

# Pension Fund Committee

## Agenda

**Monday 28 February 2022 at 7.00 pm**  
**Main Hall (1st Floor) - 3 Shortlands, Hammersmith, W6 8DA**

You can watch the meeting live on YouTube:

<https://youtu.be/YppBNQqgizA>

### MEMBERSHIP

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

**PLEASE NOTE:** This meeting will be held in person and is open to the public and press, but spaces are limited due to social distancing requirements.

If you would like to attend in person, please contact [amrita.white@lbhf.gov.uk](mailto:amrita.white@lbhf.gov.uk) The meeting will also be live streamed on YouTube: <https://youtu.be/YppBNQqgizA>

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

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Date Issued: 17 February 2022

## **Covid Guidance for Attendees**

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

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

### **Before attending the meeting**

Do not attend a meeting if you are experiencing covid symptoms.

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

You can also call 119 to book a test.

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

You can order lateral flow tests online or visit a testing centre:

<https://www.lbhf.gov.uk/coronavirus-covid-19/health-and-wellbeing-advice/covid-19-testing>

If your lateral flow test returns a positive result, you should follow Government guidance to self-isolate and make arrangements for a PCR test.

### **Attending the meeting**

To keep our buildings Covid-safe, it is important that you observe the rules and guidance on social distancing and hand washing. Face coverings must be worn at all times, unless you are speaking at the meeting (or you are exempt from doing so).

Refreshments will not be provided, so it is recommended that you bring a bottle of water with you

# Pension Fund Committee Agenda

<u>Item</u>		<u>Pages</u>
<b>1. APOLOGIES FOR ABSENCE</b>		
<b>2. DECLARATIONS OF INTEREST</b>		
	<p>If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.</p> <p>At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.</p> <p>Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.</p> <p>Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Standards Committee.</p>	
<b>3. MINUTES OF THE PREVIOUS MEETING</b>		6 - 13
	<p>To approve the open and exempt minutes of the meeting held on the 23<sup>rd</sup> November 2021.</p> <p><b>This item includes an appendix which contains information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication. The appendix has been circulated to the Committee members only.</b></p> <p><b>Any discussion on the contents of an exempt appendix will require the Committee to pass the proposed resolution in Item 13 to exclude members of the public and press from the proceedings for that discussion.</b></p>	

- |            |  |           |
|------------|--|-----------|
| <b>4.</b>  | <b>UPDATE ON THE LGPS PENSIONS ADMINISTRATION SERVICE</b>  | 14 - 19   |
|            | This report follows up on update reports presented previously to the Pension Fund Committee on the actions agreed by the Pension Fund Sub-committee on 3 February 2021 to appoint Local Pension Partnerships Administration (LPPA) to provide the Pension Administration service from 1 February 2022. |           |
| <b>5.</b>  | <b>PENSION ADMINISTRATION KPI PERFORMANCE</b>  | 20 - 23   |
|            | This paper sets out a summary of the performance of Surrey County Council (SCC) in providing a pension administration service to the Fund.   |           |
| <b>6.</b>  | <b>GOVERNANCE LOG OF RECOMMENDATIONS</b>   | 24 - 26   |
|            | 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.  |           |
| <b>7.</b>  | <b>PENSION FUND QUARTERLY UPDATE PACK</b>  | 27 - 87   |
|            | This paper provides the Pensions Fund Committee with a summary of the Pension Fund's overall performance for the quarter ended 31 December 2021.   |           |
|            | <b>This item includes an appendix which contains information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication. The appendix has been circulated to the Committee members only.</b>  |           |
|            | <b>Any discussion on the contents of an exempt appendix will require the Committee to pass the proposed resolution in Item 13 to exclude members of the public and press from the proceedings for that discussion</b>  |           |
| <b>8.</b>  | <b>PENSION FUND RISK MANAGEMENT POLICY</b>   | 88 - 101  |
|            | This report is seeking approval for the adoption of the Risk Management Policy.  |           |
| <b>9.</b>  | <b>PENSION FUND BUSINESS PLAN</b>  | 102 - 111 |
|            | The purpose of this report is to seek approval for the 2022/23 business plan, which presents strategic medium-term objectives and a budget forecast.   |           |
| <b>10.</b> | <b>PENSION FUND CONSULTANT REVIEW</b>  | 112 - 120 |
|            | This paper provides the Pension Fund Committee with a performance review of the Pension Fund's investment consultant, in line with the agreed set of aims and objectives.  |           |
| <b>11.</b> | <b>AVIVA INFRASTRUCTURE INCOME FUND UPDATE</b>   | 121 - 122 |
|            | The purpose of this report is to update the Committee on the Pension Fund's investment in the Aviva Infrastructure Income Fund.  |           |

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

**Any discussion on the contents of an exempt appendix will require the Committee to pass the proposed resolution in Item 13 to exclude members of the public and press from the proceedings for that discussion**

**12. CESSATION OF FULHAM PALACE TRUST**

123 - 124

The Actuary and Fund legal recommendation is that an exit credit is paid to FPT.

