbon' nature of the Fund.

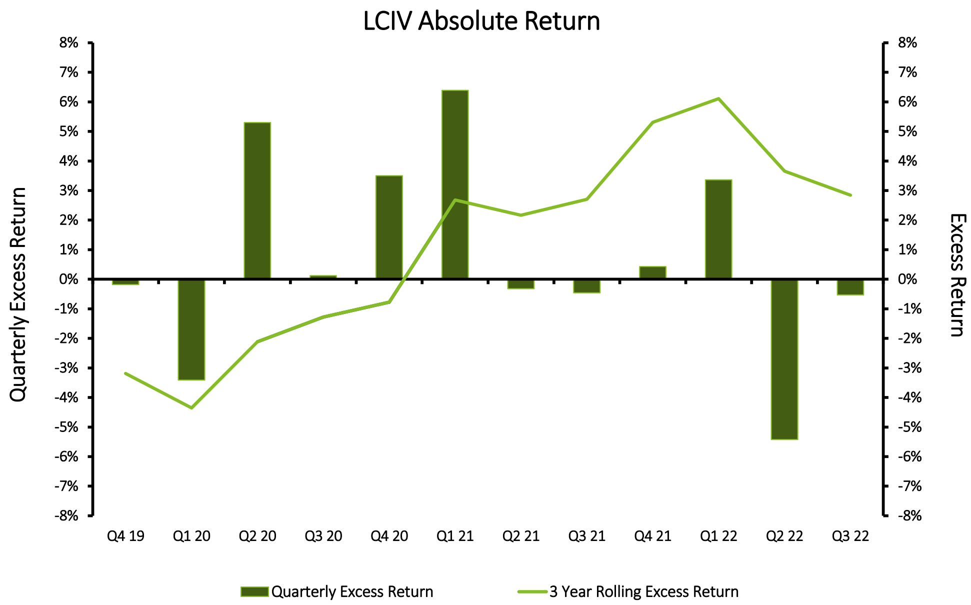
8 LCIV – Absolute Return

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 30 September 2022

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	0.8	2.3	7.3	5.1
Target	1.4	4.8	4.4	4.6
Net performance relative to Target	-0.5	-2.4	2.8	0.6

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

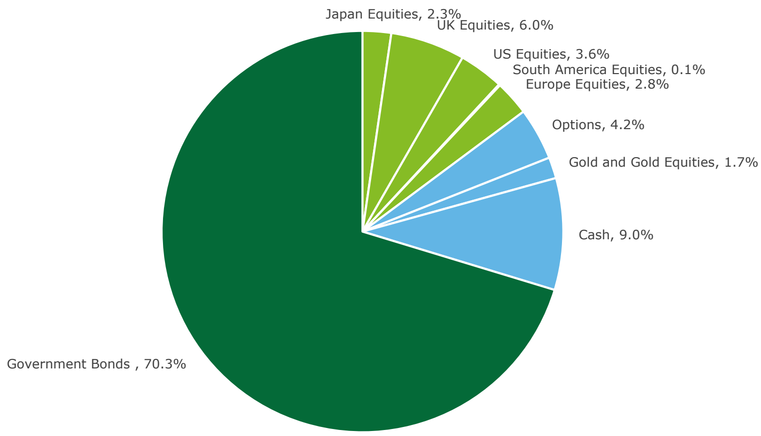


The Absolute Return Fund returned 0.8% on a net of fees basis over the quarter to 30 September 2022, underperforming its SONIA+4% target by 0.5%. The strategy has delivered an absolute return of 2.3% on a net of fees basis over the year to 30 September 2022, underperforming its target by 2.4%. Over the longer three and five year periods to 30 September 2022, the strategy has delivered positive returns of 7.3% p.a. and 5.1% p.a. respectively on a net of fees basis, outperforming the SONIA-based target by 2.8% p.a. and 0.6% p.a. respectively.

8.2 Asset Allocation at 30 September 2022

The chart below represents the asset allocation of the LCIV Absolute Return Fund portfolio as at 30 September 2022.

Note, the government bond allocation has increased significantly over the third quarter from 43.1% as at 30 June 2022 to 70.3% as at 30 September 2022, reflecting the large rise in government bond yields over the quarter, and therefore their increasing the attractiveness for an absolute return strategy.



Source: London CIV

9 LCIV – Global Bond

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

9.1 Global Bond – Investment Performance to 30 September 2022

	Last Quarter (%)	One Year (%)
Net of fees	-5.1	-19.3
Benchmark	-4.8	-17.4
Net Performance relative to Benchmark	-0.3	-1.9

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

Over the quarter to 30 September 2022, the LCIV Global Bond Fund delivered a negative absolute return of -5.1% on a net of fees basis, underperforming the Barclays Aggregate – Credit Index Hedged (GBP) Index benchmark by 0.3%. Over the year to 30 September 2022, the strategy delivered a negative return of -19.3%, underperforming the benchmark by 1.9%.

The global bond markets suffered large negative returns over the third quarter of 2022 with further rate rises by central banks and raising concerns around economic growth prospects, resulting in the widening of credit spreads.

The LCIV Global Bond Fund held very small exposure to Russia (c. 0.5% as last reported at 31 March 2022). The majority of this exposure was expected to be removed from the portfolio by the third quarter of 2022, as part of the transition to an ESG-focused strategy, and we are awaiting to verify this with the manager in due course . The manager, PIMCO, is prohibited from purchasing any new Russian or Belarusian issues.

The strategy experienced no defaults over the third quarter of 2022. 35 issues, representing c. 3.2% of the portfolio, were downgraded over the quarter. The strategy remains relatively well positioned to cope with downgrades, and the Global Bond Fund has the ability to hold up to 10% in sub-investment grade credit per its mandate.

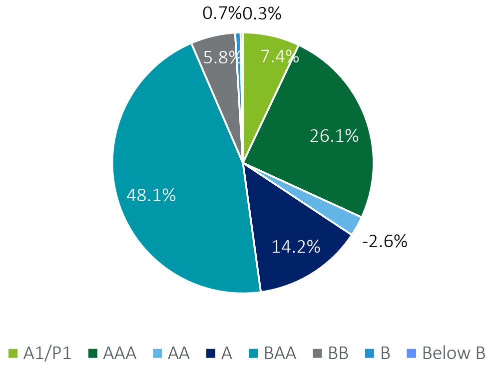
9.2 Performance Analysis at 30 September 2022

The table below summarises the Global Bond portfolio's key characteristics as at 30 September 2022 as data as at 30 September 2022 was unavailable at the time of writing.

	30 Sept 2022
Interest Rate Duration	5.74
Spread Duration	4.11
Rating	A
Yield to Maturity (%)	5.68

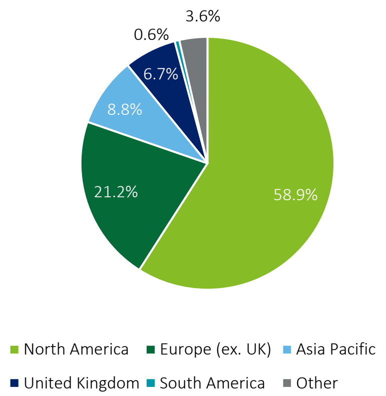
Source: London CIV

The chart below represents the split of the Global Bond portfolio by credit rating. The Fund's investment grade holdings made up c. 93.2% of the portfolio as at 30 September 2022, an increase of 0.3% over the quarter, with the Fund on average graded A/BAAs.



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 rounding and due to the potential for the manager to use short holdings in cash and currency forwards.

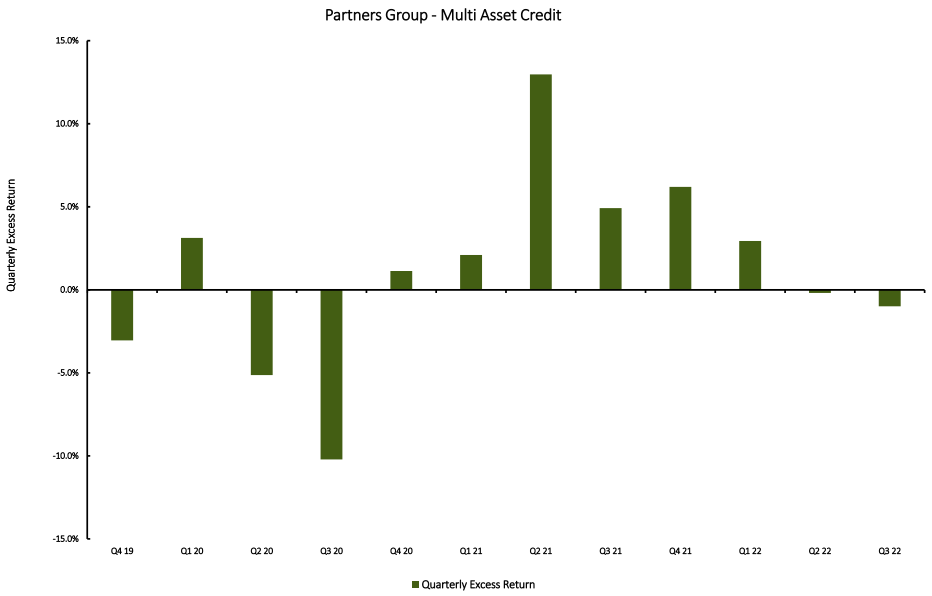
10 Partners Group – Multi Asset Credit

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 31 August 2022

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	0.4	13.1	8.6	6.7
Benchmark / Target	1.4	4.8	4.4	4.6
Net performance relative to Benchmark	-1.0	8.3	4.2	2.1

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



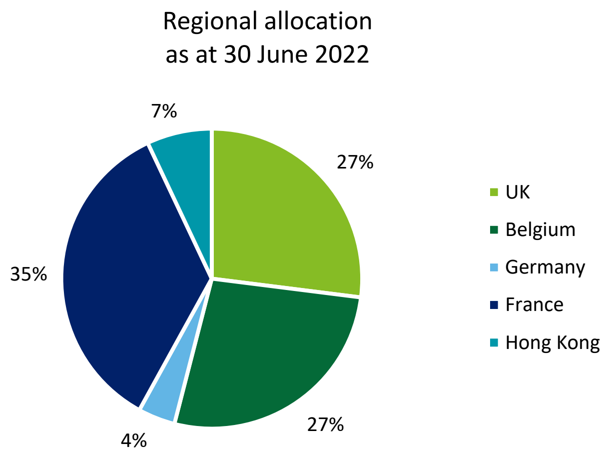
Please note, performance shown is to 30 November 2021.

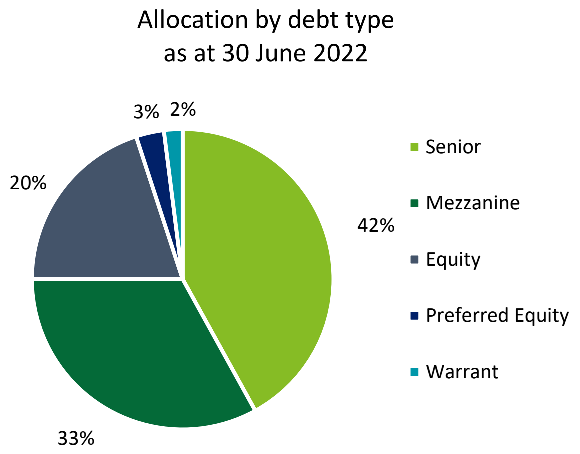
The Multi Asset Credit strategy delivered a positive absolute return of 0.4% on a net of fees basis over the three-month period to 31 August 2022, underperforming its 3 Month SONIA +4% benchmark by 1.0%.

The strategy delivered a strong positive return of 13.1% on a net of fees basis over the year to 31 August 2022, outperforming its benchmark by 8.3%. The strong performance over the one-year period reflects the rebound in performance of the strategy's sub-portfolio of tail investments for which the Fund lifespan was extended for, which were initially particularly acutely impacted by the COVID-19 related impact but that have now rebounded as anticipated following the reversal and easing of these restrictions since summer 2021.

10.2 Asset Allocation at 30 June 2022

The charts below show the regional split and allocation by debt type of the Fund as at 30 June 2022, based on the seven positions remaining in the portfolio.





Note: Based on information provided by Partners Group.

10.3 Fund Activity at 30 September 2022

The Partners Group Multi Asset Credit Fund had made 54 investments, of which 47 have been fully realised as at 30 June 2022, with no further realisations taking place over the second 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 was 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 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 second quarter of 2022, Partners Group issued one further distribution with c. £19.6k distributed to the London Borough & Fulham Pension Fund on 29 June 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 30 June 2022

	Last Quarter (%)	One Year (%)
Net of fees	-8.9	-8.9
Benchmark / Target	-5.4	-10.0
Net performance relative to Benchmark	-3.5	1.1

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

At the time of writing 30 September 2022 data was unavailable, and therefore performance is shown for periods to 30 June 2022.

Over the quarter to 30 June 2022, the Multi-Sector Private Credit Fund delivered a negative absolute return of -8.9% on a net of fees basis, underperforming the blended benchmark by 3.5%. Over the longer one-year period to 30 June 2022, the Fund has also delivered a negative return of 8.9% on a net of fees basis, outperforming its benchmark over the twelve month period by 1.1%.

Over the second quarter of 2022, the strategy continued to deploy invested capital, with non-deployed capital invested in a portfolio of cash and short-term bonds until full investment is achieved. 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 30 June 2022, the MSPC Fund has been measured against a benchmark of 9% 3 Month Sterling SONIA and 91% ICE ML Sterling BBB Corporate Bond Index.

Over the quarter, rising interest rates for both floating (SONIA) and fixed (gilts) debt increased the cost of financing, negatively impacting investor returns as Covid-19 recovery expenditure and low interest rates have been replaced by central bank intervention to curb inflationary pressures. Record high levels of inflation across the globe may have an impact on sectors that are exposed to discretionary spending such as; leisure, travel, furniture, alcohol etc. whilst the weak macroeconomic backdrop puts cyclical sectors more at risk. Overall, abrdn believe the portfolio is well positioned to sustain a potential recession given the focus on more defensive sectors.

The MSPC Fund is now broadly fully committed and therefore, going forward, the strategy will be measured against the ICE ML Sterling BBB Corporate Bond Index.

11.2 Portfolio Composition at 30 June 2022

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

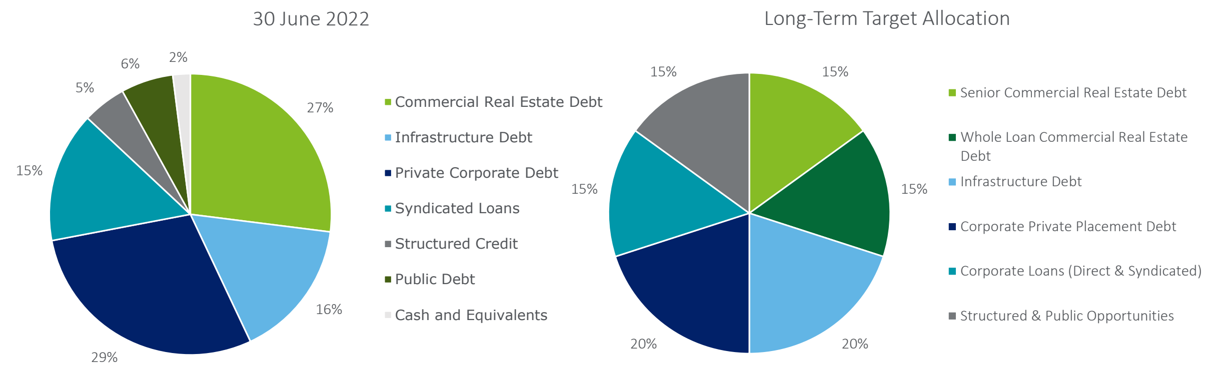
As at 30 June 2022, the MSPC Fund portfolio consists of 22 private assets:

- 5 infrastructure debt investments;
- 8 senior real estate debts investments; and
- 9 private corporate debt investments.

abrdn confirmed that there are no holdings on the watchlist as at 30 June 2022.

Asset Allocation

As at 30 June 2022, 98% of the MSPC Fund portfolio has been invested in illiquid assets that will make up the long term portfolio, while the remaining 2% 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 30 June 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 30 September 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.

Over the third quarter of 2022, the Fund returned 1.9%, performing in line with it's cash-based benchmark.

12.2 Portfolio Holdings

The table below shows details of the parks underlying the Darwin Alternatives Leisure Development Fund portfolio as at 30 September 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

Previously in the first quarter of 2022, 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 and has since been working closely with lodge manufacturers to design lodges that utilize an all-electric solution, minimizing the carbon emissions to the site. Darwin Alternatives estimate the site will be open by Easter 2023.

Construction continued over the quarter at Plas Isaf, the lodge retreat that will feature 4 holiday rental lodges and 17 owner lodges. Due to delays with the manufacture of the lodges, Darwin Alternatives plan for the site to be open 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.

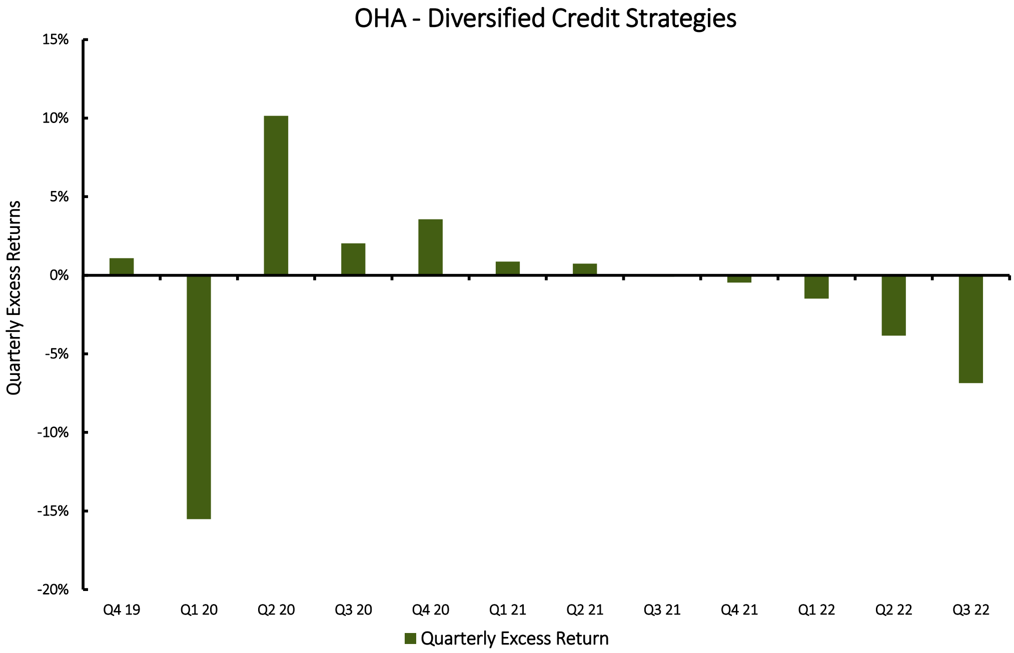
13 Oak Hill Advisors – Diversified Credit Strategies Fund

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 30 September 2022

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	-5.5	-7.9	0.4	1.0
Benchmark / Target	1.4	4.8	4.4	4.6
Net Performance relative to Benchmark	-6.9	-12.6	-4.1	-3.5

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 -5.5% on a net of fees basis over the quarter to 30 September 2022, underperforming its 3 Month Sterling SONIA +4% p.a. benchmark by 6.9%. The strategy delivered a negative absolute return of 7.9% on a net of fees basis over the year to 30 September 2022, underperforming the benchmark by 12.6%. As the strategy is measured against a cash-plus benchmark, we would expect relative performance differences over shorter time horizons.