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

**Any discussion on the contents of an exempt appendix will require the Committee to pass the proposed resolution in Item 13 to exclude members of the public and press from the proceedings for that discussion**

**13. 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.

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

**Exempt Report**

This report is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (Including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

# Agenda Item 3



London Borough of Hammersmith & Fulham

## Pension Fund Committee Minutes

Tuesday 23 November 2021

### **PRESENT**

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

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

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

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

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

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

### 1. **APOLOGIES FOR ABSENCE**

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

### 2. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

### 3. **MINUTES OF THE PREVIOUS MEETING**

#### **RESOLVED:**

That the minutes of the meeting held on the 25<sup>th</sup> October 2021 were approved.

#### **4. MAN GROUP UPDATE**

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

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

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

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

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

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

#### **RESOLVED:**

That the Pension Fund Committee noted the report.

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

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

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

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

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

### **RESOLVED:**

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

## **6. PENSION ADMINISTRATION PERFORMANCE UPDATE**

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

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



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

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

**RESOLVED:**

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

**7. PENSION FUND DATA QUALITY**

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

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

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

**Action: Eleanor Dennis**

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

**RESOLVED:**

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

**8. PENSION FUND QUARTERLY UPDATE PACK**

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

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

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

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

**RESOLVED:**

That the Pension Fund Committee noted the report.

**9. DRAFT ANNUAL REPORT 2020/21**

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

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

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

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

**Action: Matthew Hopson**

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

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

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

**RESOLVED:**

That the Pension Fund Committee

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

**10. GOVERNANCE REVIEW RECOMMENDATIONS**

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

**RESOLVED:**

That the Pension Fund Committee noted the log of recommendations.

**11. INDEPENDENT INVESTMENT ADVISOR APPOINTMENT**

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

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

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

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

**RESOLVED:**

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

**12. DARWIN LEISURE DEVELOPMENT FUND UPDATE**

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

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

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

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

Members unanimously agreed the amended recommendation as set out above.

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

**RESOLVED:**

That the Pension Fund Committee

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

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

**13. EXEMPT DISCUSSION (IF REQUIRED)**

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

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

Chair .....

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# Agenda Item 4

## London Borough of Hammersmith & Fulham

**Report to:** LBHF Pension Fund Committee

**Date:** 28/02/2022

**Subject:** Update on the LGPS Pensions Administration Service

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

**Responsible Director:** Rhian Davies, Director of Resources

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### Summary

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

The Pensions Board and Pension Fund members need to be assured that the administration and governance of the Pension Fund is compliant with regulatory requirements, is effectively managing risk and providing a high-quality service.

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### Recommendations

1. That the contents of this report are noted.
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**Wards Affected:** None

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

## **Financial Considerations**

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

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

## **Legal Implications**

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

*Legal Implications verified by Jane Astbury, Chief Solicitor, 16 February 2022.*

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## **Background Papers Used in Preparing This Report**

None

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## **DETAILED ANALYSIS**

### **Proposals and Analysis of Options**

1. This report is for noting and no decisions are required. A range of options were considered by the Pension Fund Committee on 31 July 2020 and actions agreed.
2. This report sets out the recent progress made against the actions previously agreed by the Pension Fund Committee. All of the actions requested at the Pension Fund Committee on 31 July 2020 have now been completed.
3. The data migration from Surrey County Council (SCC) to LPPA has been successfully completed and the new service being provided by LPPA went live on 26 January 2022. A further verbal update will be provided at the meeting.
4. The key milestone of transferring Member data from SCC to LPPA and commencing the new service has been successfully achieved within the timescale approved by the Committee. Work continues to embed the new service with LPPA and there are further milestones in the coming months for the project, including the running of the first pensioner payroll in February 2022, the completion of year end processes and reports to 31 March 2022, the production of Annual Benefit Statements for Fund members by October 2022 and the implementation of the monthly data submissions by Employers to enhance data quality. Further reports will be provided to the Committee in due course

and the Commercial Director from LPPA will be invited to attend the next meeting of the Committee, when performance data for the new service will be presented.