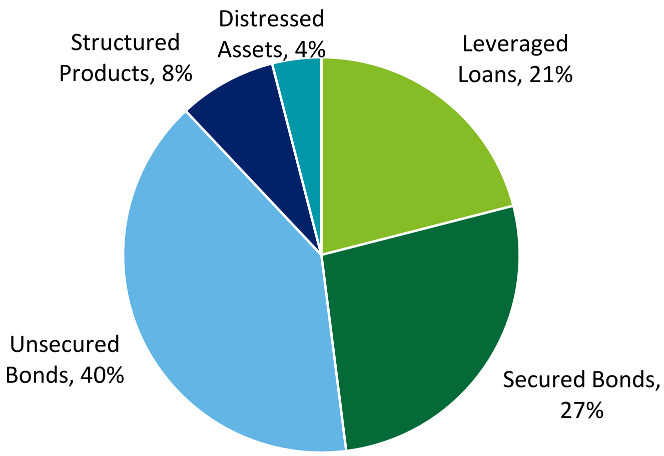
Credit spreads continued to widen over the third quarter of 2022 as a result of central banks raising interest rates in response to higher inflation and an increasingly recessionary outlook. In particular the higher borrowing costs pose a greater challenge to already heavily indebted companies following the COVID-19 pandemic, resulting in the strategy's high yield bonds delivering negative returns.

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 third quarter of 2022, owing to the heightened default risk given the increasingly recessionary outlook and 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 at 30 September 2022

The below chart shows the composition of the Diversified Credit Strategies Fund's Portfolio as at 30 September 2022.



Source: Oak Hill Advisors

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 30 June 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 30 June 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. 82.6% of the total capacity drawn down from investors as at 4 July 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.

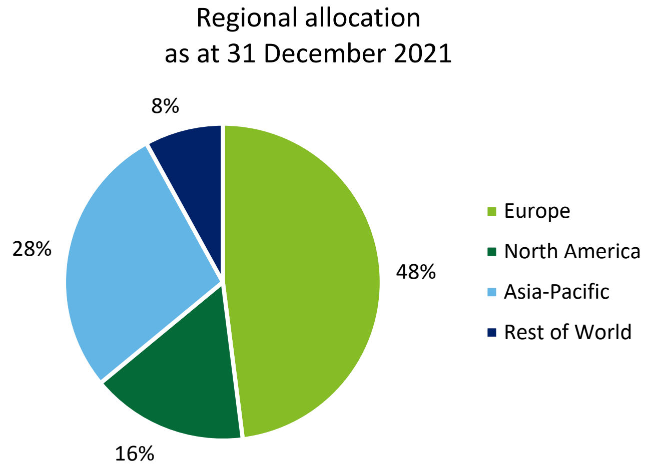
Capital Calls and Distributions

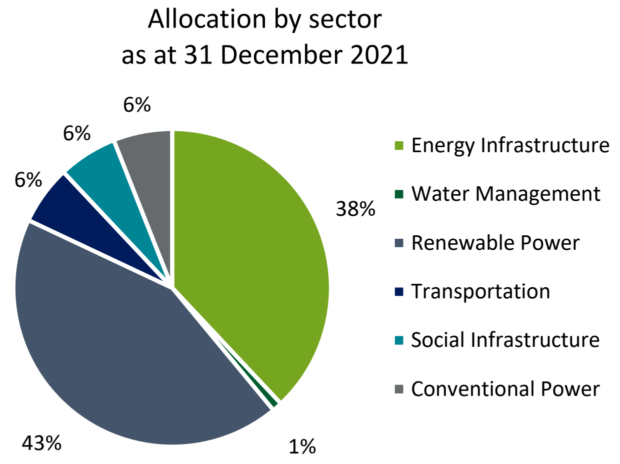
The Fund issued one net capital call over the quarter:

- On 4 July 2022, the Fund issued a capital call for €27.0m, of which the London Borough of Hammersmith & Fulham Pension Fund was entitled to pay €1.4m. 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.

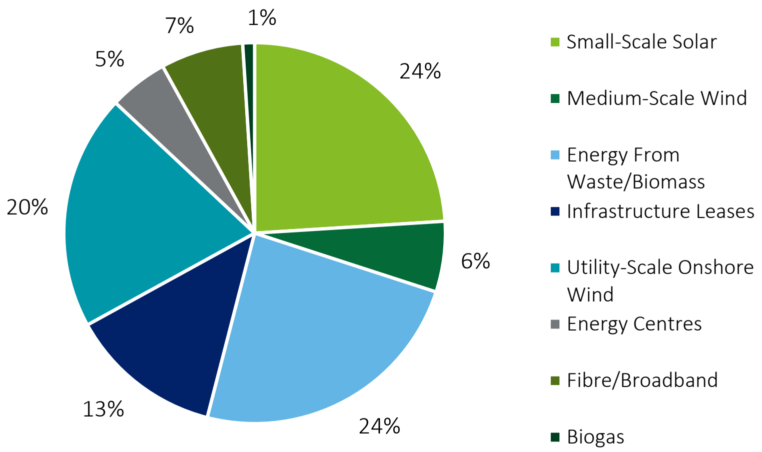
15.1 Infrastructure Income - Investment Performance to 30 June 2022

Over the quarter to 30 June 2022, the income distribution of the Fund was 1.8% p.a., which sits within the 1.8-2% p.a. range targeted by Aviva. Distributions are underpinned by operational revenue generated from the Fund's assets, with the increase in yield attributed to updates to power pricing forecasts. As noted previously, Aviva has 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.

Aviva remains in discussion with the Energy from Waste Project Newport contractor to bring in supplemental support from a more experienced delivery partner to complete and build out the project, with estimated completion of the project still expected to run into Q2 2024 and the cost of funding to bring Project Newport into operation expected to be £174m. Arbitration regarding the Fund's Project Hull, Boston and Barry Biomass plants remains scheduled for end of 2022, with Aviva having received no change to its previous legal advice as to the merits of the case.

Sector Breakdown

The chart below shows the split of the portfolio by sector as at 30 June 2022.



Source: Aviva Investors.

The Biomass and Energy from Waste assets make up c. 24% of the portfolio.

Transactions and Pipeline

The Infrastructure Income Fund received no new commitments with Aviva having completed the soft close of the Fund over Q1 2022.

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 30 September 2022

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	-2.4	6.5	6.8	6.9
Benchmark / Target	-12.1	-21.2	-7.5	-1.3
Net Performance relative to Benchmark	9.7	27.6	14.3	8.2

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

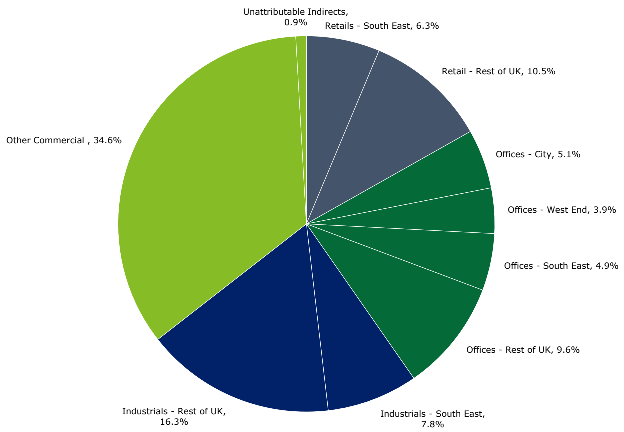
The Standard Life Long Lease Property Fund, managed by abrdn, delivered an absolute return of -2.4% on a net of fees basis over the third quarter of 2022, outperforming the FT British Government All Stocks Index Benchmark by 9.7% primarily due to the uprise in gilt yields and sharp fall in gilt valuations.

Over the quarter to 30 September 2022, the Long Lease Property Fund performed in line with the wider property market, largely as a result of the Fund's underweight position to the industrial sector relative to the wider property market. 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 under-allocation to high performing sectors such as industrials. The Fund's longer-term performance does, however, continue to be aided by the portfolio's stronger tenant credit quality the high proportion of long-term inflation linked leases, and the lack of any high street or shopping centre exposure with these sectors particularly impacted by the COVID-19 outbreak.

Rent collection statistics remained relatively unchanged over the third quarter of 2022 as abrdn realised Q4 collection rates of above 90%. abrdn stated that rent collection levels are back to pre-Covid levels, having collected 100% of rent for 2020, 2021 and Q1-Q3 2022. Over the third quarter of 2022, none of the Long Lease Property Fund's rental income was subject to deferment arrangements.

16.2 Portfolio Holdings at 30 June 2022

The sector allocation in the Long Lease Property Fund as at 30 June 2022 is shown in the graph below.



Source: abrdn.

Over the second quarter of 2022, abrdn completed a forward funding transaction for the acquisition of a new industrial distribution facility, let to Next plc. This is a new lease of 22 years, where abrdn has paid a price of c. £120m for the facility, reflecting a net initial yield of 3.5%. This acquisition increases the Long Lease Property Fund's exposure to investment grade income.

Meanwhile, over the second quarter, abrdn concluded the sale of a small office asset on the outskirts of Newcastle, which was leased to the local council who are no longer in occupation. The asset sold for a price of c. £10m, reflecting a net initial yield of 7.6%. There were a number of drivers behind this sale, namely a smaller lot size for the Fund, diminishing lease length, major ESG concerns going forward and a desire to selectively reduce the Fund's office exposure.

Q3 2022 and Q4 2022 rent collection, split by sector, as at 24 October 2022 is reflected in the table below:

Sector	Proportion of Fund as at 30 June 2022 (%)	Q2 2022 collection rate (%)	Q3 2022 collection rate (%)
Alternatives	6.0	100.0	98.0
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	100.0	98.0
Leisure	3.3	100.0	97.0
Public Houses	5.5	100.0	100.0
Offices	29.6	100.0	100.0
Student Accommodation	8.1	100.0	100.0
Supermarkets	18.2	100.0	100.0
Total	100.0	100.0	99.3

Source: abrdn

As at 30 September 2022, 1.0% of the Fund's NAV is invested in ground rents via an indirect holding in the abrdn Ground Rent Fund, with 16.9% of the Fund invested in income strip assets.

The table below shows details of the top ten tenants in the fund measured by percentage of net rental income as at 30 June 2022:

Tenant	% Net Income
Amazon UK Services Limited	6.2
Tesco Stores Limited	4.7
Viapath Services LLP	4.6
Premier Inn Hotels Limited / Whitbread plc	4.2
Marston's plc	4.1
J Sainsbury plc / Sainsbury's Supermarkets Limited	3.9
QVC	3.6
Salford Villages Limited / University of Salford	3.5
Asda Stores Limited	3.5
Next Group plc	3.3
Total	**41.5***

*Total may not equal sum of values due to rounding

The top 10 tenants contributed 41.5% of the total net income of the Fund as at 30 June 2022. Of which 12.1% of the net income came from the supermarket sector, with Tesco, Sainsbury’s and Asda continuing to make up a significant proportion of the Fund at quarter end.

The unexpired lease term as at 30 June 2022 stood at 24.7 years, representing a decrease from 25.5 years as at 31 March 2022. The proportion of income with fixed, CPI or RPI rental increases increased by c. 0.4% over the quarter to 92.1%. 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 30 June 2022

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)
Net of fees	1.4	8.2	5.4
Benchmark / Target	-19.3	-17.0	-2.5
Net Performance relative to Benchmark	20.7	25.2	7.9

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

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

Over the second quarter of 2022, Alpha Real Capital issued an initial drawdown notice for £25.0m for payment by 1 June 2022.

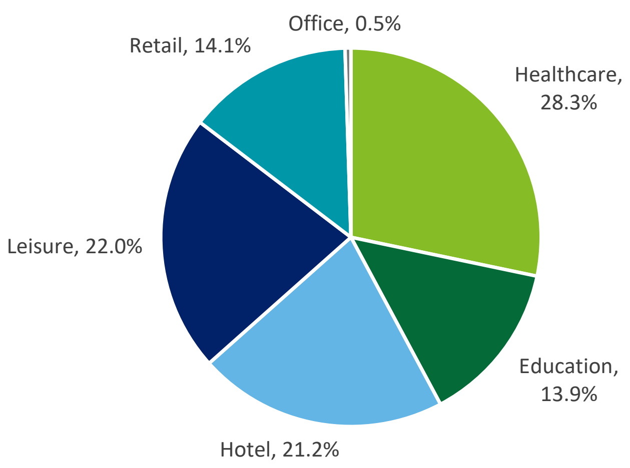
The Fund's full £60m commitment is expected to be drawn and deployed in the coming months, following a decision by Alpha Real Capital to slow down transactions due to the current market instability. As such, please note that the performance of the Alpha Real Capital Index Linked Income Fund displayed in the table above is for illustration purposes only. At the time of writing, the 30 September 2022 data is unavailable, therefore performance is shown to 30 June 2022.

The Index Linked Income Fund has delivered a positive return of 1.4% on a net of fees basis over the quarter to 30 June 2022, outperforming its BoAML Long-Dated UK Inflation-Linked Gilts Index +2% benchmark by 20.7% primarily due to the sharp rise in real yields and therefore sharp fall in the valuation of the gilts based benchmark.

Alpha Real Capital has collected c. 102.4% of the Fund's Q3 2022 rental income, representing a slight decrease from the c. 103.5% collection rate over the second quarter of 2022, 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 at 30 June 2022

The sector allocation in the Index Linked Income Fund as at 30 June 2022 is shown in the graph below.



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

Alpha Real Capital completed two ground rent transactions over the second quarter. Busy Bees 2, a follow-on transaction of two further assets in the portfolio for a net purchase price of £0.8m and Marston's, an acquisition of a portfolio of 83 pub assets located in Wales, for a net purchase price of £69.9m.

The table below shows details of the top ten holdings in the Fund measured by value as at 30 June 2022.

Tenant	Value (%)	Credit Rating
Leonardo Hotels	14.7	A1
Elysium Healthcare	10.7	A3
Dobbies	10.5	Baa1
Parkdean	9.6	A3
HC One	7.8	A3
Away Resorts	5.7	Baa1
PGL	5.5	Baa3
Busy Bees	4.8	Baa1
Middle Eight	3.7	A3
CareTech	3.6	Baa1
Total	**76.5**	

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

The top 10 holdings in the Index Linked Income Fund accounted for c. 76.5% of the Fund as at 30 June 2022.

The average lease length stood at 141.5 years as at 30 September 2022, an decrease of 4 years over the third quarter. The Index Linked Income Fund's portfolio is 95.4% 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 30 September 2022

Capital Calls and Distributions

The Fund issued one capital call over the quarter:

- Man GPM issued a c. £1.8m capital call to the London Borough of Hammersmith & Fulham Pension Fund on 12 July 2022.

As such, the Fund's total commitment was c. 60% drawn for investment following the capital call on 12 July 2022.

Following quarter end, Man GPM issued a distribution of c. £1.0m to the Fund on 11 October 2022, including an equalisation payment to reflect the impact of new investors committing to the strategy at the most recent close.

Activity

Man GPM agreed terms on one project over the second quarter of 2022, in May:

- 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

As at 30 September 2022, Man GPM's pipeline investment opportunities included three late-stage investment opportunities with an estimated gross cost of £178m in which negotiations are in place with the vendor, alongside two favourable investment opportunities with an estimated combined gross project cost of £51m 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 30 June 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	11.6	11.2
Grantham	227	186 (82%)	38.0	25.1	15.1
Lewes	41	39 (95%)	12.9	10.0	1.0
Campbell Wharf	79	79 (100%)	21.5	17.3	14.5
Towergate	55	55 (100%)	18.3	7.6	4.8
Coombe Farm	71	59 (83%)	24.8	12.9	10.3
Chilmington	225	192 (85%)	70.8	25.7	21.1
Tattenhoe	34	34 (100%)	6.5	3.0	1.7
Wellingborough	146	146	33.4	14.7	7.2
Total	**973**	**885 (89%)**	**248.5**	**127.9**	**86.9**

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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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

Pension Fund Current Account Cashflow Actuals and Forecast for period Jul - Sep-22

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	F'cast Annual Total	F'cast Monthly Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s		
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast		
Balance b/f	**7,959**	**5,650**	**6,892**	**6,891**	**5,384**	**5,863**	**4,351**	**2,838**	**2,122**	**608**	**3,793**	**4,178**	**£000s**	**£000s**
Contributions	842	2,703	2,801	2,600	2,600	2,600	2,600	2,600	2,600	5,600	2,600	2,600	32,746	2,729
Pensions	(2,965)	(3,044)	(3,011)	(3,007)	(3,021)	(3,013)	(3,013)	(3,015)	(3,014)	(3,316)	(3,115)	(3,148)	(36,681)	(3,057)
Lump Sums	(516)	(1,430)	(828)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(8,174)	(681)
Net TVs in/(out)	455	(488)	873	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(1,860)	(155)
Net Expenses/other transactions	(125)	(404)	164	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(2,165)	(180)
Net Cash Surplus/(Deficit)	**(2,309)**	**(2,663)**	**(1)**	**(1,507)**	**(1,521)**	**(1,513)**	**(1,513)**	**(1,515)**	**(1,514)**	**1,184**	**(1,615)**	**(1,648)**	**(16,134)**	**(1,344)**
Distributions		3,904			2,000			800			2,000		8,704	967
Net Cash Surplus/(Deficit) including investment income	**(2,309)**	**1,241**	**(1)**	**(1,507)**	**479**	**(1,513)**	**(1,513)**	**(715)**	**(1,514)**	**1,184**	**385**	**(1,648)**	**(7,429)**	**(619)**
Transfers (to)/from Custody Cash										2,000			2,000	333
Balance c/f	**5,650**	**6,892**	**6,891**	**5,384**	**5,863**	**4,351**	**2,838**	**2,122**	**608**	**3,793**	**4,178**	**2,530**	**51,098**	**(286)**

Current account cashflow actuals compared to forecast in Jul - Sep-22

	Jul-22		Aug-22		Sep-22		Jul - Sep-22
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Contributions	2,600	842	2,600	2,703	2,600	2,801	(1,454)
Pensions	(2,930)	(2,965)	(2,930)	(3,044)	(2,930)	(3,011)	(230)
Lump Sums	(600)	(516)	(600)	(1,430)	(600)	(828)	(974)
Net TVs in/(out)	(300)	455	(300)	(488)	(300)	873	1,740
Expenses/other transactions	(200)	(125)	(200)	(404)	(200)	164	235
Distributions			2,000	3,904	500		1,404
Transfers (to)/from Custody Cash							
Total	**(1,430)**	**(2,309)**	**570**	**1,241**	**(930)**	**(1)**	**722**

Notes on variances

- Contributions are paid one month in arrears. June was paid early which has resulted in July figures being less than normal.
- transfers in and out and lump sums are difficult to forecast given their unpredictable nature.