## Progress Update

### What were the key project risks?

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

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

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

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

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

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

*Following the steer from the Pension Fund Committee to consider both public and private providers, the Taskforce engaged with a number of public providers. Reference sites were also engaged. In parallel and to consider the suitability of progressing a competitive tendering exercise for the new pension administration provider, a pre-competition engagement exercise was undertaken. Following consideration of the options the Taskforce agreed to pursue the public-public provider option, with the existing partnerships being evaluated in detail. That evaluation led to the recommendation to the Pension Fund Committee on 3*



*February 2021, to enter into a delegation agreement for the service to be provided by LPPA, which was approved and has now been actioned.*

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

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

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

#### Workforce and Recruitment

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

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

#### Procurement - Pensions Administration service

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

#### Data improvement - caseload backlog project

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

#### Legal/Contractual

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

#### Transfer of Retained Functions from RBKC

11. All functions and data were successfully transferred to LBHF by 31 December 2020 in line with the detailed transfer plan agreed. Communication was provided to all fund

employers and stakeholders to ensure they were aware of the transfer to the LBHF Retained Team from January 2021.

### SCC Exit Plan

12. This is complete. The Director of Audit, Fraud, Risk and Insurance and the Pensions Manager worked closely with SCC on key project plan activities, timescales and responsibilities, in consultation with LPPA to ensure that all key activities, responsibilities and timescales were documented and agreed. The fourth and final data cut was successfully taken and provided by SCC following the January 2022 payroll run. Arrangements are also in place to forward any correspondence received by SCC to LPPA. Once the first pensioner payroll run has been completed in February 2022, officers with work with SCC to ensure that all Member data is removed from SCC systems.

### Governance Arrangements

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

### Communications

14. Fund Employers were informed in October 2021 of the forthcoming change of administration from SCC to LPPA. Fund Members received communications in December 2021 and January 2022 from LPPA regarding the new service. Employer and Member communications have also been sent out recently to enable registration for the relevant portals so that both Employers and Members can view and provide information online. Members and Employers are able to access the portals to create online accounts to view and update their data.

### Budget

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

### **Risk Management Implications**

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

*Risk: Pension provider record keeping and administration provisions:*

17. The Council is the accountable body responsible for ensuring that members of the Pension Fund receive the best possible service which is in compliance with regulations. It continues to act at pace following identification of the risks and issues involved. Performance of the Pensions Administrator was affected by a combination of administrative, data quality and contract risks discovered by the Council in late 2019.

These risks are being managed by the Pensions Taskforce in accordance with the council's Programme Management Office approach.

Implications verified by Moira Mackie, Head of Internal Audit, 31 January 2022.

# Agenda Item 5

LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 28 February 2022

**Subject:** Pension Administration KPI Performance

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

**Responsible Director:** Rhian Davies, Director of Resources

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## SUMMARY

This paper sets out a summary of the performance of Surrey County Council (SCC) in providing a pension administration service to the Fund. The Key Performance Indicators (KPI's) for the final period in their role as pension administrator of the Hammersmith & Fulham pension Fund. October 2021 – January 2022 inclusive as shown in Appendix 1.

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## RECOMMENDATIONS

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

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**Wards Affected: None**

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<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
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

Under Regulation 53 of the Local Government Pension Scheme Regulations 2013, the Council, as the administering authority of the Pension Fund “is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate administering authority under these Regulations”. Therefore, it is

responsible for ensuring that the Pension Fund is administered in accordance with the Regulations and wider pensions law and other legislation.

Legal implications verified by Angela Hogan, Chief Solicitor, Legal Services 16<sup>th</sup> February 2022

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## **Background Papers Used in Preparing This Report**

**None**

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## **DETAILED ANALYSIS**

### **Proposals and Analysis of Options**

1. The KPI's have been set out in the delegation agreement between SCC and the London Borough of Hammersmith & Fulham (LBHF). The Pensions Manager ensures performance measures are discussed and reviewed between both parties on a monthly basis. In accordance with Code 14 of the Pension Regulator's Code of Practice that states that the scheme manager should hold regular meetings with their service providers to monitor performance.
2. The KPI's as detailed in Appendix 1 of this report cover the period October 2021 to January 2022 inclusive, remained steady.

### **Performance in key areas**

3. Processing of deaths over the last 3 months has remained steady with most death cases processed within the agreed SLA of 5 days. The KPI's were met for all death cases in the months of October and December 2021. This fell slightly in January 2022 to 90%.
4. Unfortunately, the performance of retirements fell below the agreed KPI's for most of this quarter with a low in October of 31% but picked back up to 71% in December 2021 before dipping again in January 2022 to 67%.
5. The processing of refunds remained steady but improved overall to meeting our set KPI's in January 2022.
6. The processing of transfers saw some improvements most notably the processing of transfers ins rising from 41% in October 2021 to 80% in January 2022. With a 3% fall in transfer outs.