Pension Fund Custody Invested Cashflow Actuals and Forecast for period Jul - Sep-22

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	F'cast Annual Total	F'cast Monthly Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s		
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast		
Balance b/f	**6,753**	**3,734**	**3,740**	**4,166**	**4,166**	**2,666**	**2,666**	**2,666**	**2,666**	**4,666**	**2,666**	**2,666**	**£000s**	**£000s**
Sale of Assets														
Purchase of Assets	(3,014)	(6)			(1,500)								(4,520)	(1,130)
Net Capital Cashflows	**(3,014)**	**(6)**			**(1,500)**								**(4,520)**	**(377)**
Distributions			420						2,000			1,000	3,420	311
Interest	5	4	5										13	4
Management Expenses														
Foreign Exchange Gains/Losses	(3)	1											(2)	(1)
Class Actions														
Other Transactions	(6)	7	1										2	1
Net Revenue Cashflows	**(5)**	**12**	**426**						**2,000**			**1,000**	**3,433**	**286**
Net Cash Surplus/(Deficit) excluding withdrawals	**(3,019)**	**6**	**426**		**(1,500)**				**2,000**			**1,000**	**(1,087)**	**(91)**
Contributions to Custody Cash														
Withdrawals from Custody Cash										(2,000)			(2,000)	(167)
Balance c/f	**3,734**	**3,740**	**4,166**	**4,166**	**2,666**	**2,666**	**2,666**	**2,666**	**4,666**	**2,666**	**2,666**	**3,666**	**(3,087)**	**(257)**

Risk Group	Risk Ref.	Risk Description	Impact				Likelihood	Previous risk score	Current risk score	Trending	Mitigation actions	Revised likelihood	Total risk score	Reviewed on
			Fund	Employers	Reputation	Total								
Asset and Investment Risk	1	The global outbreak of COVID-19 poses economic uncertainty across the global investment markets.	4	3	1	8	2	**16**	**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**	03/11/2022
Asset and Investment Risk	2	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty.	5	4	1	10	4	**40**	**40**		**TREAT** 1) Continued dialogue with investment managers regarding management of political risk in global developed markets. 2) Investment strategy integrates portfolio diversification and risk management. 3) The Fund alongside its investment consultant continually reviews its investment strategy in different asset classes.	3	**30**	03/11/2022
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**	03/11/2022
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**	03/11/2022
Asset and Investment Risk	5	The London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious.	4	3	3	10	2	**20**	**20**		**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	**20**	03/11/2022
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	**40**	**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**	03/11/2022

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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**	03/11/2022
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 DLUHC, 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 DLUHC guidance	3	**18**	03/11/2022
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	2	**16**	**16**	↔	**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**	03/11/2022
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**	03/11/2022
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**	03/11/2022
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 under consultation and 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**	03/11/2022
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**	03/11/2022

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**	03/11/2022
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**	03/11/2022
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**	03/11/2022
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**	03/11/2022
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 LPPA.	1	**6**	03/11/2022
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**	03/11/2022
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**	03/11/2022
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**	03/11/2022
Liability Risk	22	Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	2	**22**	**22**	↔	**TOLERATE** 1)The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. 2)The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.	2	**22**	03/11/2022
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	**30**	**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**	03/11/2022

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**	03/11/2022
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**	03/11/2022
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**	03/11/2022
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**	03/11/2022
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**	03/11/2022
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**	03/11/2022
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	**28**	**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.	2	**14**	03/11/2022
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**	03/11/2022
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) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	2	**18**	03/11/2022
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**	03/11/2022

Resource and Skill Risk	34	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	1	3	3	7	2	**14**	**14**	↔	**TREAT** 1) Change to LPPA has increased resilience in the administration service 2) Ongoing monitoring of contract and KPIs	2	**14**	03/11/2022
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**	03/11/2022
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**	03/11/2022
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**	03/11/2022
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 LPPA. 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**	03/11/2022
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**	03/11/2022
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**	03/11/2022
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 Fund Committee being a sub-committee of the audit committee. 2) Audit Committee meets regularly where governance issues are regularly tabled.	2	**12**	03/11/2022
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**	03/11/2022
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	**27**	**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**	03/11/2022

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**	03/11/2022
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	**20**	**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**	03/11/2022
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 positions likely to be a challenge.	4	3	3	10	2	**20**	**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**	03/11/2022
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	**8**	**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**	03/11/2022
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	**18**	**18**	↔	**TREAT** 1) Contract monitoring in place with all providers. 2) Procurement team send alerts whenever credit scoring for any provider changes for follow up action. 3). Officers to take advice from the investment advisor on fund manager ratings and monitoring investment	2	**18**	03/11/2022
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**	03/11/2022
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**	03/11/2022
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**	03/11/2022

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**	03/11/2022
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**	03/11/2022
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	**9**	**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**	03/11/2022
Regulatory and Compliance Risk	55	Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation.	3	3	5	11	2	**22**	**22**	↔	**TREAT** 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2) LBHF IT data security policy adhered to. 3) Implementation of GDPR 4) Project team in place to ensure smooth transition	1	**11**	03/11/2022
Regulatory and Compliance Risk	56	Failure to comply with recommendations from the Local Pensions 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**	03/11/2022
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**	03/11/2022
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**	03/11/2022
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**	03/11/2022
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**	03/11/2022
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**	03/11/2022

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**	03/11/2022
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**	03/11/2022

Agenda Item 9

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 15 November 2022

Subject: Task Force for Climate-Related Financial Disclosures Consultation

Report author: Patrick Rowe, Pension Fund Manager

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

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SUMMARY

The Department for Levelling Up, Housing and Communities (DLUHC) has issued a consultation on how local government pension funds (LGPS) in England and Wales should assess and manage climate risks and opportunities, proposing to disclose information in line with the Taskforce on Climate Related Financial Disclosures (TCFD). The 12-week consultation will end on 24 November 2022.

RECOMMENDATIONS

1. The Committee is recommended to note the report.

Wards Affected: None

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

Financial Impact

None

Legal Implications

None

DETAILED ANALYSIS

Background

1. The government intends to make TCFD-aligned disclosures mandatory in the UK across the economy by 2025. Under the proposals, funds will have to report on this annually, with the reports also summarised in an LGPS-wide report, including the overall carbon emissions of the scheme. The first reporting year will be the financial year 2023/24, with the regulations expected to be in force by April 2023. The first reports will be required by December 2024.

2. DLUHC proposes that administrating authorities (AAs) should calculate and assess the carbon footprint of their assets and liabilities and how this would be affected by different temperature rise scenarios. The consultation says its "scale and market power give it an opportunity to drive change through the investment chain through asset managers to investee companies."

3. Funds will be required to carry out two sets of scenario analysis:

    - Paris-aligned analysis, meaning it assumes a 1.5 to 2 degrees temperature rise above pre-industrial levels.
    - Scenario will be the choice of the administrating authority, with progress against it assessed annually, with the target revised "if appropriate". Scenario analysis must be conducted at least once in each valuation period.

4. The consultation proposes four metrics that pension funds will be expected to measure and disclose annually. It lists them as:

    - An absolute emissions metric. Under this metric, AAs must, as far as able, report Scope 1, 2 and 3 greenhouse gas (GHG) emissions.
    - An emissions intensity metric. AAs should report the carbon footprint of their assets as far as they are able to. Selecting an alternative emissions intensity metric such as weighted average carbon intensity will be permitted, but AAs will be asked to explain reasoning for doing so in their climate risk report.
    - Data quality metric. Under the data quality metric, AAs will report the proportion the value of its assets for which its total reported emissions were verified, reported, estimated or unavailable.
    - Paris alignment metric. Under the Paris alignment metric, AAs will report the percentage of the value of their assets for which there is a public net zero commitment by 2050 or sooner.

5. It is expected that pension funds will report climate related financial disclosures in their mainstream annual reports.

6. It is anticipated that the introduction of TCFD reporting will be an onerous task and there will be several key challenges to face.

7. The proposed action for the Pension Fund is as follows:
    - Await the LGPS consultation and resultant Scheme Advisory Board (SAB) guidance.
    - Review the guidance and set out a roadmap for compliance.
    - Build the new requirements into the Pension Fund Business Plan.
    - Review the Investment Strategy and consider whether is likely to meet the future requirements on climate change and sustainability.

Appendices

Appendix 1: TCFD Consultation

Department for Levelling Up, Housing & Communities (https://www.gov.uk/government/organisations/department-for-levelling-up-housing-and-communities)

Open consultation

Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks

Published 1 September 2022

Applies to England and Wales

Contents

Scope of the consultation

1. Introduction and summary of proposals

2. Proposed requirements

3. Reporting on climate risks

4. Other issues

Summary of consultation questions

About this consultation

Personal data

This publication is available at https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks

Scope of the consultation

Topic of this consultation:

This consultation seeks views on proposals to require Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

Scope of this consultation:

DLUHC is consulting on proposals for new requirements on LGPS administering authorities.

Geographical scope:

This consultation applies to England and Wales.

Impact assessment:

The proposed interventions affect the investment of assets by local government pension scheme administering authorities. These authorities are all public sector organisations, so no impact assessment is required.

Body responsible for the consultation:

Department for Levelling Up, Housing and Communities (DLUHC)

Duration:

This consultation will last for 12 weeks from 1 September 2022 to 24 November 2022.

Enquiries:

For any enquiries about the consultation please contact:
LGPensions@levellingup.gov.uk

How to respond:

Please respond by completing an online survey (https://consult.levellingup.gov.uk/local-government-finance/lgps-england-and-wales-climate-risk/).

Alternatively, please email your response to the consultation to LGPensions@levellingup.gov.uk.

Alternatively, please send postal responses to:

> LGF Pensions Team
> Department for Levelling Up, Housing and Communities
> 2nd Floor
> Fry Building
> 2 Marsham Street
> London
> SW1P 4DF

When you reply it would be very useful if you could make it clear which questions you are responding to. Additionally, please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:

- your name
- your position (if applicable)
- the name of organisation (if applicable)
- an email address

1. Introduction and summary of proposals

1. Addressing climate change is one of the major challenges we face in the UK and globally. The UK government is a world leader in commitments to transition to a low carbon economy and in 2019 set the target of achieving net-zero greenhouse gas emissions by 2050.

2. Investment in more sustainable projects and activities is essential in order to reduce climate change and to mitigate its impacts. Investors will also need to understand and manage the financial risks and opportunities arising from climate change in order to protect and grow their assets and cashflow.

3. To enable investors to make high-quality decisions and to encourage better pricing and capital allocation in markets, high quality disclosures will be needed regarding how their assets will affect and be affected by climate change.

4. The international Taskforce on Climate-related Financial Disclosures (TCFD) published a set of recommendations in 2017 with the aims of improving assessment, management, and disclosure of climate-related financial risks. In November 2020, the government announced the UK's intention to make TCFD-aligned disclosures mandatory in the UK across the economy by 2025, with a significant portion of mandatory requirements in place by 2023. The joint Government Regulators Taskforce's Interim Report, and accompanying roadmap

(https://www.gov.uk/government/publications/uk-joint-regulator-and-government-tcfd-taskforce-interim-report-and-roadmap), published alongside the announcement, sets out an indicative pathway to achieving that ambition.

5. In July 2021, the government went further by announcing its new, economy-wide Sustainability Disclosure Requirements (SDR) regime. This regime will build on the UK's world-leading implementation of the TCFD recommendations and streamline UK sustainability reporting. SDR will be broader than financial risk, extending to environmental impact (including disclosures based on definitions contained in the UK Green Taxonomy), and over time, to factors beyond climate, including broader sustainability factors such as environmental and social considerations.

6. In October 2021, the government published details of the regime, along with an implementation pathway, in its publication Greening Finance: A Roadmap to Sustainable Investing (https://www.gov.uk/government/publications/greening-finance-a-roadmap-to-sustainable-investing). This announced the intention to set up an endorsement and adoption function in the UK for standards issued by the International Sustainability Standards Board (ISSB). Standards issued by the ISSB will not have any legal force in the UK until they have been endorsed and adopted to ensure that the Standards applied in the UK reflect UK circumstances. The government will consult on proposals for a framework to introduce reporting against IFRS Sustainability Disclosure Standards in the UK in due course. SDR for the LGPS is not covered in this consultation but we will work with the Scheme Advisory Board to develop proposals.

Role of the LGPS

7. The LGPS is one of the largest pension schemes in the UK with 6.2 million members and a significant UK and global investor with £342 billion of assets in 2022. It is locally managed and funded by 86 administering authorities (AAs). The primary purpose of LGPS investments is to meet the scheme's long-term pension liabilities by balancing risk and return appropriately. However, the LGPS's scale and market power give it an opportunity to drive change through the investment chain through asset managers to investee companies.

8. AAs are already required to consider factors that are financially material to the performance of their investments, including environmental, social, and corporate governance considerations. They also must have a policy stating how such considerations will be considered in setting their investment strategy (https://www.legislation.gov.uk/uksi/2016/946/contents). The aim of the proposals in this consultation document is to build on that position by ensuring that the financial risks and opportunities arising specifically from climate change are properly understood and effectively managed by AAs, and that they report transparently on their approach in line with broader UK policy.

9. The government's view is that the requirements for the LGPS should set as high a standard as for private schemes. We have therefore made the requirements for private schemes (https://www.gov.uk/government/consultations/taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes-response-and-

consultation-on-regulations/taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes) the starting point for our proposals but have aimed to take account of the unique features of the LGPS including its local administration and democratic accountability through the AAs.

10. The UK Energy Security Strategy (https://www.gov.uk/government/publications/british-energy-security-strategy) was published in April 2022 and emphasises the importance of investment in energy by the private sector to improve energy security and support the transition to clean energy. The LGPS has an important role to play as a major investor with a commitment to stewardship and engagement. These proposals seek to support that approach to addressing high carbon emissions and discourage any pursuit of lower emissions through withdrawing investment from energy companies.

Summary of proposals

11. The new requirements on which we are consulting are discussed throughout this document. For ease, we have summarised the key proposals below.

Area	**Proposal**
Overall	Each LGPS AA must complete the actions listed below and summarise their work in an annual Climate Risk Report.
Scope and Timing	The proposed regulations will apply to all LGPS AAs. The first reporting year will be the financial year 2023/24, and the regulations are expected to be in force by April 2023. The first reports will be required by December 2024.
Governance	AAs will be expected to establish and maintain, on an ongoing basis, oversight of climate related risks and opportunities. They must also maintain a process or processes by which they can satisfy themselves that officers and advisors are assessing and managing climate-related risks and opportunities.
Strategy	AAs will be expected to identify climate-related risks and opportunities on an ongoing basis and assess their impact on their funding and investment strategies.
Scenario Analysis	AAs will be required to carry out two sets of scenario analysis. This must involve an assessment of their investment and funding strategies. One scenario must be Paris-aligned (meaning it assumes a 1.5 to 2 degree temperature rise above pre-industrial levels) and one scenario will be at the choice of the AA. Scenario analysis must be conducted at least once in each valuation period.

Area	Proposal
Risk Management	AAs will be expected to establish and maintain a process to identify and manage climate-related risks and opportunities related to their assets. They will have to integrate this process into their overall risk management process.
Metrics	AAs will be expected to report on metrics as defined in supporting guidance. The proposed metrics are set out below. Metric 1 will be an absolute emissions metric. Under this metric, AAs must, as far as able, report Scope 1, 2 and 3 greenhouse gas (GHG) emissions. Metric 2 will be an emissions intensity metric. We propose that all AAs should report the Carbon Footprint of their assets as far as they are able to. Selecting an alternative emissions intensity metric such as Weighted Average Carbon Intensity (WACI) will be permitted, but AAs will be asked to explain their reasoning for doing so in their Climate Risk Report. Metric 3 will be the Data Quality metric. Under the Data Quality metric, AAs will report the proportion the value of its assets for which its total reported emissions were Verified*, Reported**, Estimated or Unavailable. Metric 4 will be the Paris Alignment Metric. Under the Paris Alignment Metric, AAs will report the percentage of the value of their assets for which there is a public net zero commitment by 2050 or sooner. Metrics must be measured and disclosed annually.
Targets	AAs will be expected to set a target in relation to one metric, chosen by the AA. The target will not be binding. Progress against the target must be assessed once a year, and the target revised if appropriate. The chosen metric may be one of the four mandatory metrics listed above, or any other climate related metric recommended by the TCFD.
Disclosure	AAs will be expected to publish an annual Climate Risk Report. This may be a standalone report, or a section in the AA's annual report The deadline for publishing the Climate Risk Report will be 1 December, as for the AA's Annual Report, with the first Climate Risk Report due in December 2024. We propose that scheme members must be informed that the Climate Risk Report is available in an appropriate way.

Area	Proposal
Scheme Climate Report	We propose that the Scheme Advisory Board (SAB) should prepare an annual Scheme Climate Report including a link to each individual AA's Climate Risk Report (or a note that none has been published) and aggregate figures for the four mandatory metrics. We also propose that a list of the targets which have been adopted by AAs. We are open to views as to whether any other information should be included in the Scheme Climate Report.
Proper advice	We propose to require that each AA take proper advice when making decisions relating to climate-related risks and opportunities and when receiving metrics and scenario analysis.

*This refers to reported emissions calculated in line with the GHG Protocol and verified by a third-party.
**This refers to reported emissions calculated in line with the GHG Protocol without verification by a third-party.

12. The remainder of this chapter sets out the background to the proposals. In chapter 2, the proposed actions to be undertaken by LGPS AAs are discussed, and chapter 3 sets out the disclosure requirements. Chapter 4 discusses other issues, including our proposal for a Scheme Climate Report and the role of the LGPS asset pools. A summary of the consultation questions is at the end of the document.

Background

The TCFD recommendations

13. The TCFD is a global, private sector led group assembled in December 2015 at the instigation of the Financial Stability Board (FSB), an international body that monitors and makes recommendations about the global financial system. Following extensive public consultation, they published their recommended disclosures in June 2017.

14. The recommendations were designed to be adoptable by all organisations, including those inside and outside the financial industry, from asset managers to asset owners, including banks, insurers and pension schemes.

15. The TCFD designed the set of recommendations as a flexible framework for these organisations. The framework is meant to produce decision-useful, forward-looking information on the financial impacts of climate change. It is also meant to accommodate continued rapid evolution in climate-related modelling, management, and reporting.

16. The final report included 11 recommendations. These are split into Governance, Strategy, Risk Management, and Metrics and Targets.

Core elements of recommended climate-related financial disclosures

Governance: The organisation's governance around climate-related risks and opportunities.

Strategy: The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

Risk Management: The processes used by the organisation to identify, assess and manage climate-related risks.

Metrics and Targets: The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Benefits of the TCFD recommendations for the LGPS

17. A TCFD-aligned approach to climate risks will offer the opportunity for LGPS AAs to build on the relatively high-level requirements of the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016 (https://www.legislation.gov.uk/uksi/2016/946/contents). It permits them to demonstrate how the consideration of climate change risks and opportunities are integrated into the AA's entire decision-making process.

18. Carrying out scenario analysis, reporting on appropriate metrics that include greenhouse gas emissions, and setting appropriate targets, would provide valuable inputs to inform an AA's investment strategy. It would also allow AAs to monitor

and review progress and to make amendments to the investment strategy where necessary. Disclosing this information would provide greater transparency to members and taxpayers about how their money is being managed.

19. The flexible structure of the TCFD recommendations also allows AAs to continuously improve climate risk governance and reporting in the light of rapidly increasing data quality and completeness and emerging best practice.

20. Many aspects of the tools and data used for climate-related analysis are still in development, but AAs can take substantive action now to address climate risk and to report on it as part of their duties to scheme members, employers and the public. There are already enough data, analysis and tools to effect real change when AAs use the data to manage risks and opportunities.

Comparison with regime for private pension schemes

21. The Department for Work and Pensions (DWP) has already introduced requirements on climate risk management and reporting for private pension schemes, in regulations which came into force on 1 October 2021. Implementation will be staged for private pension schemes. Private schemes with £5 billion or more in assets were immediately in scope, with those with £1 billion or more to follow in October 2022. Schemes with less than £1 billion in assets are not currently covered. The DWP has published statutory guidance on the requirements (https://www.gov.uk/government/publications/governance-and-reporting-of-climate-change-risk-guidance-for-trustees-of-occupational-schemes).

22. DWP's intention to implement the UK's new Sustainability Disclosure Requirements (SDR) regime for private pension scheme is outlined in Greening Finance: A Roadmap to Sustainable Investing (https://www.gov.uk/government/publications/greening-finance-a-roadmap-to-sustainable-investing). SDR requirements for the LGPS are not covered by this consultation.

23. The proposals set out in this consultation are broadly similar to the requirements for private pension schemes, and encompass the same four areas of governance, strategy, risk management and metrics and targets. However, a key difference is that our proposed requirements will apply to all LGPS AAs from 2023/24 regardless of fund size. Currently the assets held by LGPS funds range from around £0.5 billion to £25 billion with 65 funds holding less than £5 billion and 8 funds holding less than £1 billion.

24. We recognise that larger LGPS funds are likely to have more capacity to meet new requirements than smaller funds. However, our view is that it would not be right to stage implementation within a single pension scheme in which all funds face climate risks, are democratically accountable and subject to high external scrutiny. We also believe that the LGPS asset pools can play a key role in supporting implementation (see discussion in Chapter 4).

25. Another key difference is the proposed requirement to report data quality as a mandatory metric. This aims to help the LGPS use its scale and market power to drive improvements in the quality of emissions data, which will be a critical factor in

raising the quality of climate risk management.

Other relevant regulated areas

26. Pension schemes sit at the top of an investment chain, whereby the assets are usually invested in products via a financial intermediary, who may then invest directly in products such as equities. Therefore, schemes rely on high quality data being provided up the chain to produce meaningful climate related disclosures. In preparing these proposals we have been mindful of regulation in other areas which may impact the ability of LGPS AAs to carry out the requirements.

27. The Department for Business, Energy and Industrial Strategy (BEIS) has consulted on TCFD-aligned regulations for certain publicly quoted companies, large private companies, and Limited Liability Partnerships (LLPs). The requirements came into effect in April 2022[footnote 1].

28. The Financial Conduct Authority (FCA) have introduced a new listing rule and guidance (https://www.handbook.fca.org.uk/instrument/2022/FCA_2022_6.pdf) which requires commercial companies with a UK premium listing to include a compliance statement in their annual financial report. This statement must indicate whether the company has made disclosures consistent with the recommendations of the TCFD or provide an explanation if it has not done so.

29. In addition, the FCA has introduced TCFD related rules and guidance at the portfolio and entity level for asset managers, life insurers, and FCA-regulated pension providers. This is particularly relevant to the LGPS as some of the LGPS asset pools will be subject to these requirements in their capacity as asset managers.

30. The Pensions Regulator (TPR) also has a role in this area. It has published guidance intended to help trustees of private sector occupational pension schemes (https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/climate-related-governance-and-reporting). While TPR has no remit regarding the investments of LGPS funds, their advice and guidance may be useful for LGPS AAs wishing to adopt best practice. In addition, TPR has a role in overseeing the governance of LGPS AAs, which would include the governance requirements outlined here.

31. Our proposals are intended to facilitate consistency across the investment chain and take account of these consultations and requirements by other regulators.

32. Finally, we view these proposals as the first step on the journey to implementing in full the new UK Sustainability Disclosures Regime, announced by the then Chancellor in July 2021 (https://www.gov.uk/government/news/chancellor-sets-out-how-uk-financial-services-can-create-prosperity-at-home-and-project-values-abroad-in-first-mansion-house-speech).

2. Proposed requirements

33. The TCFD recommendations cover requirements in four areas: governance, strategy, risk management, and metrics and targets. In this chapter, we discuss how these recommendations can be implemented in the LGPS, taking account of its existing structure and framework. We also set out our proposed requirements for AAs. Proposals on disclosure in relation to each area are discussed in Chapter 3.

34. The proposed requirements relate only to the assets and liabilities in respect of the pension scheme and not to other AA activity. For example, emissions caused by travel to meetings, or office provision, would not need to be disclosed as they are not directly attributable to the assets of the LGPS.

Governance

35. The TCFD recommendations on governance aim to place development of a robust climate governance framework at the centre of an organisation's operations. The framework itself is designed to be adoptable by all organisations and easily translatable into sector-specific arrangements.

36. For LGPS AAs, however, we believe that the governance requirements in particular may require some adjustment in order to reflect the nature of their existing governance.

37. The role of the AA's scheme manager is broadly similar to that of the board, as described in the TCFD recommendations. The scheme manager of an LGPS AA usually takes the form of a pensions committee, and is assisted by the local pensions board. The scheme manager is accountable for funding strategy, investment strategy, asset allocation, and overall risk management. It will therefore be responsible for the assessment and management of climate risks and opportunities in relation to the investments. The LGPS asset pool in which the AA is a partner, in turn, is responsible for implementation of the investment strategy except in respect of non-pooled assets which remain with the fund.

38. Decisions on investment matters may therefore be taken by the scheme manager, informed by advice from external advisers and officers, or delegated to an officer or to the pool. All have important roles in effectively assessing and managing climate change risk and opportunities, and all will be central to the AA's efforts to fully embed climate risks into their governance processes.

39. The scheme manager will need to appoint properly qualified advisers, fully consider their advice, and take appropriate action in order to address these risks. The committee's officers and advisers and the pool, where appropriate, will need to provide advice which is accessible for non-specialists and adequately addresses climate risks to the fund, bringing in additional expertise where needed. We propose to provide statutory guidance to assist AAs. The role of the LGPS asset pools and knowledge and skills requirements are discussed further in Chapter 4.

40. However, we are not proposing to place any legal duties on individuals, whether officers or advisers, or on the pool. Our proposal is to place new duties on AAs to:

- establish and maintain, on an ongoing basis, oversight of climate related risks and opportunities
- establish and maintain processes by which they can, on an ongoing basis, satisfy themselves that those who undertake climate-related governance activities, advisors, and those who assist the AA (including officers and advisors) with respect to climate related governance are doing so effectively.

Question 1: Do you agree with our proposed requirements in relation to governance?

Strategy

41. The TCFD’s recommendations on strategy are intended to promote continuous assessment of the implications of climate change for an organisation’s strategy.

42. For AAs, climate risks will be relevant to both their investment and funding strategies. AAs will need to consider what physical and transition risks and opportunities may affect both strategies and over what time periods. These may include a wide range of factors, including carbon pricing, adoption of new technology or lower carbon alternatives, and extreme weather events.

43. AAs will also need to assess the impacts of the identified risks and opportunities over the same time periods on their strategies. They also need to consider what actions to take in response. The assessment will need to take account of the materiality of the risks, and the liquidity and time horizon of the assets, as well as the cashflow and liabilities of the fund. It will be for the AA to determine the appropriate time periods and to take a view on materiality of risks taking account of these factors.

44. We propose to provide statutory guidance to assist AAs to identify risks and opportunities, and to assess the impacts, including consideration of factors to be taken into account.

45. Our proposal is to place new duties on AAs to:

- identify, on an ongoing basis, climate-related risks and opportunities that will impact the investment and funding strategy of the AA, over the short, medium and long term.
- assess, on an ongoing basis, the impact of the identified risks and opportunities on the AA’s investment and funding strategy.

Question 2: Do you agree with our proposed requirements in relation to strategy?

Scenario analysis

46. The TCFD recommends that organisations undertake scenario analysis in order to improve the quality of strategies. It recommends that organisations consider credible, distinctive, and relevant scenarios for the future path of climate change and that they test the assessment of impacts and the proposed actions against these scenarios.

47. Scenario analysis is particularly relevant to AAs seeking to assess the medium- and long-term impacts of climate change on their assets, liabilities and strategies. These longer-term potential impacts, as well as sudden events such as climate tipping points, may not be captured by traditional risk management, particularly where there are high levels of uncertainty. Scenario analysis can also help to create and maintain strategies which take full account of climate risks and opportunities.

48. We recognise that at present the use of climate scenarios is still new and that current assumptions and methodologies vary. Data quality and availability may also be a problem particularly for some asset classes. Nevertheless, we expect the development of expertise, methodologies, and data to accelerate rapidly in the next few years and hope to see greater consensus in the future.

49. We therefore propose that regulations would require AAs to conduct scenario analysis as far as they are able to. This analysis may be qualitative or quantitative, but we would expect AAs to carry out quantitative analysis where possible and to expand the assets covered by quantitative analysis as quickly as possible.

50. We also propose to provide statutory guidance on scenario analysis to assist AAs, including guidance on dealing with missing or poor-quality data and other barriers. We would expect AAs to aim to do the best scenario analysis that they can, and to aim to improve their scenario analysis over time.

51. The TCFD also recommends that organisations consider a range of climate scenarios, including a scenario based on global temperatures increasing by 2°C or lower over pre-industrial levels. The 2° or lower scenario is important because this level of temperature rise is believed to limit catastrophic physical risks such as flooding and droughts, but there may still be significant short term transition risks due to changes to policy, technology and markets. Scenarios based on higher temperature rises may see more impacts from physical risks both in the short and long term, with lower transition risks.

52. We therefore believe that AAs must consider two or more climate-related scenarios, at least one of which must be a scenario of 2°C or lower temperature rise. AAs will need to assess their assets and liabilities, and their investment and funding strategies against these scenarios.

53. Investment and funding decisions are made triennially in accordance with the valuation cycle. As scenario analysis should feed into these decisions, we recommend that it is incorporated into the valuation cycle and carried out at least every three years. In the interim years, AAs should consider whether a new

scenario analysis should be carried out to reflect any changes in the fund. In a normal year, where there have been only minor changes in the scheme, we would not expect AAs to repeat scenario analysis given it is a substantial piece of work.

54. We propose to place a new duty on AAs to:

- assess their assets, liabilities, investment strategy and funding strategy against climate risks and opportunities in at least two climate scenarios. This assessment must include at least one scenario based on a global temperature rise of 2°C or lower on pre-industrial levels. This assessment must occur at least once every valuation cycle. In interim years, AAs must consider whether any changes in the fund have been substantial enough to require scenario analysis to be repeated.

Question 3: Do you agree with our suggested requirements in relation to scenario analysis?

Risk management

55. The TCFD's recommendations aim to ensure that risk management in relation to climate risks is rigorous, comprehensive, and fully integrated into wider risk management.

56. In line with the TCFD recommendations, we propose that regulations require that AAs identify and assess their fund's exposure to climate-related risks and take action to manage the risks identified. This will include consideration of both physical and transition risks and the materiality of those risks, as well as proximity and likelihood.

57. This means having effective processes for identifying climate-related risks and opportunities, and assessing their likely impact on assets, liabilities, investment and funding strategies. We propose that guidance will support AAs in ensuring they have the most appropriate processes in place and that they consider the full range of relevant factors and types of risk and opportunity.

58. AAs will already have risk management processes in place to manage investment risks. We therefore propose to require AAs to integrate these climate-related processes in their existing risk management processes. AAs may also wish to identify, assess and take action on climate-related opportunities, and integrate the consideration of these opportunities in their risk management. We propose to provide statutory guidance to assist AAs.

59. Our proposed requirements are for AAs to:

- Establish and maintain processes for the purpose of enabling them to identify and assess climate-related risks.

- Establish and maintain processes for the purpose of enabling them to effectively manage climate-related risks.
- Ensure, on an ongoing basis, climate-related risk management processes are integrated into their overall risk management.

Question 4: Do you agree with our proposed requirements in relation to risk management?

Metrics

60. The TCFD recommends that organisations select and disclose metrics to assess and monitor climate risks and opportunities over time. This section discusses the various metrics under consideration.

61. We propose to require AAs to measure and disclose four metrics: Total Carbon Emissions, Carbon Footprint, Data Quality and a Paris Alignment Metric. Total Carbon Emissions and Carbon Footprint both use emissions which can be divided into Scope 1, 2 and 3. The metrics relate to assets held by the AA in respect of paying benefits, not to other activity carried out by the AA such as travel.

Scope 1, Scope 2 and Scope 3 emissions

62. Scope 1 emissions are all direct emissions from the activities of an organisation or activities under its control. These emissions include fuel combustion on site such as gas boilers.

63. Scope 2 emissions are indirect emissions from electricity purchased and used by the organisation. Emissions are created during the production of the energy which is eventually used by the organisation.

64. Scope 3 emissions are all other indirect emissions from activities of the organisation, occurring from sources that they do not directly control. These are sometimes the greatest share of a carbon footprint, covering emissions associated with business travel, procurement, production of inputs, use of outputs, waste, and water.

65. Scope 1 and Scope 2 emissions are much more widely available and reliable statistics, which are highly desirable features in understanding an asset’s carbon exposure. Scope 3 emissions are less widely reported, and when they are reported, they are often calculated on an approximate basis.

66. For many assets, Scope 3 will be by far the largest single category of emissions, and therefore excluding Scope 3 would significantly underreport total emissions. Excluding Scope 3 emissions will also favour some industries such as online retailers which have low Scope 1 and 2 but high Scope 3 emissions.

67. Therefore, in including Scope 3 emissions in reporting there is a trade-off. Reporting a figure which includes Scope 3 emissions is subject to more inaccuracy than Scopes 1 and 2. However, we propose to require reporting on all three types of emission as this gives the fullest picture of carbon exposure.

Absolute emissions metric: Total carbon emissions

68. Absolute emissions metrics measure the overall carbon emissions attributable to the fund's invested assets. A figure for total carbon emissions enables the AA to set a baseline for climate action and to understand the scale of the climate impact of its investments. Without a clear baseline, AAs cannot assess the impact of different scenarios.

69. We propose to require AAs to obtain, as far as they are able to Scope 1, Scope 2 and Scope 3 GHG emissions for the fund's assets – that is, the pension scheme's financed emissions. These are the emissions referred to as category 15 (investment emissions) in the Greenhouse Gas (GHG) Protocol Technical guidance (https://ghgprotocol.org/scope-3-technical-calculation-guidance). This measure is referred to as Total Carbon Emissions.

70. We propose that Scope 1, Scope 2 and Scope 3 emissions should be recorded separately and that the sum of the three should also be reported. Therefore, four figures should be reported to comply with the Total Carbon Emissions Metric.

71. There are different methodologies for attributing carbon emissions to investments. We propose to clarify the appropriate methodology in supporting guidance.

72. We propose that Total Carbon Emissions is calculated and reported annually via the Climate Risk Report (see Chapter 3).

73. The Total Carbon Emissions should be reported at the level of the whole of the fund. That is, it should be the total of the carbon emissions of all of the investments it holds. If the AA wishes, they may wish to consider the Total Carbon Emissions for each of its investments separately as well, as doing so may give the AA a clearer picture of where its carbon exposures lie. However, investment level reporting is not required in the annal Climate Risk Report.