### **Summary**

7. SCC have continued to provide a satisfactory pension administration service to the Fund in most areas with some improvement in performance for this last full quarter of work processed. The poor performance in October and November was a result of resources at SCC being diverted to focus on another Fund's

exit. Overall SCC have remained committed to providing a satisfactory service in the months prior to the Fund's exit from their services in January 2022.

### **Equality Implications**

None

### **Risk Management Implications**

None

### **Climate and Ecological Emergency Implications**

None

### **Consultation**

None

### **LIST OF APPENDICES**

**Appendix 1** - KPI Performance figures for the period October 2021 – January 2022 inclusive

**Appendix 1 Pension administration Key Performance Indicators**

Description	Target time/date as per Partnership Agreement (working days)	Target	October			November			December			January			
			Actual Score	Total No of completed cases	No of cases late	Actual Score	Total No of completed cases	No of cases late	Actual Score	Total No of completed cases	No of cases late	Actual Score	Total No of completed cases	No of cases late	
<b>Pension Administration</b>															
<b>Death Benefits</b>	<b>Write to dependant and provide relevant claim form</b>	5 days	100%	90%	21	2	95%	14	1	100%	14	0	90%	10	1
Set up any dependants benefits and confirm payments due, including concluding any under or overpayments.															
		10 days	100%	68%	25	8	40%	35	21	89%	27	3	86%	21	3
<b>Retirement Notification</b>	request for retirement acknowledged, recorded and documentation sent to member	10 days	100%	62%	69	26	78%	45	10	85%	46	7	94%	31	2
<b>Retirements</b>	<b>New retirement benefits processed for payment following receipt of claim forms</b>	7 days	100%	31%	16	11	56%	19	10	71%	14	4	67%	9	3
<b>Deferred retirement</b>	benefits processed for payment following receipt of claim forms	7 days	100%	50%	24	12	87%	39	17	63%	24	9	30%	20	14
<b>Refunds of Contributions</b>	Refund paid following receipt of claim form	10 days	100%	84%	87	14	87%	70	9	88%	41	5	100%	17	0
<b>Deferred Benefits</b>	Statements sent to member following receipt of leaver notification	20 days	100%	75%	135	34	29%	119	119	39%	125	76	84%	43	7
<b>Estimates</b>	<b>Early Retirement requests from employer</b>	10 days	100%	100%	6	0	100%	167	0	60%	5	2	80%	5	1
<b>Projections</b>	<b>Requests from employees</b>	10 days	100%	50%	2	1	20%	14	4	50%	2	1	100%	2	0
<b>New Joiners</b>	New starters processed	30 days	100%	100%	107	0	100%	5	0	100%	46	0	100%	33	0
<b>Transfers In</b>	Quote estimate to scheme member (includes interfunds)	20 days	100%	41%	17	10	42%	57	33	63%	52	19	81%	47	9
<b>Transfers In</b>	Transfers-in payments processed	20 days	100%	80%	45	9	78%	32	7	74%	34	9	78%	27	6
<b>Transfers Out</b>	Transfers-out quotations processed (includes interfunds)	20 days	100%	63%	32	12	70%	43	13	68%	38	12	65%	17	6
<b>Transfers Out</b>	Transfers out payments processed	20 days	100%	65%	20	17	62%	13	5	83%	12	2	88%	16	2
No of complaints received within the month															
		n/a	100%	N/a	0	0	N/a	0	0	N/a	0	0	N/a	0	0
No of complaints resolved within the month															
		30 days	100%	N/a	0	0	N/a	0	0	N/a	0	0	N/a	0	0
No of compliments received within the month															
		n/a	N/a	N/a	0	0	N/a	0	0	N/a	0	0	N/a	0	0
<b>Helpdesk Volumes</b>															
<b>Total Queries Handled</b>															
First Point Fix															
Jan 21 - 436															
79%															
Feb 21 - 487															
79%															
Mar 21 - 595															
89%															
Apr 21 - 485															
92%															
May 21 - 419															
92%															
Jun 21 - 419															
92%															
July 21 - 584															
92%															
August - 518															
95%															
Sept - 458															
92%															
Oct 21 - 584															
87%															
Nov 21 - 549															
86%															
Dec 21 - 411															
84%															

# Agenda Item 6

LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 28 February 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.

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## RECOMMENDATIONS

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

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**Wards Affected:** None

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

## Financial Impact

None



## **Legal Implications**

None

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## **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 21 recommendations implemented, and 7 commenced.