Emissions intensity metric: Carbon footprint

74. Absolute emissions are a useful baseline to assess the fund's overall carbon exposure. However, they are hard to compare across assets and across funds, because larger investments naturally will have larger emissions.

75. We therefore propose that an Emissions Intensity Metric is calculated in addition. This should be calculated by dividing the Total Carbon Emissions by the total assets held by the fund for which data was available or estimated. This calculation we refer to as Carbon Footprint.

76. Carbon Footprint is easier to interpret as it does not depend on the size of the investment. A disadvantage of this metric however is that an increase in market capitalisation or revenue, all else being equal, will result in a decrease in the AA's emissions per £ million invested.

77. As explained above, using Scope 1 and 2 emissions only produces a more reliable but less complete picture of carbon exposure. We propose that Carbon Footprint is reported for Scope 1, Scope 2 and Scope 3 emissions, in each case calculated as Scope X Emissions divided by Assets for which Scope X emissions were available or estimated.

78. We propose that Carbon Footprint is calculated and reported annually via the Climate Risk Report (see Chapter 3).

79. We propose that only the top-level figure at the whole fund level is required to be produced and reported by AAs.

80. We propose that funds should report Carbon Footprint, however if they cannot do so they should report another similar metric such as Weighted Average Carbon Intensity. In these cases, the administering authority should explain why they have done this.

Data quality and the data quality metric

81. The lack of available data is a commonly reported pitfall when schemes seek to calculate the TCFD's emissions metrics. Few, if any, AAs will be able to obtain full underlying data to allow the calculation of metrics across their whole fund at present.

82. Where gaps in data do exist, it should be regarded as preferable to use modelling or estimation to fill them, rather than to leave them unaddressed or reporting as null. Beginning with estimated or proxy data can help identify carbon-intensive areas within investments. This also serves as a benchmark for asset-specific data points as and when they become available. AAs may choose to calculate metrics and set targets only for assets for which reliable data can be found. AAs may also request that service providers analyse their funds using market average techniques and assumption-based modelling.

83. We regard the inevitable gaps in data as being an important part of the challenge AAs face. We believe that the level of certainty in the data should be understood by those making decisions and should also be visible externally.

84. We also believe that the LGPS can play its part in increasing data availability and quality through increasing transparency on data quality and by adopting metrics consistent across the LGPS and private pension schemes. We therefore propose that regulations require that AAs obtain data on data quality as far as they are able and calculate a data quality metric. We also propose that guidance should set out how AAs should assess and disclose the quality and availability of data.

85. We propose that AAs should state the percentage of the value of their assets for which emissions have been Verified, Reported, Estimated or are Unavailable.

86. “Verified” and “Reported” are defined as data produced using the methodology for reporting and verifying carbon emissions given in the GHG protocol. Data can be verified by an independent third party, not necessarily an audit firm. “Estimated” includes data which has been estimated, for example using industry averages or modelling based on assumptions.

87. Where an asset has associated emissions data but the data quality as defined above cannot be confirmed, then it should be classed as estimated. “Unavailable” means that emissions data was unavailable, not that confirmation of the data quality was unavailable.

88. The data quality metric should be reported for Scope 1, Scope 2 and Scope 3 emissions separately.

89. The data quality metric on its own does not replace proper scrutiny of data. Examples of this include data which is “reported” but may not have been reported recently and it may not be completely clear whether emissions relate to a whole company or a subsection of it. “Unknown” data may be known to the company but not submitted to investors. AAs are encouraged to ask questions of their fund managers to be effective stewards of their data. Third party firms may be used to investigate and summarise issues such as these into an overall narrative to be included in the Climate Risk Report.

90. We propose that only the top-level figure for each Scope of emissions is required to be produced and reported by AAs in the Climate Risk Report.

Paris alignment metric

91. The TCFD’s guidance recommends that financial institutions should describe the extent to which their activities are aligned with a well-below 2°C scenario (i.e. with the goals of the Paris agreement), which is consistent with net zero carbon emissions by 2050. 92. We propose to introduce a requirement that the LGPS AAs should report a Paris Alignment Metric in line with the TCFD’s recommendation.

93. Paris Alignment Metrics look at the future trajectory of emissions, whereas Total Carbon Emissions and Carbon Footprint only measure emissions which have already taken place. Forward-looking metrics such as Paris Alignment are more useful for active decision making than historic ones. They will be key to investors robustly assessing and reporting their portfolios’ alignment with their own climate goals and may help address exposure to transition risk. They are also useful for plotting trends over time.

94. There are multiple ways to report Paris Alignment Metrics, which are explored in the Portfolio Alignment Team’s Measuring portfolio alignment: Technical Considerations (https://www.tcfdhub.org/wp-content/uploads/2021/10/PAT_Measuring_Portfolio_Alignment_Technical_Considerations.pdf), which was commissioned by the TCFD. This states that financial institutions should use whichever portfolio alignment tool best suits their institutional context and capabilities, and describes three main types of portfolio alignment metrics, as follows:

- binary target measurements: This tool measures the alignment of a portfolio with a given climate outcome based on the percentage of investments in that portfolio that either have declared net zero/Paris-alignment targets or are already net zero/Paris-aligned.
- benchmark divergence models: These tools assess portfolio alignment by comparing the forecast emissions performance of investments or counterparties in the portfolio against benchmarks.
- implied temperature rise (ITR) models: these tools translate an assessment of alignment with a benchmark into a measure of the consequences of that alignment in the form of a temperature score.

95. These metrics are ambitious and if calculated reliably can create an extremely useful picture of a fund's climate risks. ITR in particular links a portfolio to a specific climate outcome in a way which is scientific, incentivises action and is comprehensible to the lay audience.

96. The main problem with Paris Alignment Metrics is data, as in most cases only limited or approximate data is available. At best this means only a partial view is possible, and at worst it can create a false picture of the true exposure of a fund by over- or underestimating the metric.

97. However we believe that an imperfect metric will still be useful. Calculating ITR will be useful for funds to understand their carbon trajectories. Moreover, the more funds choose to calculate the ITR the faster the data will improve.

98. The LGPS has a responsibility to its members, employers and the public, and the Government considers it important that publicly accessible data is accurate and as useful as possible. In addition, it is useful for funds to report consistently with each other and for the results to be possible to aggregate into an overall scheme view for the LGPS.

99. We regard the Binary Target Measure to be the most appropriate for the LGPS at this point having taken these factors into account. It is simple to understand while still providing useful insights, and less subject to the data issues which exist for the other metrics. As data improves, the Government may change its approach to reflect this, and we encourage the LGPS and the sector to take a lead in promoting the most useful metrics.

100. Therefore, we propose that all AAs should report the percentage of their total assets with declared net zero or Paris-aligned targets. This is the Binary Target Measurement described above.

101. We also encourage AAs to calculate other Paris Alignment Metrics which they consider to be useful in managing their climate risks. We note that it is not only the commitment to net zero but also the pathway towards net zero which dictates Paris-alignment. For instance, a company may have made a net zero commitment, but still be making insufficient emissions reductions in the short term. For this reason, AAs should consider whether collecting and reporting an additional Paris Alignment Metric would be useful.

102. We propose that only the top-level figure at the whole fund level is required to be produced and reported by AAs.

Other metrics

103. We have proposed requirements for four metrics. However, we do not intend to limit the range of additional and more ambitious metrics AAs may select. The Government encourages AAs to calculate other metrics which are endorsed by the TCFD, such as Climate Value at Risk (VAR)[footnote 2].

Guidance and regulation

104. We propose that the requirement to publish metrics is set out in regulations, but that the metrics themselves are defined in statutory guidance. This has the advantage that as metrics become more available and accurate over time, changes may be made to update the metrics without amending regulations.

Summary of metrics proposals

105. We propose to require AAs to calculate and report the following metrics:

- Metric 1 (absolute emissions metric) - Total Carbon Emissions, which includes the Scope 1, 2 and 3 emissions reported separately, as well as the sum of the three.
- Metric 2 (emissions intensity metric) - Carbon Footprint. This is Carbon Emissions divided by the total assets of the fund to which the data relates. It should be calculated separately for Scope 1, Scope 2 and Scope 3 emissions.
- Metric 3 (data quality metric) – the percentage of assets for which Scope 1, 2 and 3 emissions are verified, reported, estimated or unavailable, in line with the GHG Protocol.
- Metric 4 (Paris Alignment Metric) – the percentage of the fund's assets for which a public Paris aligned commitment has been made, i.e. net zero by 2050.

106. We also propose to recommend in statutory guidance that AAs consider whether they wish to calculate any other climate related metrics recommended by the TCFD in order to inform assessment of climate risks.

Question 5: Do you agree with our proposed requirements in relation to metrics?

Targets

107. The TCFD recommends that organisations set targets based on the metrics they select, including a target date, baseline and performance indicators, in order to focus efforts on managing climate risk.

108. The metrics proposed support AAs to assess the current climate risks and opportunities to their assets. Targets will assist AAs to take the next step to set their strategy for managing climate risks and opportunities to the fund and to measure their progress, as well as increasing accountability.

109. We therefore propose that regulations require at least one target to be set either for one of the mandatory metrics listed above or another TCFD-endorsed metric. This additional metric may be one of the more ambitious climate-related metrics, such as Climate VAR or Implied Temperature Rise, but must be limited to metrics endorsed by the TCFD or any of the mandatory metrics.

110. We also propose that AAs should be required to measure and report performance against their targets annually, as far as they are able, as for the requirement on obtaining data. This recognises that measuring and disclosing performance is dependent on data provided by others in the investment chain, in the same way as the requirement to obtain data for metrics. In order to ensure that targets are used and kept up to date, AAs will also be required to consider annually whether to continue with the target or replace it. We propose to provide statutory guidance to assist AAs.

111. Our proposed requirements for AAs are:

- AAs must set a target for their fund in relation to one of the metrics which they have selected. The target may be in relation to one of the mandatory metrics (absolute emissions, emissions intensity, data quality or Paris alignment), or any other climate-related metric endorsed by the TCFD which the AA chooses.
- AAs must annually measure, as far as they are able, the performance of their fund against the target they have set and taking into account that performance, determine whether the target should be retained or replaced.

112. There is no expectation that AAs should set targets which require them to divest or invest in a given way, and the targets are not legally binding.

Question 6: Do you agree with our proposed requirements in relation to targets?

As far as able

113. We propose that AAs must carry out scenario analysis, obtain data, calculate, and use metrics and measure performance against AA-set targets ‘as far as they are able’. This means that AAs are expected to take all reasonable and proportionate steps given costs and time constraints. However, we recognise that there will inevitably be some gaps in the work produced, and while we would expect AAs to do as much as they can we recognise that some elements are outside of their control. Therefore, where authorities are not able to comply with these proposals, they must include in their report both the areas and reasons where they are not able to comply in full.

114. The requirement for AAs to comply as far as they are able will enable them to produce metrics for only part of the portfolio or using estimation or incomplete data sets. This will still be decision-useful information for AAs. The urgency of climate change means that the AAs cannot wait until they have perfect data before they start putting it to use.

Ongoing and annual duties

115. We distinguish between ongoing and discrete duties. For duties which are regular discrete events such as reporting, we have proposed specific time intervals for AAs to follow. Ongoing duties on the other hand are those which do not take place as a distinct event but a continuous requirement. For example, AAs should always be managing the risks of the fund, and so we would think of risk management as an ongoing requirement. In practice, we recognise that these requirements will be considered at regular intervals as well, but the requirement itself would be ongoing.

116. All duties are ongoing, except requirements to conduct scenario analysis, calculate metrics, and set and review performance against targets.

117. Scenario analysis must be carried out in the reporting year 2023/24 and at least every three years thereafter. In the intervening years, AAs should review whether circumstances have changed enough to refresh their analysis. This decision should take account of availability of data, or a significant change in investment or funding strategy. AAs should explain in their Climate Risk Report whether they have carried out a new analysis, and if not give a short explanation as to why.

118. Underlying data for metrics and targets must be obtained, the metrics calculated, and performance against targets measured, at least annually.

3. Reporting on climate risks

119. High quality reporting on climate risks is central to the TCFD's recommendations. The aim is to enable stakeholders to understand as fully as possible their climate exposures and the AA's approach to addressing those risks, in the short, medium and long term. Transparency will also enable users of the reports to measure and monitor current performance against targets and the planned trajectory and to assess the implications for future performance.

120. To achieve these aims in the LGPS, reporting will need to be clear, comprehensive and consistent, as well as timely, verifiable and comparable across the sector, in line with the TCFD's principles for effective disclosure[footnote 3]. This chapter sets out our proposals ensuring that reporting both at AA and at scheme level meets these standards, and delivers proper accountability to members, locally and across the scheme.

Annual climate risk report

121. We propose that each AA publishes a Climate Risk Report every year, at the same time as the AA's annual report is published – i.e. 1 December for the reporting year which ended the previous 31 March. Once published, the Climate Risk Report must be easily and freely accessible online and members must be informed of where to find it. In addition, links to each AA's Climate Risk Report will be included in the Scheme Climate Report and may be shown on the Scheme Advisory Board's (SAB) website. The Climate Risk Report may be a constituent part of the AA's Annual Report, or a standalone report.

122. This means that the first report for the year 2023/24 must be available by 1 December 2024.

123. The Climate Risk Report should be accessible to two distinct types of user: specialist and non-specialist. The Climate Risk Report will contain detailed and useful data, and we hope that the metrics, targets and scenario analysis in particular will be important resources for specialist audiences. This role of the Climate Risk Report may require it to be technical in content, and dense with information.

124. In addition, various non-specialist stakeholders including scheme members, members of the public and other parties will also need to be considered. The Climate Risk Report should include enough information to be understood by the lay reader.

125. The AA will have to decide on how best to approach these dual requirements. One approach is to split the Climate Risk Report into two sections: a body and a short executive summary. The executive summary would be written to explain the AA's approach and high-level findings to the lay reader. This allows the body of the Climate Risk Report to be technical as is useful to specialist audiences. We regard this as a very effective way to address this balance, although other approaches would also be valid.

126. We would like to stress that the narrative provided in the Climate Risk Report will be as valuable as the data for most audiences. Metrics by themselves are difficult to interpret for the lay reader.

127. For example, differences in an AA's investment allocation, such as its strategic allocations between the main asset types will affect its carbon emissions. Moreover, a high carbon exposure or poor alignment with the Paris climate goals may be managed by effective stewardship and engagement from the AA. AAs should ensure that messages such as these are presented in a way to help the lay reader interpret the report and understand the fund's strategy towards managing the risks from climate change.

128. It is important that the report must be easily accessible to scheme members, on the AA's website and via an internet search. We propose that AAs must at least inform members of the Climate Risk Report and how to find it when they issue their

annual benefit statements. This does not necessarily mean including wording in the annual benefit statement itself.

129. Climate Risk Reports should be produced in line with the [Local government transparency code 2015 (https://www.gov.uk/government/publications/local-government-transparency-code-2015/local-government-transparency-code-2015)](https://www.gov.uk/government/publications/local-government-transparency-code-2015/local-government-transparency-code-2015).

130. We propose that the Climate Risk Report must include the following information:

Area	**Disclosure Requirement**
Governance	Describe the AA's oversight of climate-related risks and opportunities Describe the role of any person other than the scheme manager who undertakes relevant governance activities and the process by which the committee satisfy themselves that this is being done Describe the role of any person who (other than a legal advisor) advises the scheme manager on relevant governance activities and the process by which the committee satisfies itself that adequate steps are being taken
Strategy	Describe the climate-related risks and opportunities which the scheme manager has identified Describe the scheme manager's definition of short term, medium term and long term
Scenario Analysis	Describe the most recent scenarios the scheme manager has analysed Describe the impact of the climate-related risks and opportunities on the AA's investment and funding strategies Describe the potential impacts on the AA's assets and liabilities which the AA has identified in the most recent scenarios and the reason for any data which is missing from the analysis Describe the resilience of the AA's investment and funding strategies in the most recent scenarios the AAs have analysed

Area	Disclosure Requirement
Risk Management	Describe the processes which the AA has established for identifying and assessing climate-related risks to their fund Describe the processes which the AA has established for managing climate-related risks to the AA Describe how these processes are integrated into the AA's overall risk management
Metrics	Report the metrics which the AA has calculated (or an explanation as to why these were not possible to calculate)
Targets	Report the target which the AAs have set and the performance of the AA against that target.

Question 7: Do you agree with our approach to reporting?

Scheme climate risk report

131. In addition to the Climate Risk Reports published by each AA, we are proposing an annual Scheme Climate Risk Report to provide an overview of the LGPS and climate risks, produced by the Scheme Advisory Board (SAB). Such an overview would be useful for scheme members and other stakeholders. It would also enable the LGPS to demonstrate progress and impact, and showcase good practice.

132. We therefore propose as a minimum that the Scheme Climate Risk Report would include links to each AA's Climate Risk Report and the four aggregated metrics for the whole LGPS.

133. In relation to metrics, we propose that Total Carbon Emissions and Carbon Footprint should be calculated and reported at an aggregate level. This would involve a simple sum of Total Carbon Emissions for Aggregate Total Carbon Emissions. In order to calculate Aggregate Carbon Footprint, this would be calculated as Aggregate Total Carbon Emissions divided by the overall size of the LGPS investment portfolio for which total emissions are at least estimated. This would be done separately for Scope 1, Scope 2 and Scope 3 emissions.

134. When reporting the data quality metric, each AA must report the proportion of its assets for which overall emissions data is: Verified, Reported, Estimated or Unavailable. One reason that we have proposed this metric is that it can be aggregated across AAs. As risk management is a key objective of TCFD reporting, we believe that visibility of data quality, which is essential to the understanding of

risk, will be a useful way to measure progress. Therefore, we propose to show overall data quality in the Scheme Climate Report, whereby the LGPS's entire assets will be divided into verified, reported, estimated and unknown.

135. We propose that the SAB reports on an aggregate Paris Alignment Metric based on AA level reports. This would show the proportion of the value of the whole LGPS's assets for which there is a net zero commitment in line with the Paris goals.

136. In the above paragraphs we have outlined our minimum proposals for the Scheme Climate Risk Report. In addition, we are inviting views about whether emissions, data quality and Paris-alignment metrics for each AA should be shown in the Scheme Climate Risk Report.

137. Emissions and data quality metrics will already be available in the Climate Risk Reports published by each AA and it will be possible to make comparisons between AAs. AAs may be concerned about being compared unfairly, and may fear that this may lead to pressure to reduce emissions through divestment. There is no expectation from Government that AAs should reduce emissions via divestment.

138. We recognise that transparency is an important feature of the LGPS's approach to managing climate risks. It is important for all those to whom the Scheme is accountable have easy access to climate-related information.

139. We do not propose to include any aggregate data on the scenario analysis requirement. This is because scenario analysis may be very difficult to aggregate in a meaningful way.

Question 8: Do you agree with our proposals on the Scheme Climate Risk Report?

4. Other issues

140. This chapter deals with a number of other issues relevant to the implementation of the TCFD recommendations in the LGPS.

The role of the LGPS asset pools

141. Since 2015, 8 LGPS pools have been set up with the aim of securing the benefits of scale including more professional management, reduced investment costs, increased net returns, improved resilience, and access to a wider range of assets, including infrastructure. Many of the pools have developed significant capabilities in relation to climate risks and responsible investment more broadly.

142. As of March 2021 around 80% of the Scheme's assets are either pooled, in a transition plan to be pooled, or have some oversight by their pool, although the proportion varies widely across AAs and across pools. For pooled assets, we expect that the pools will be able to provide data, calculate metrics and carry out scenario analysis on these assets where that data is available. There are differing views on the extent to which pools will be able to deliver these services for assets that are not held by the pool, especially where there are already contracts with data providers in place. Some pools will already be able to provide advice on data, metrics and scenario analysis and other relevant issues or will wish to develop or jointly commission such advice.

143. In this landscape there is potential for a multiplicity of different analyses and reports to be required on the same LGPS assets. Pool operators are required to report on climate risks in relation to pooled assets by the Financial Conduct Authority. If AAs' strategies significantly differ it will be resource intensive for their pool to produce analysis for them.

144. We expect to see this issue reduce in importance over time as more assets transition into the pools. AAs which have transferred close to 100% of their assets excluding cash to their pools would be able to use the analyses conducted by their pool for their own purposes. AAs could also minimise this issue by aligning their strategies and targets within their pool and ensuring as shareholders that the pool's strategy also aligns with that of the partner AAs. This would enable AAs to commission their pool to conduct analyses for both pooled and non-pooled assets on a consistent basis with the pool's own reporting. Both completing transition and aligning strategies would also have significant wider benefits for costs and performance through delivering greater scale.

Question 9: Do you have any comments on the role of the LGPS asset pools in delivering the requirements?

Guidance and reporting template for administering authorities

145. DLUHC intends to provide high level statutory guidance to accompany changes to regulations. This will include guidance relating to the governance activities required of AAs and the Climate Risk Report. We have also asked the SAB to produce more detailed operational guidance.

146. The SAB will also be asked to produce a standard template which AAs will be required to follow in producing their Climate Risk Report. This will help AAs to comply with the requirements, and help to ensure that the Scheme Climate Risk Report is as comprehensive and consistent as possible.

Question 10: Do you agree with our proposed approach to guidance?

Knowledge, skills and advice

147. It is important that individuals making decisions in response to climate-risk management processes have the adequate skills and information to make choices. While we will not be imposing any legal requirement on an individual's knowledge and skills, we wish to promote best practice in our approach. It is important to note that scheme managers are not expected to be technical experts in climate science or climate finance. However, a base knowledge regarding climate risks will be necessary in order to, for example, interpret the results of scenario analysis.

148. Firstly, we propose to require that AAs must take proper advice regarding assessing and managing climate risks. This should help the scheme manager, who may not be a technical expert to take proper account of climate risks in setting their investment strategy and asset allocation.

149. AAs will need to satisfy themselves that the advice is high quality and provided by appropriately qualified people. We welcome views as to how this may be practically ensured. We welcome responses on whether and how pools could jointly procure expert advice for their partner funds.

Question 11: Do you agree with our proposed approach to knowledge, skills and advice?

Consideration of impact on protected groups

150. Section 149 of the Equality Act 2010 requires Government to have due regard to the potential impact of new decisions, policies or policy changes on particular groups with protected characteristics and to avoid disproportionate negative impacts (the public sector equality duty).

151. We have made an initial assessment under the duty and do not believe there would be impacts on protected groups from the proposals in this consultation, as they do not affect member contributions or benefits. We have considered whether the reporting requirements could give rise to negative impacts on certain groups with protected characteristics and believe they would not. However, administering authorities and the Scheme Advisory Board are also subject to the public sector equality duty and we would expect them to take steps to ensure compliance with the duty, including that their reports under these proposals are available in accessible formats.

Question 12: Do you have any comments on the impact of our proposals on protected groups and on how any negative impacts may be mitigated?

Summary of consultation questions

This section contains a summary of the questions contained above, for ease.

Question 1: Do you agree with our proposed requirements in relation to governance?

Question 2: Do you agree with our proposed requirements in relation to strategy?

Question 3: Do you agree with our suggested requirements in relation to scenario analysis?

Question 4: Do you agree with our proposed requirements in relation to risk management?

Question 5: Do you agree with our proposed requirements in relation to metrics?

Question 6: Do you agree with our proposed requirements in relation to targets?

Question 7: Do you agree with our approach to reporting?

Question 8: Do you agree with our proposals on the Scheme Climate Risk Report?

Question 9: Do you have any comments on the role of the LGPS asset pools in delivering the requirements?

Question 10: Do you agree with our proposed approach to guidance?

Question 11: Do you agree with our proposed approach to knowledge, skills and advice?

Question 12: Do you have any comments on the impact of our proposals on protected groups and on how any negative impacts may be mitigated?

About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Environmental Information Regulations 2004 and UK data protection legislation. In certain circumstances this may therefore include personal data when required by law.

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the information access regimes and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department for Levelling Up, Housing and Communities will at all times process your personal data in accordance with UK data protection legislation and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included below.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the complaints procedure (https://www.gov.uk/government/organisations/department-for-levelling-up-housing-and-communities/about/complaints-procedure).

Personal data

The following is to explain your rights and give you the information you are entitled to under UK data protection legislation.

Note that this section only refers to personal data (your name, contact details and any other information that relates to you or another identified or identifiable individual personally) not the content otherwise of your response to the consultation.

1. The identity of the data controller and contact details of our Data Protection Officer

The Department for Levelling Up, Housing and Communities (DLUHC) is the data controller. The Data Protection Officer can be contacted at dataprotection@levellingup.gov.uk or by writing to the following address:

> Data Protection Officer
> Department for Levelling Up, Housing and Communities
> Fry Building
> 2 Marsham Street
> London
> SW1P 4DF

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

We will collect your IP address if you complete a consultation online. We may use this to ensure that each person only completes a survey once. We will not use this data for any other purpose.

Sensitive types of personal data

Please do not share special category personal data or criminal offence data if we have not asked for this unless absolutely necessary for the purposes of your consultation response. By ‘special category personal data’, we mean information about a living individual’s:

- race
- ethnic origin
- political opinions
- religious or philosophical beliefs
- trade union membership
- genetics
- biometrics
- health (including disability-related information)
- sex life; or
- sexual orientation.

By ‘criminal offence data’, we mean information relating to a living individual’s criminal convictions or offences or related security measures.

3. Our legal basis for processing your personal data

The collection of your personal data is lawful under article 6(1)(e) of the UK General Data Protection Regulation as it is necessary for the performance by DLUHC of a task in the public interest/in the exercise of official authority vested in the data controller. Section 8(d) of the Data Protection Act 2018 states that this will include processing of personal data that is necessary for the exercise of a function of the Crown, a Minister of the Crown or a government department i.e. in this case a consultation.

Where necessary for the purposes of this consultation, our lawful basis for the processing of any special category personal data or ‘criminal offence’ data (terms explained under ‘Sensitive Types of Data’) which you submit in response to this consultation is as follows. The relevant lawful basis for the processing of special category personal data is Article 9(2)(g) UK GDPR (‘substantial public interest’), and Schedule 1 paragraph 6 of the Data Protection Act 2018 (‘statutory etc and government purposes’). The relevant lawful basis in relation to personal data relating to criminal convictions and offences data is likewise provided by Schedule 1 paragraph 6 of the Data Protection Act 2018.

4. With whom we will be sharing your personal data

We will not be sharing your data with any organisation outside of the Department for Levelling Up, Communities and Housing.

5. For how long we will keep your personal data, or criteria used to determine the retention period

Your personal data will be held for two years from the closure of the consultation.

6. Your rights, e.g. access, rectification, restriction, objection

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

a. to see what data we have about you

b. to ask us to stop using your data, but keep it on record

c. to ask to have your data corrected if it is incorrect or incomplete

d. to object to our use of your personal data in certain circumstances

e. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at https://ico.org.uk/ (https://ico.org.uk/), or telephone 0303 123 1113.

Please contact us at the following address if you wish to exercise the rights listed above, except the right to lodge a complaint with the ICO: dataprotection@levellingup.gov.uk or

> Knowledge and Information Access Team
> Department for Levelling Up, Housing and Communities
> Fry Building
> 2 Marsham Street
> London
> SW1P 4DF

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making

9. Your personal data will be stored in a secure government IT system

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1. The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (https://www.legislation.gov.uk/uksi/2022/31/contents/made); The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (https://www.legislation.gov.uk/uksi/2008/1911/contents).
2. Value at Risk measures a funds exposure to a worst-case scenario.
3. TCFD's principles for effective disclosure: 1. Disclosure should represent relevant information; 2. Disclosure should be specific and complete; 3. Disclosure should be clear, balanced and understandable; 4. Disclosure should be consistent over time; 5. Disclosure should be comparable among companies within a sector industry or portfolio; 6. Disclosure should be reliable, verifiable and objective; and 7. Disclosure should be provided on a timely basis.

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LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 15 November 2022

Subject: Draft Triennial Valuation

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 introduces the initial results of the 2022 triennial actuarial valuation process for the London Borough of Hammersmith and Fulham (LBHF) Pension Fund, which are further discussed in Appendix 1.

The key highlights are:

- The Fund's funding level, as a whole, has risen to 105% from the 97% level in 2019, which is broadly due to the excellent investment returns over the period.

- The two major changes to the assumptions are a reduction in the discount rate and an increase in the long-term improvement in pensioner longevity.

RECOMMENDATIONS

1. The Committee is recommended to note the initial 2022 Triennial Valuation.

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

Draft Actuarial Results

1. In the period from 31 March 2019 to 31 March 2022, the Pension Fund has increased its overall funding level from 97% to 105%. The main drivers for this improvement were the significant investment returns over the period.

   Changes to Actuarial Assumptions

2. There are a number of assumptions made during the triennial actuarial valuation process, with the two most significant ones being longevity projections and the real discount rate used to value liabilities.

3. The actuarial analysis suggests a long-term trend of 1.5% annual improvements in longevity, when adjusted for the LGPS this leads to a reduction in liability values. Alongside this, the COVID-19 pandemic has resulted in reduced longevity since 2020, although the reduction in liabilities attributable to the pandemic is estimated to be only circa 0.1% to 0.2%.

4. The discount rate, a proxy for the real investment return, has fallen during the period 2019 to 2022, falling from 5.0% to 4.4%The discount rate has reduced for investments as Hymans Robertson has considered that investment returns have improved significantly in recent years and have thus factored in a higher level of prudence going forward.

5. The next steps for the Pension Fund Committee will be to agree a Funding Strategy Statement at the 28 February 2023 Pension Fund Committee meeting, followed along with the final actuarial valuation report and new Investment Strategy Statement.

LIST OF APPENDICES

Appendix 1: LBHF March 2022 Initial Results Advice

London Borough of Hammersmith and Fulham Pension Fund

Actuarial valuation at 31 March 2022

Initial results

Steven Scott FFA

Catherine McFadyen FFA

31 October 2022
For and on behalf of Hymans Robertson LLP

Use the menu bar above to navigate to each section.

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Data and assumptions	7
Fund-level results	12
Initial employer results	20
Decisions and next steps	23
Appendices	25

A glossary of technical terms used in this report can be found in Appendix 5

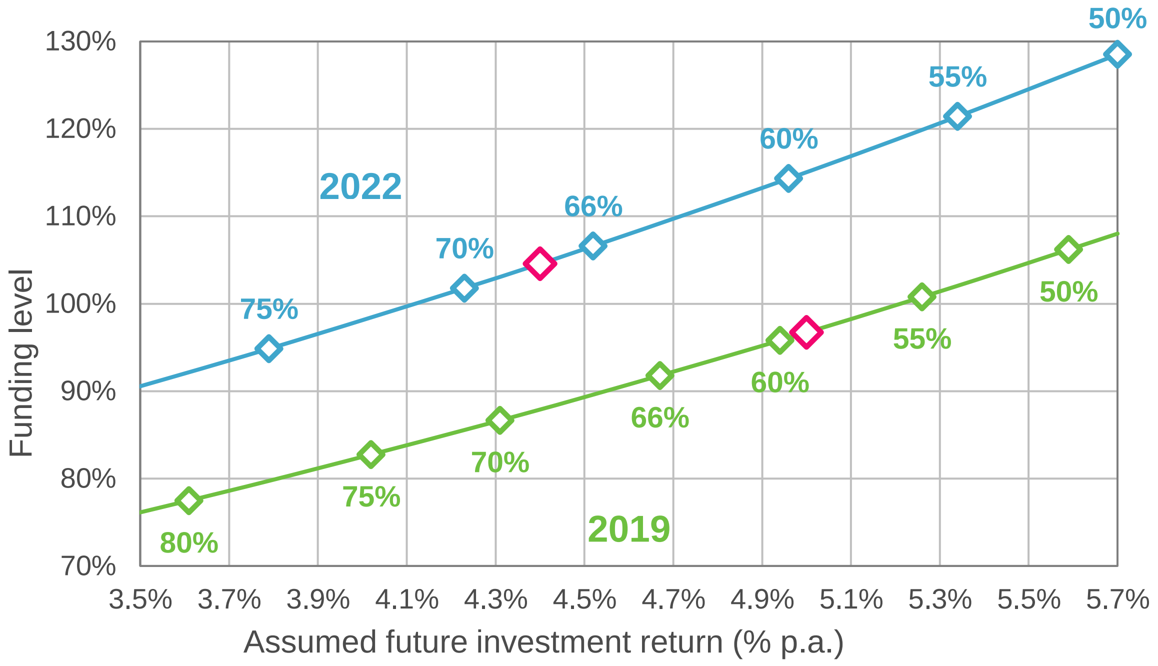
Executive summary

Funding position

The reported funding position has improved from 97% as at 31 March 2019 to 105% as at 31 March 2022.

The required investment return to be 100% funded is now 4.1% pa (5.2% pa at 2019).

The likelihood of the Fund's investment strategy achieving the required return is 71% (56% at 2019).



Changes since the last valuation

The key factor driving funding position improvement is stronger than expected investment returns. This has more than offset the effect of the higher short to medium-term inflation expectations.

The Covid-19 pandemic has seen a higher level of mortality in the membership than expected. However, the funding impact on liabilities has not been significant.

The valuation process

The valuation process

1. Data cleansing
Spring 2022

2. Assumptions advice
July 2022

3. Data provision
Summer 2022

4. Funding Strategy Statement
Summer 2022

5. **Initial results**
NOW

6. Employer risk management
Q4 2022

7. Employer results
Q4 2022

8. Employer discussions
Q1 2023

9. Valuation sign off
March 2023

Initial results

This report:

- presents the funding position of the London Borough of Hammersmith and Fulham Pension Fund (“the Fund”) on the valuation date of 31 March 2022
- explains why the funding position has changed since the last valuation in 2019
- show the sensitivity of the funding position

There are two main actions:

1. Understand the fund-level funding position, noting this does not directly drive individual employer contribution rates.
2. Identify risks to explore and consider options for management.

Data and assumptions

Data

We have used the below data provided by the Administering Authority:

- Membership data uploaded to the DataPortal on 16 August 2022
- Cashflow data uploaded to the DataPortal on 28 July 2022
- Investment data, provided over the intervaluation period

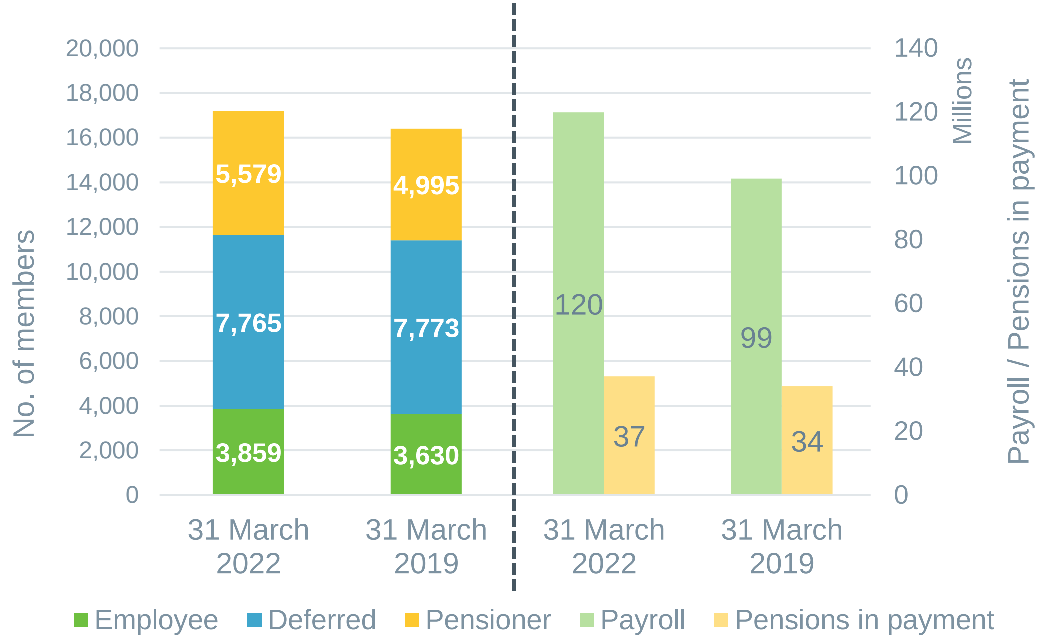
The data provided to us for the purpose of the 2022 valuation was incomplete and we have had to make various assumptions to supplement this to make it appropriate for use at the 2022 valuation. We can only estimate missing elements of membership data and these use of these estimates limits the reliability of the valuation results.

The adjustments we have made to the data are designed to ensure that the funding position meets the requirement for us to value these liabilities prudently.