## **LIST OF APPENDICES**

Appendix 1: Log of Recommendations

Recommendations Log					
Recommendation number	Recommendation	Timeline immediacy	Timeline date	Status	Comments
1	The Council give consideration to the removal of all reference to the Pensions function from the Terms of Reference of the Audit and Pensions Committee and that this Committee be renamed the Audit Committee.	Immediate	03-Mar-21	Complete	Agreed at Annual Council on 28 April 2021
2	The Council give consideration to revising the Constitution to place all responsibility for the LGPS pensions function with the Pension Fund Sub-Committee and that this be renamed "The Pension Fund Committee" and that its elected member membership be 6 voting councillors.	Immediate	03-Mar-21	Complete	Agreed at Annual Council on 28 April 2021
3	To amend the Responsibilities of the Pension Fund Sub-Committee (The Pension Fund Committee) as set out in Appendix 2 of this report.	Immediate	03-Mar-21	Complete	Agreed at Annual Council on 28 April 2021
4	The Pension Fund Sub-Committee (The Pension Fund Committee) actively seek to co-opt one or two non-administering authority non-voting members in order that Employers beyond the LBHF may participate in the decision making forum of the LBHF Pension Fund.	Immediate	2022/2023	Progress Started	The Pensions Manager has already actioned the appointment of employee representative, Peter Parkin. The recruitment of future employer representatives will be actioned after the new service with admin provider, LPPA, has been established.
5	The Pension Fund Sub-Committee (The Pension Fund Committee) actively seek to co-opt a non-voting Employee representative.	Immediate	2022/2023	Not Started	This will be actioned after the new service with LPPA is established to ensure resources, due diligence and focus are directed at key priorities and high risk areas.
6	The Officers involved in preparing future LBHF Pension Fund Annual Reports specifically ensure both the inclusion and consideration of the Pension Administration Strategy as required by the LGPS Regulations and relevant Statutory Guidance.	Immediate		Complete	Included in 20/21 annual report
7	The Pensions Sub-Committee seek assurance from the Officers that the Annual Report and Statement of Accounts for 2019/20 have been prepared taking careful account of relevant Statutory Guidance (particularly that relating to preparing the Annual Report) and that in future years the Officers confirm this in the covering report presenting the draft Annual Report and Accounts.	Immediate		Complete	Included in 20/21 annual report
8	A Training Needs Assessment is urgently completed in respect of all Pension Board Members and that a comprehensive programme of training to address identified needs (including coverage of recent and current developments in the LGPS) be provided as soon as practical.	Immediate		Complete	Initial report was considered at the 21 July 2021 committee. Training needs schedule to be tabled for 28 Feb 22 meeting.
9	That consideration be given to paying an allowance to Local Pension Board Members for actual attendance at Board Meetings (including any training held before a Board meeting).	Immediate		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	Progress Started	Scheduled for later in 21/22
20	The Risk Register is redesigned with risks listed under each of the seven headings in the CIPFA Guidance on managing risks in the Local Government Pension Scheme, issued in 2018.	Not Immediate	31-Mar-22	Complete	Risk register complies with CIPFA layout
21	The LBHF Pension Fund have a separate and specific Annual Internal Audit Plan, approved by the Pension Fund Sub-Committee which includes a focus on Pension Administration issues in their broadest sense, both those carried out by the LBHF Pension Fund directly and those delegated to a third-party Pensions Administrator.	Not Immediate	2022/2023	Progress Started	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	Progress Started	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	Progress Started	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	Progress Started	As above
28	That the Fund Actuary should be fully apprised 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.

**Report to:** Pension Fund Committee

**Date:** 28 February 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 Pensions Fund Committee with a summary of the Pension Fund's:

- Overall performance for the quarter ended 31 December 2021;
- Cashflow update and forecast;
- Assessment of risks and actions taken to mitigate these.

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### RECOMMENDATIONS

1. Appendix 2b is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
2. The Pension Fund Committee is recommended to note the update.

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**Wards Affected:** None

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<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
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 – Q3 2020/21**

1. This report and attached appendices make up the pack for the quarter three (Q3) ended 31 December 2021. An overview of the Pension Fund's performance is provided in Appendix 1. This includes administrative, investment, and cash management performance for the quarter.
2. Appendix 2 provides information about the Pension Fund's investments and performance. The highlights from the quarter are shown below:
  - Overall global markets performance performed positively, with global equity indices increasing by 7% in local currency terms over the quarter.
  - Overall, the investment performance report shows that over the quarter to 31 December 2021, the market value of the assets increased by £43.7m to £1,320.5m.
  - The Fund outperformed its benchmark net of fees by 0.7% in delivering a return of 4.4% over the quarter to 31 December 2022, and the estimated funding level was 93.0% as at 31 December 2022.
  - Over the year to 31 December 2022, the fund overperformed against its benchmark by 3%, returning 14.0% overall.
  - The highlights over the quarter to 31 December 2022 came from the LCIV Global Equity Core Fund, contributing 0.40% of outperformance.
  - Officers and Deloitte will attend a manager review day on 24 February 2022. An update will be circulated to members prior to the committee meeting.
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 September 2022. An analysis of the differences between the actuals and the forecasts for the quarter is also included.
4. Appendix 4 contains the Pension Fund's Risk Registers.
5. Appendix 5 contains the Pension Fund's Breaches of the Law log.
6. Appendix 6 contains the LBHF Committee and Board Knowledge and Skills 2022 questionnaire. Please complete this and send to Mat Dawson.