For the avoidance of doubt, the resulting valuation positions are suitable on which to base calculations of contribution rates for all employers for the period from 1 April 2023 to 31 March 2026.

Future valuations carried out using more accurate data may lead to a difference in the past service funding position.

Membership summary



The figures in this report are based on our understanding of the benefit structure of the LGPS in England and Wales as at 31 March 2022. Details can be found at http://www.lgpsregs.org/.

Assumptions

To set and agree assumptions for the valuation, the Administering Authority commissioned an assumption setting paper – 'London Borough of Hammersmith and Fulham Pension Fund: Actuarial Valuation at 31 March 2022 – Advice on assumptions'. The assumptions represent the 'best estimate' of future expectations – that means we estimate there is a 50% chance that future events will be better or worse than the assumption. The discount rate is the exception, as it includes the margin of prudence required by the LGPS Regulations.

Financial assumptions

Summary of assumptions used for measuring the funding level, compared to last valuation on 31 March 2019

Assumption	31 March 2022	Required for	31 March 2019
Discount rate	4.4% pa	To place a present value on all the benefits promised to scheme members at the valuation date. The Fund's assets are estimated to have a 67% likelihood of returning above the discount rate.	5.0% pa (based on a 59% likelihood)
Benefit increases/CARE revaluation	2.7% pa	To determine the size of future benefit payments.	2.6% pa
Salary increases	3.7% pa	To determine the size of future final-salary linked benefit payments.	3.6% pa

Assumptions

Demographic assumptions

Longevity

Whole fund average life expectancies from age 65, with 2019 comparison.

	31 March 2022	31 March 2019
Male pensioner	22.1 years	21.7 years
Male non-pensioner	23.2 years	23.1 years
Female pensioner	24.7 years	24.3 years
Female non-pensioner	26.1 years	25.8 years

Pensioners are assumed to be aged 65 at the respective valuation date and non-pensioners are assumed to be aged 45.

Other demographic assumptions

Death in service	See sample rates in Appendix 2
Retirements in ill health	See sample rates in Appendix 2
Withdrawals	See sample rates in Appendix 2
Promotional salary increases	See sample rates in Appendix 2
Commutation	50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits
50:50 option	0.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option
Retirement age	The earliest age at which a member can retire with their benefits unreduced
Family details	A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependent of a female member is assumed to be 3 years older than her.

Further information on these assumptions can be provided upon request.

Assumptions

Benefit structure

Results are based on our understanding of the benefit structure of the LGPS in England and Wales on 31 March 2022 – see www.lgpsregs.org. However, there are areas of uncertainty and potential change.

McCloud

Benefits accrued by certain members between 2014 and 2022 may increase following the McCloud case, which ruled that transitional protections introduced in 2014 for older members were discriminatory. We've made an allowance for the cost of these potential improvements, based on the guidance issued by Department of Levelling Up, Housing and Communities on 22 March 2022. We expect minimal impact for most employers.

Cost sharing mechanism

Benefits could change because of the 2020 cost cap valuation; the outcome is currently unknown. There is also an ongoing legal challenge to the 2016 cost cap valuation. We have assumed that there will be no changes required to the benefit structure due to cost cap.

Guaranteed Minimum Pension equalisation and revaluation

We have assumed the Fund will pay all increases on GMP for members with a State Pension retirement date after 5 April 2016, as we did in the 2019 valuation.

Other legal cases

Benefits could change as a result of other legal challenges (eg the Goodwin case affecting partner pensions). Given the lack of information about possible benefit changes and their relatively small impact, we have made no allowance for these changes.

Fund-level results

Projected future benefit payments

Combining membership data and the assumptions allows us to project future benefit payments for all benefits accrued up to 31 March 2022.

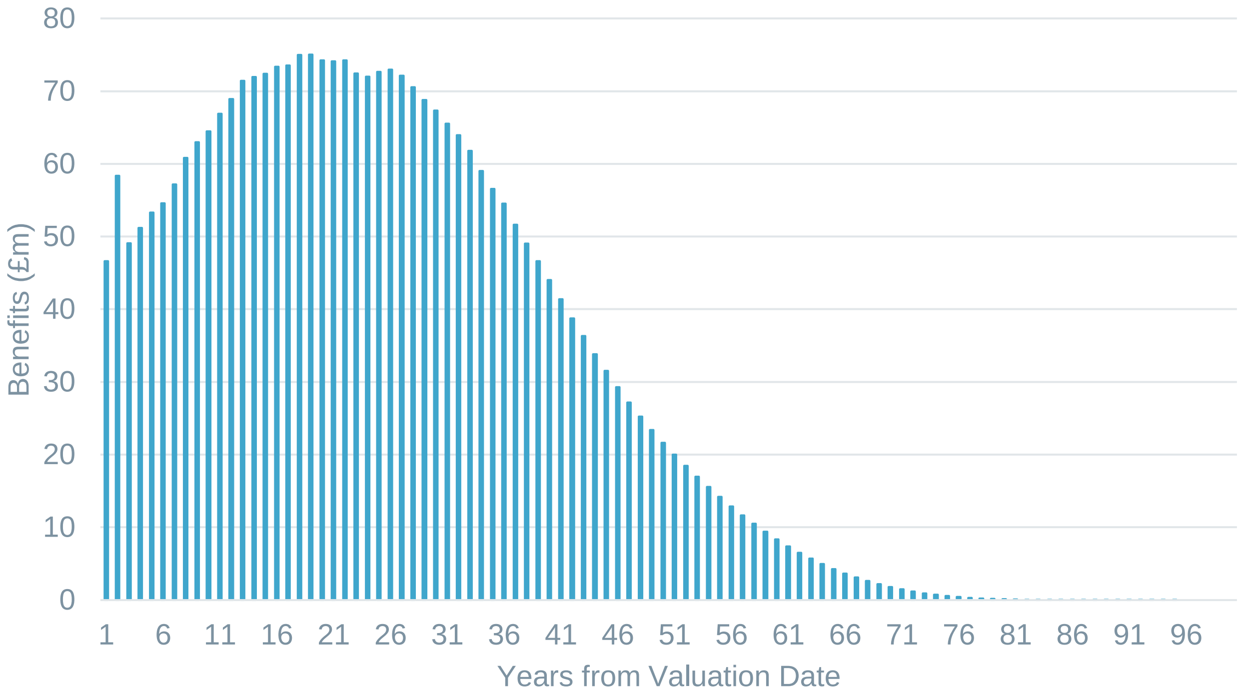
The projection will be different from the last valuation due to:

1. Events between 2019 and 2022 which were different from expectations – reflected in the updated membership data.

2. Estimates of the future which have changed – reflected in the updated assumptions.

Notes about the model:

The cashflow peak in year 2 is a feature of the cashflow model, which assumes that all active members older than their retirement age retire 1 year after the valuation date. The dips in projected payments in years 22 and 23 correspond with changes in state pension age.



Funding position as at 31 March 2022

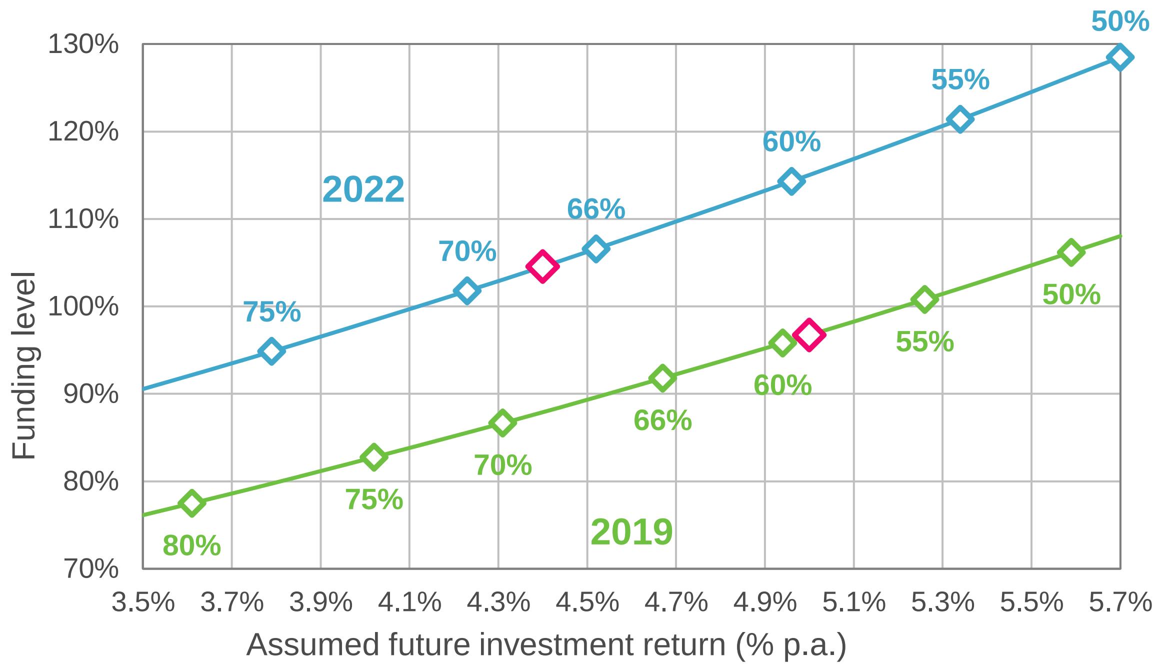
We can place a single value on all the future projected benefit payments for current members, called the liabilities. Comparing the liabilities to the market value of the Fund's assets at the valuation date provides the funding level (assets divided by liabilities).

To calculate the liabilities, we discount the benefit payments with an assumed future investment return (the 'discount rate'). Future investment returns are uncertain, so we calculate the liabilities and funding level across a range of future investment returns.

To help stakeholders better understand funding risk, we also calculate the likelihood of the Fund's investment strategy achieving certain levels of return.

- The reported funding position has improved from 97% as at 31 March 2019 to 105% as at 31 March 2022.
- The funding level is 100% if future investment returns are c.4.1% pa
- The likelihood of the Fund's assets yielding at least this return is around 71%.
- The comparator at 2019 was a return of 5.2% pa which had a likelihood of 56%.
- There is a 50% likelihood of an investment return of 5.7% pa. So the best-estimate funding level is 128% at 31 March 2022 (106% at 2019).

Funding level across a range of future investment returns



Figures on each line show the likelihood of the Fund's assets exceeding that return at the valuation date

HYMANS ROBERTSON

Single funding position as at 31 March 2022

The chart on the previous page provides stakeholders with a better understanding of the funding position. However, we are still required to report a single funding position at 31 March 2022.

To report a single funding level and funding surplus/deficit for the 2022 valuation, a discount rate of 4.4% pa has been used. There is a 67% likelihood associated with a future investment return of 4.4% pa.

This table details the liabilities, split by member status and the market value of assets at the valuation date. The results at the 2019 formal valuation are shown for comparison (NB at 2019 the reported position used a discount rate with a 59% associated likelihood).

The funding level and surplus/deficit figures provide a high-level snapshot of the funding position on 31 March 2022. There are limitations:

- The liabilities are calculated using a single set of assumptions about the future, so are very sensitive to the choice of assumptions.
- The market value of assets changes daily

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	322	272
Deferred Pensioners	355	296
Pensioners	590	511
Total Liabilities	**1,267**	**1,079**
Assets	**1,325**	**1,043**
Surplus/(Deficit)	**58**	**(35)**
Funding Level	**105%**	**97%**

Important: *the reported funding level does not directly drive employers' contribution rates. Contribution rates consider how assets and liabilities will evolve over time in different economic scenarios and reflect each employer's funding profile and covenant.*

Changes since the last valuation

Events between 2019 and 2022

Financial

	Expected	Actual	Difference	Impact on funding position
Investment returns				
3 year period	15.8%	30.4%	14.6%	+£156m
Annual	5.0% pa	9.3% pa	4.3% pa	

The Fund's expenses (in relation to non-investment activities) over the last 3 years have totalled £4.0m. This figure is equivalent to 1.2% of the Fund's total pensionable pay. Unless otherwise instructed, we will make allowance for the Fund's expenses by adding an allowance of 1.2% of pay to employer contribution rates from 1 April 2023.

Membership

	Expected	Actual	Difference	Impact on funding position
Pre-retirement				
Early leavers	466	1,845	1,379	+£7m
Ill-health retirements	15	9	-6	+£1m
Salary increases	3.6% pa	4.4% pa	0.8% pa	-£4m
Post-retirement				
Benefit increases	2.6% pa	1.8% pa	-0.8% pa	+£23m
Pension ceasing	£2.2m	£2.5m	£0.3m	+£5m

The most significant external event since the last valuation was the Covid-19 pandemic. The experience analysis shows that sadly, there were a higher than expected number of deaths. However, the impact on the funding position has been small, likely due to the age profile of the excess deaths and the level of pension.

Changes since the last valuation

Future expectations

Factor	What does it affect?	What's changed?	Impact on liabilities
Future investment returns	The rate at which future benefit payments are discounted back, ie the discount rate assumption	Due to an increase in the level of prudence adopted at the 2022 valuation, assumed future investment returns at the 2022 valuation are lower than that assumed at the 2019 valuation. The discount rate is now 4.4% pa vs. 5.0% pa at 2019.	Increase of £113m
Inflation	The rate at which pensions in payment and deferment and CARE pots increase	Increase in short-term future inflation expectations.	Increase of £19m
Salary increases	The rate at which future salaries increase. This affects benefits that are still linked to final salary, ie accrued before 1 April 2014	No material change since last valuation given competing factors e.g. tighter budgetary conditions vs. strong job market and pressure from National Living Wage increases.	No change
Current life expectancy	How long we expect people to live for based on today's current observed mortality rates.	Slight reduction in life expectancy based on current observed data (not allowing for Covid-related excess deaths)	Decrease of £17m
Future improvements in life expectancy	How we expect life expectancies to change (increase) in the future.	Uncertainty about effectiveness of mitigations against life expectancy increases in the LGPS i.e. State Pension Age increases and Cost Cap. Need to better reflect wider pension and insurance industry long-term expectations.	Decrease of £1m

Reconciling the overall change in funding position

The tables below provide insight into the funding position changes between 31 March 2019 and 31 March 2022. Firstly, the changes we expect to happen, which relate mostly to items on the asset side. Then the impact of actual experience, which mainly affects the liabilities.

Expected development

Change in the surplus/deficit position	Assets	Liabilities	Surplus / Deficit
	£m	£m	£m
Last valuation at 31 March 2019	**1,043**	**1,079**	**(35)**
Cashflows			
Employer contributions paid in	76	0	76
Employee contributions paid in	24	0	24
Benefits paid out	(138)	(138)	0
Other cashflows (e.g. expenses / transfers)	(2)	0	(2)
Expected changes			
Expected investment returns	166	0	166
Interest on benefits already accrued	0	168	(168)
Accrual of new benefits	0	108	(108)
Expected position at 31 March 2022	**1,169**	**1,217**	**(47)**

Impact of actual events

Change in the surplus/deficit position	Assets	Liabilities	Surplus / Deficit
	£m	£m	£m
Expected position at 31 March 2022	**1,169**	**1,217**	**(47)**
Events between 2019 and 2022			
Salary increases greater than expected	0	4	(4)
Benefit increases lower than expected	0	(23)	23
Ill health retirement strain	0	(1)	1
Early leavers greater than expected	0	(7)	7
McCloud remedy	0	1	(1)
Other membership experience (including mortality, early retirement, commutation and ill health)	0	(38)	38
Higher than expected investment returns	156	0	156
Changes in future expectations			
Investment returns	0	113	(113)
Inflation	0	19	(19)
Salary increases	0	0	0
Longevity	0	(18)	18
Other demographic assumptions	0	0	0
Actual position at 31 March 2022	**1,325**	**1,267**	**58**

Numbers may not sum due to rounding

Sensitivity and risk analysis

Valuation results depend on actuarial assumptions made about the future. By their nature, these assumptions are uncertain which means it's important to understand their sensitivity and risk levels.

Financial assumptions

How results vary with the assumed future investment return is set out on page 14. Future inflation is currently very uncertain, the impact of varying levels is set out below.

CPI Assumption	Surplus/ (Deficit)	Funding Level
% pa	**(£m)**	**%**
2.5%	94	108%
2.7%	58	105%
2.9%	20	102%

Regulatory, Administration and Governance risks

Potential risks include changes in central government legislation which may affect the future cost of the LGPS; failures in administration processes leading to incorrect data; and inaccuracies in actuarial calculations. These risks should be included in the Fund's risk register and monitored and managed as part of its ongoing risk management framework.

Demographic assumptions

The main demographic risk is that people live longer than expected. The table below shows the impact of longevity rates improving at a faster rate (1.75% pa vs 1.5% pa used in the results).

Long term rate of improvement	Surplus/ (Deficit)	Funding Level
% pa	**(£m)**	**%**
1.5%	58	105%
1.75%	48	104%

Climate change risk

Results may materially change due to the impact of climate change, because of transition and physical risks. We have not quantified the risk exposure here and will do so on the Fund's instruction.

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Initial employer results

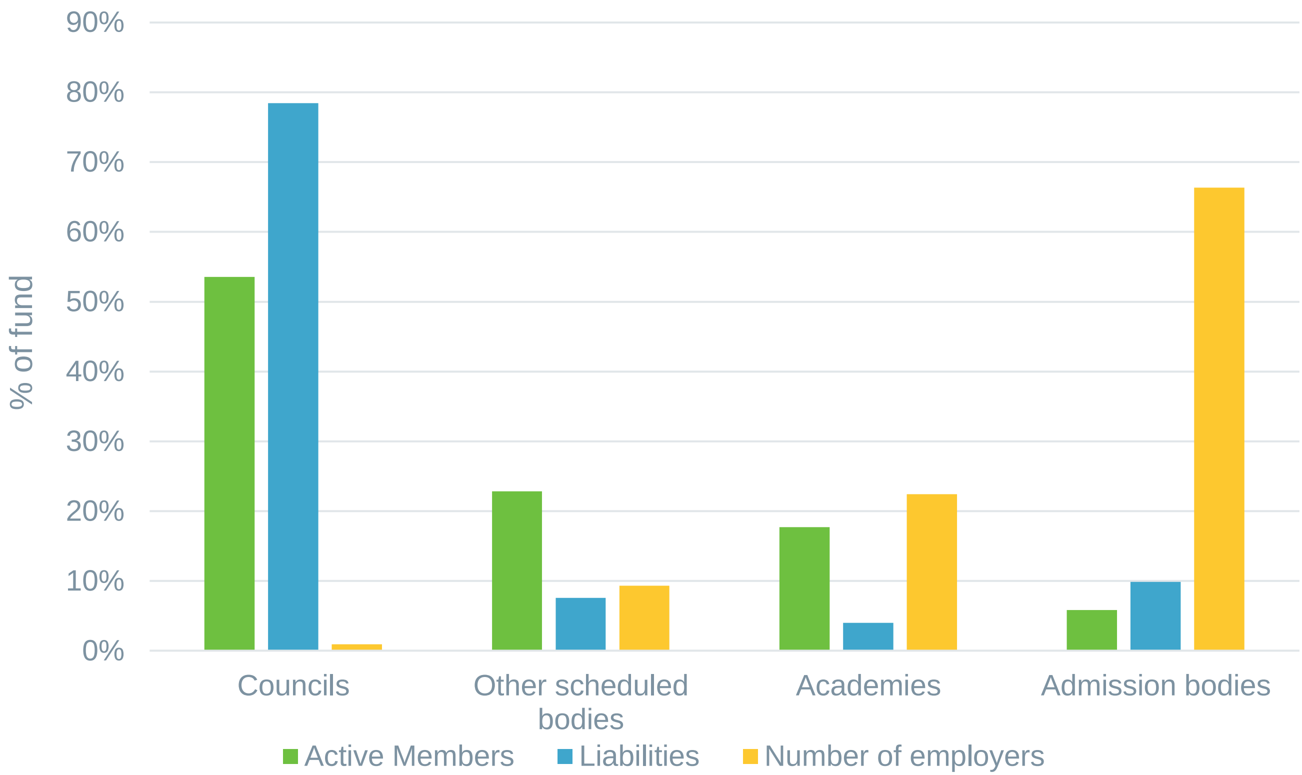
Focusing on employers

Whole-fund level results give a useful overview of the Fund's health but are not the valuation's most important output.

In reality, the Fund is funded at individual employer level. Each employer is responsible for funding the benefits earned by their current and ex-staff. As at 31 March 2022 there are around 110 individual employers in the Fund.

The next stage of the valuation is to prepare funding positions and review contribution rates for each individual employer in the Fund. There is a significant range and diversity of employers, so we will work with the Fund to make sure the funding strategy recognises this diversity and is flexible enough to cater for employers' differences.

Fund employers by type



Results are based on initial draft employer results. These may change during the employer results preparation stage of the valuation.

Individual employer funding levels

The Fund is composed of around 110 employers, each of which has its own funding position and contribution plan. The Fund's overall funding position is the combination of all these employers' results.

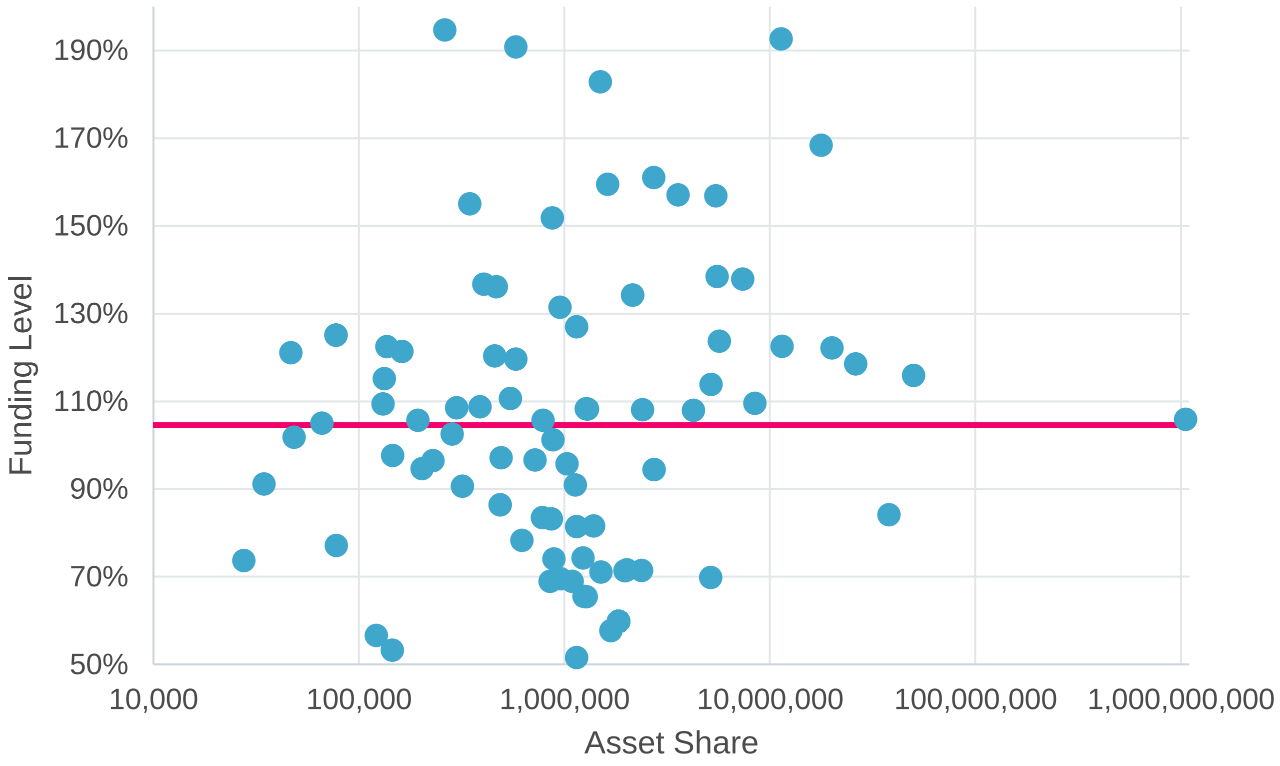
This chart shows the range of employer funding positions. Each dot represents an employer and shows:

- The employer's share of the Fund assets, horizontal scale (NB this is a logarithmic scale, to accommodate the great range in size of employer from smallest to largest).
- The employer's funding level on 31 March 2022, vertical scale.

The red line is the Fund's overall funding level and shows that it does **not** relate to the average of the employer results. Instead, the whole Fund position is drive by the largest employers (right-hand side of the chart).

This shows the importance of considering individual employer results as well as the whole Fund position.

Employer funding level vs asset share



Results are based on initial draft employer results. These may change during the employer results preparation stage of the valuation.

Decisions and next steps

Decisions and next steps

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1. Discuss funding risks and agree any further exploration or consideration.

2. Confirm that no changes are needed to valuation data or assumptions.

3. Prepare individual employer valuation results for discussion with Officers.

Appendices

APPENDIX 1

Deriving future investment return likelihoods

To derive the distribution of future investment returns and obtain associated likelihoods, we use the Fund's long-term investment strategy and our Economic Scenario Service (ESS) model. The ESS uses statistical models to generate a future distribution of year-on-year returns for each asset class, eg UK equities. The ESS reflects correlations between asset classes and wider economic variables (eg inflation). In the short-term (first few years), the models are fitted with current financial market expectations. Over the longer-term, models are built around our views of fundamental economic parameters, for example equity risk premium, credit-spreads and long-term inflation.

Fund's long-term investment strategy

Asset class	Allocation
Equities	45%
Absolute return bonds	10%
Global bonds	10%
Global bonds	20%
Secure income	20%
Property	15%
Total	100%

ESS individual asset class return distributions at 31 March 2022

		Annualised total returns												Inflation (CPI)	17 year yield
		Cash	UK Equity	Developed World ex UK Equity	Private Equity	Property	UK Infrastructure Debt	Unlisted Infrastructure Equity	Developed World Equity	Multi Asset Credit (sub inv grade)	Absolute Return Bonds (inv grade)	Direct Lending (private debt) GBP Hedged	CorpMedium A		
5 years	16th %'ile	0.7%	-2.7%	-3.2%	-5.0%	-2.5%	-1.7%	-1.1%	-3.1%	0.3%	0.5%	0.8%	-1.5%	2.3%	1.1%
	50th %'ile	1.5%	5.5%	5.3%	9.5%	4.0%	2.0%	5.7%	5.4%	3.1%	2.0%	5.8%	1.5%	3.9%	2.1%
	84th %'ile	2.3%	13.9%	14.0%	24.1%	11.0%	5.6%	12.9%	13.9%	5.7%	3.4%	10.7%	4.2%	5.5%	3.3%
10 years	16th %'ile	0.8%	-0.4%	-0.7%	-1.2%	-0.6%	-0.3%	0.7%	-0.6%	1.7%	0.9%	2.7%	-0.1%	1.6%	1.1%
	50th %'ile	1.8%	5.7%	5.6%	9.4%	4.4%	2.2%	5.9%	5.6%	3.5%	2.3%	6.0%	1.6%	3.3%	2.5%
	84th %'ile	2.9%	11.6%	11.7%	20.1%	9.5%	4.3%	11.2%	11.6%	5.2%	3.7%	9.2%	3.2%	4.9%	4.3%
20 years	16th %'ile	1.0%	1.7%	1.5%	2.4%	1.4%	1.2%	2.6%	1.6%	2.8%	1.4%	4.3%	1.1%	1.2%	1.3%
	50th %'ile	2.4%	6.2%	6.1%	10.0%	5.0%	2.7%	6.5%	6.1%	4.4%	2.9%	6.8%	2.1%	2.7%	3.2%
	84th %'ile	4.0%	10.6%	10.8%	17.6%	8.9%	4.2%	10.6%	10.8%	6.0%	4.6%	9.2%	3.2%	4.3%	5.7%
	Volatility (Disp) (1 yr)	0%	20%	20%	31%	15%	9%	15%	20%	7%	3%	12%	8%	1%	

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APPENDIX 2

Sample rates for demographic assumptions

Males

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	404.31	813.01	0	0	0	0
25	117	0.17	267.06	537.03	0	0	0	0
30	131	0.2	189.49	380.97	0	0	0	0
35	144	0.24	148.05	297.63	0.1	0.07	0.02	0.01
40	150	0.41	119.2	239.55	0.16	0.12	0.03	0.02
45	157	0.68	111.96	224.96	0.35	0.27	0.07	0.05
50	162	1.09	92.29	185.23	0.9	0.68	0.23	0.17
55	162	1.7	72.68	145.94	3.54	2.65	0.51	0.38
60	162	3.06	64.78	130.02	6.23	4.67	0.44	0.33
65	162	5.1	0	0	11.83	8.87	0	0

Females

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.1	352.42	467.37	0	0	0	0
25	117	0.1	237.14	314.44	0.1	0.07	0.02	0.01
30	131	0.14	198.78	263.54	0.13	0.1	0.03	0.02
35	144	0.24	171.57	227.38	0.26	0.19	0.05	0.04
40	150	0.38	142.79	189.18	0.39	0.29	0.08	0.06
45	157	0.62	133.25	176.51	0.52	0.39	0.1	0.08
50	162	0.9	112.34	148.65	0.97	0.73	0.24	0.18
55	162	1.19	83.83	111.03	3.59	2.69	0.52	0.39
60	162	1.52	67.55	89.37	5.71	4.28	0.54	0.4
65	162	1.95	0	0	10.26	7.69	0	0

APPENDIX 3

Inflation expectations

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Current inflation is significantly above the Bank of England target (2% pa) and recent norms. It is likely this will mean a high 2023 pension increase (based on September 2022 CPI inflation).

Current expectations are that inflation pressures will be short-term and move back to normal in the longer-term. The inflation assumption we have used reflects this pattern and allows for the short-term spike – see the blue line on the chart.

The assumption noted in this report is an average of the blue line over the approximate duration of the Fund's liabilities.

Increased uncertainty and risk

There is a lot of uncertainty around both the level of future short-term inflation and how long the period of higher inflation will last. We will continue to work with the Fund to monitor actual and future expected inflation as more information emerges.

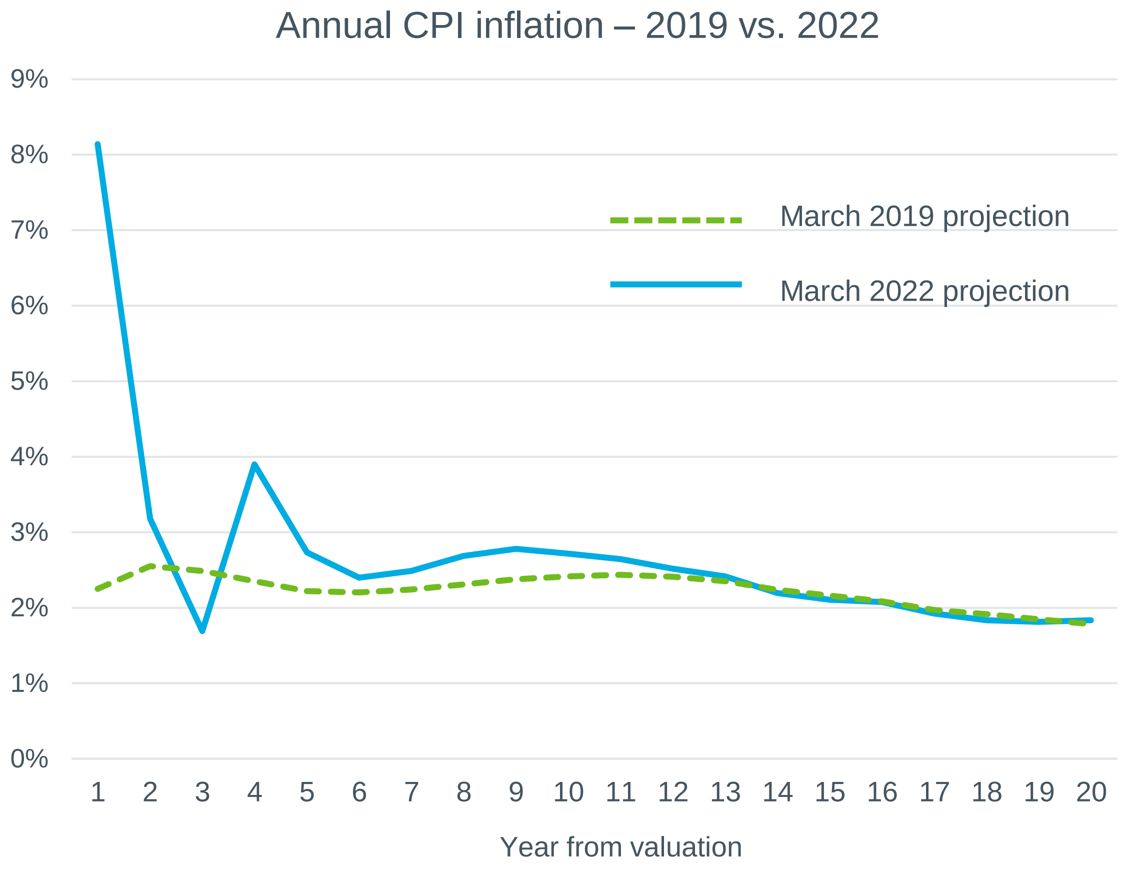

Chart shows median expected annual CPI inflation from ESS model.

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APPENDIX 4

Reliances and limitations

We have been commissioned by London Borough of Hammersmith and Fulham ("the Administering Authority") to carry out a full actuarial valuation of the London Borough of Hammersmith and Fulham Pension Fund ("the Fund") as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the Regulations").

This paper is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of:

- presenting the current funding position using a range of actuarial assumptions
- explaining why the funding position has changed since the previous valuation in 2019
- showing the sensitivity of the funding position.

It has not been prepared for any other purpose and should not be used for any other purpose.

The Administering Authority is the only user of this advice. Neither we nor Hymans Robertson LLP accept any liability to any party other than the Administering Authority unless we have expressly accepted such liability in writing. The advice or any part of it must not be disclosed or released in any medium to any other third party without our prior written consent. In circumstances where disclosure is permitted, the advice may only be released or otherwise disclosed in its entirety fully disclosing the basis upon which it has been produced (including any and all limitations, caveats or qualifications).

This information can be used by the Administering Authority to support the development of the funding strategy and to identify and understand areas of potential risk that it may wish to explore or mitigate during the valuation process.

Technical Actuarial Standards apply to this advice, and have been complied with where material and to a proportionate degree. They are:

- TAS100; and
- TAS300.

Note that this report does not comply with paragraphs 12 (b) or (c) of TAS 300, regarding future projections of funding level and its volatility. The figures in this report provide a notification of the whole Fund funding position, rather than individual employer positions. Therefore, we do not believe the exclusion of the information under these paragraphs is material.

APPENDIX 5

Glossary

Term	Explanation
50:50 option	An option for LGPS members to pay half contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).
Baseline longevity	The rates of death (by age and sex) in a given group of people based on current observed data.
Club Vita	A firm of longevity experts we partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed baseline longevity assumptions at member-level, as well as insight on general longevity trends and future improvements.
Commutation	The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.
CPI inflation	The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government's preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.
Demographic assumptions	Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. For example, retirement age or promotional salary scales. Demographic assumptions typically determine the timing of benefit payments.
Discount rate	A number used to place a single value on a stream of future payments, allowing for expected future investment returns.
ESS	Economic Scenario Service - Hymans Robertson's proprietary economic scenario generator used to create thousands of simulations of future inflation, asset class returns and interest rates.

APPENDIX 5

Glossary

Term	Explanation
Funding position	The extent to which the assets held by the fund at 31 March 2022 cover the accrued benefits ie the liabilities. The two measures of the funding position are: • the funding level - the ratio of assets to liabilities; and • the funding surplus/deficit - the difference between the asset and liabilities values.
Inflation	Prices tend to increase over time, which is called inflation. Inflation is measured in different ways, using a different 'basket' of goods and mathematical formulas.
Liabilities	An employer's liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members. Benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.
Longevity improvements	An assumption about how rates of death will change in future. Typically we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.
Prudence	To be prudent means to err on the side of caution in the overall set of assumptions. We build prudence into the choice of discount rate by choosing an assumption with a prudence Level of more than 50%. All other assumptions aim to be best estimate.
Prudence Level	A percentage indicating the likelihood that a discount rate assumption will be achieved in practice, based on the ESS model. The higher the prudence level, the more prudent the discount rate is.
Withdrawal	Refers to members leaving the scheme before retirement. These members retain an entitlement to an LGPS pension when they retire, but are no longer earning new benefits.