## **Risk Management Implications**

1. This is included in the risk registers.

## **LIST OF APPENDICES**

Appendix 1: Scorecard at 31 Dec 2021

Appendix 2a: Deloitte Quarterly Report for Quarter Ended 31 Dec 2021

Appendix 2b: Deloitte Quarterly Report for Quarter Ended 31 Dec 2021 (EXEMPT)

Appendix 3: Cashflow Monitoring Report

Appendix 4: Pension Fund Risk Registers

Appendix 5: Breaches of the Law Log

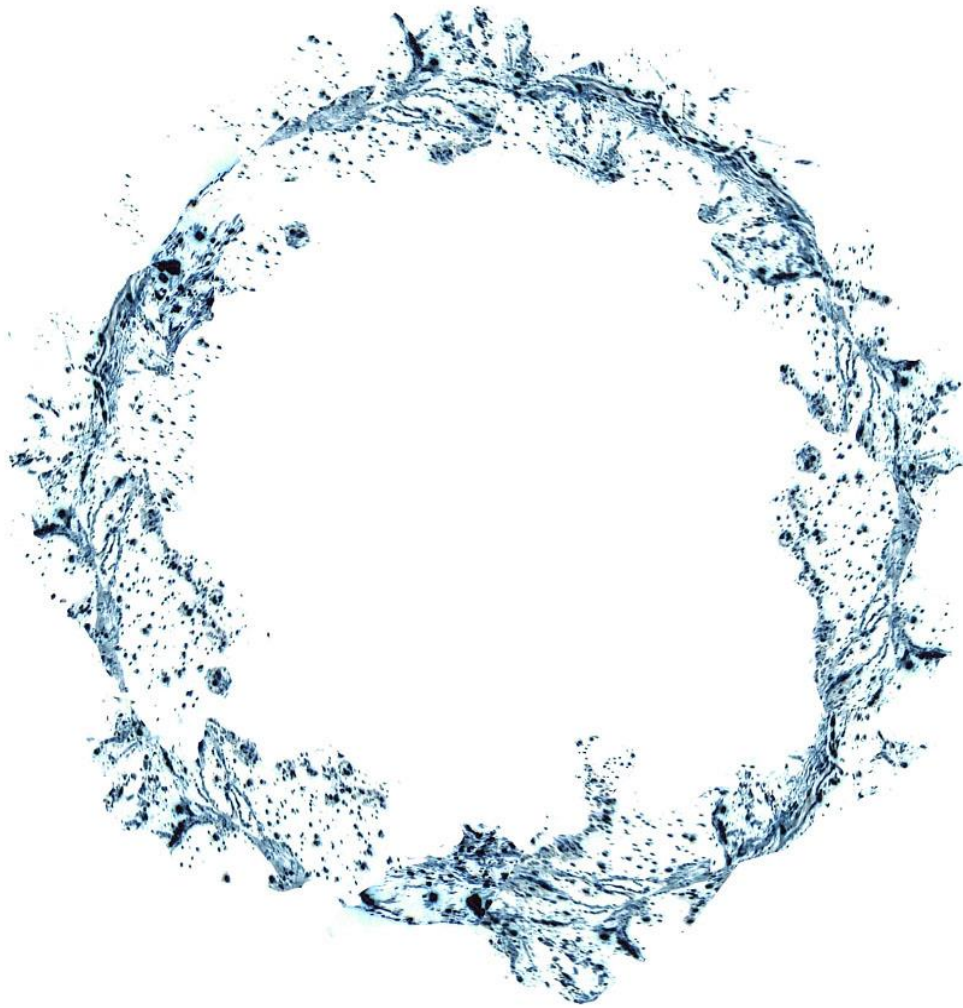
Appendix 6: LBHF Committee and Board Knowledge and Skills 2022

## Scorecard at 31 December 2021

## London Borough of Hammersmith and Fulham Pension Fund Quarterly

## Monitoring Report

	Mar 21 £000	Oct 21 £000	Nov 21 £000	Dec 21 £000	Report reference
Value (£m)	1,213.2	1,302.7	1,306.4	1,320.2	IRAS reports
% return quarter	2.93%	3.51%	1.91%	4.42%	
% return one year	21.89%	19.02%	13.74%	13.97%	
<b>LIABILITIES</b>					
Value (£m)	1,288			1,320	Actuary funding update
Surplus/(Deficit) (£m)	(71)			(106)	
Funding Level	95%			93%	
<b>CASHFLOW</b>					
Cash balance	1,700	8,565	5,716	4,894	Appendix 3
Variance from forecast	240	-	(1,500)	(2,174)	
<b>MEMBERSHIP</b>					
	£	£	£	£	Reports from Pension Fund Administrator
Active members	4,467			4,329	
Deferred beneficiaries	5,914			6,207	
Pensioners	5,368			5,627	
<b>RISK</b>					
No. of new risks					Appendix 4: Risk Register
No. of ratings changed					
<b>LGPS REGULATIONS</b>					
New consultations	None	None	None	None	
New sets of regulations	None	None	None	None	



London Borough of Hammersmith & Fulham Pension Fund  
Investment Performance Report to 31 December 2021

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# 1 Market Background

## Global Equities

Global equities posted positive returns over the final quarter of 2021, with investors focusing on economic resilience and strong corporate earnings. The emergence of the Omicron variant triggered a reasonable degree of market volatility from late November onwards. By quarter end, investor fears had largely subsided with data suggesting that the rate of hospitalisations was meaningfully lower. With further lockdown provisions looking less likely, investor attention returned to high inflation and falling unemployment with a tightening of monetary policy appearing all but inevitable. As expected, the Bank of England raised the UK base rate whilst the Federal Reserve agreed an accelerated programme of tapering during December.

Over the fourth quarter of 2021, global equity markets performed positively with the FTSE All World Index returning 7.0% in local currency terms. Performance across most global regions was positive with the exception of Japan, which delivered the lowest return of -1.4% (local terms), the Asia Pacific region (excluding Japan), and Emerging Market equities. China accounted for much of the weakness in the Asia Pacific region with the government in Beijing pressing ahead with its interventionist approach despite obvious signs of economic weakness and the distress caused by Evergrande and other property developers.

UK equities delivered a positive return of 4.2% over the quarter, underperforming the US and other European markets. Negative relative performance was largely due to the emergence of Omicron and the flow of investor funds away from the economically sensitive sectors which dominate the UK index. However, encouraging news around Omicron meant that, during December, a number of sectors were able to recoup the sharp losses sustained in the initial sell-off in late November.

## Government bonds

UK nominal gilt yields finished the quarter higher at shorter maturities as investors priced in a faster pace of rate rises with the Bank of England forced to take action to combat high inflation. UK consumer price inflation increased to 5.1% over the year to November 2021, its highest level since 2012. In contrast, nominal gilt yields at maturities in excess of 8 years fell with investors seemingly fearing the economically dampening effects of higher interest rates in the short term. The All Stocks Gilts Index delivered a return of 2.4% over the quarter, whilst the longer-dated Over 15-year Index delivered a return of 5.6%.

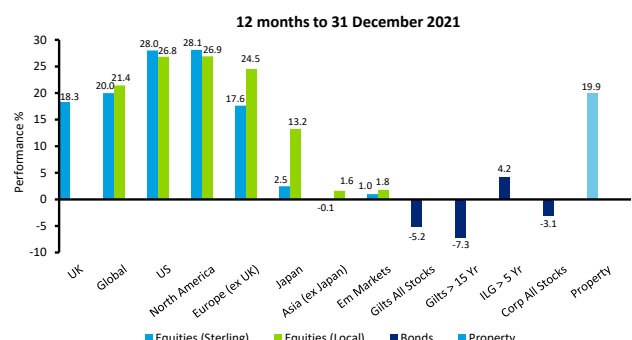
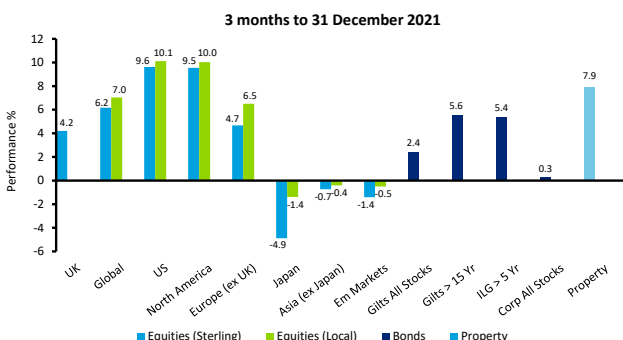
Real yields on index-linked gilts moved in a similar fashion to their nominal equivalents falling by up to 20 bps for all but the shorter maturities. The All Stocks Index-Linked Gilts Index delivered a return of 4.9% over the fourth quarter.

## Corporate bonds

Credit spreads on sterling denominated corporate bonds increased slightly over the fourth quarter. Whilst corporate earnings remain strong, tighter monetary policy is expected to prove detrimental to corporate issuers. The iBoxx All Stocks Non-Gilt Index returned 0.3% over the three months to 31 December 2021, underperforming gilts of equivalent duration.

## Property

The MSCI UK All Property Index delivered a return of 7.9% over the fourth quarter, and a return of 19.9% over the 12 months to 31 December 2021. The industrial sector continues to lead the way with a quarterly return of 13.5%, benefitting from trends including the switch to online shopping. The retail sector was, however, the second-highest performing sector over 2021, delivering a return of 14.6%. Investors appear to have taken advantage of low valuations across the sector with the retail warehouse and supermarket sub-sectors outperforming.



## 2 Performance Overview

### 2.1 Investment Performance to 31 December 2021

Breakdown of Fund Performance by Manager as at 31 December 2021		3	1	3 year	5 year
Fund	Manager	month	year	p.a.	p.a.
<b>Equity Mandate</b>					
MSCI AC World Index	LCIV Global Equity Core Fund	9.0	20.3	n/a	n/a
<i>Difference</i>		2.8	0.6	n/a	n/a
MSCI World Low Carbon Target Index	LGIM Low Carbon Mandate	7.4	23.1	20.1	n/a
<i>Difference</i>		0.0	-0.1	-0.1	n/a
<b>Dynamic Asset Allocation</b>					
3 Month Sterling LIBOR + 4% p.a.	LCIV Absolute Return Fund	1.5	10.3	9.7	4.6
<i>Difference</i>		1.0	4.1	4.4	4.5
		0.4	6.2	5.3	0.1
<b>Global Bonds</b>					
Barclays Credit Index (Hedged)	LCIV Global Bond Fund	-0.2	-0.5	n/a	n/a
<i>Difference</i>		-0.1	-1.1	n/a	n/a
		-0.1	0.6	n/a	n/a
<b>Secure Income</b>					
3 Month Sterling LIBOR + 4% p.a.	Partners Group MAC <sup>2</sup>	7.2	33.4	7.3	6.5
<i>Difference</i>		1.0	4.1	4.4	4.5
		6.2	29.3	2.9	2.1
3 Month Sterling LIBOR + 4% p.a.	Oak Hill Advisors	0.6	5.2	5.5	3.6
<i>Difference</i>		1.0	4.1	4.4	4.5
		-0.5	1.1	1.1	-0.8
Blended benchmark <sup>5</sup>	abrdn MSPC Fund <sup>4</sup>	n/a	n/a	n/a	n/a
<i>Difference</i>		n/a	n/a	n/a	n/a
		n/a	n/a	n/a	n/a
	Partners Group Infra <sup>2</sup>	4.1	12.8	13.2	9.1
	Aviva Infra Income <sup>3</sup>	3.6	3.4	2.2	n/a
<b>Inflation Protection</b>					
FT British Government All Stocks	abrdn Long Lease Property Fund	0.8	9.1	6.2	7.5
<i>Difference</i>		3.2	-2.7	5.3	4.5
		-2.4	11.8	0.8	3.0
<b>Affordable Housing</b>					
3 Month Sterling LIBOR + 4% p.a.	Man GPM	4.4	n/a	n/a	n/a
<i>Difference</i>		1.0	n/a	n/a	n/a
		3.4	n/a	n/a	n/a
<b>Total Fund</b>		<b>4.4</b>	<b>14.0</b>	<b>11.6</b>	<b>7.7</b>
<b>Benchmark<sup>1</sup></b>		<b>3.7</b>	<b>11.0</b>	<b>11.1</b>	<b>8.5</b>
<b><i>Difference</i></b>		<b>0.7</b>	<b>3.0</b>	<b>0.5</b>	<b>-0.8</b>

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.

<sup>1</sup> The Total Assets benchmark is calculated using the fixed weight target asset allocation.

<sup>2</sup> Partners Group Multi Asset Credit and Direct Infrastructure Fund performance provided to 30 November 2021.

<sup>3</sup> Aviva Investors performance figures provided by Northern Trust take into account a c. 1.4% income distribution from the Infrastructure Income Fund towards the end of each quarter.

<sup>4</sup> abrdn MSPC Fund Q4 2021 performance data not provided by Northern Trust at the time of writing. We are working with Northern Trust to ensure all performance data is available going forward.

<sup>5</sup> abrdn MSPC Fund is measured against a blended benchmark of 3 Month Sterling LIBOR and the ICE ML Sterling BBB Corporate Bond Index while the strategy is in the process of deploying invested capital. The weight of the benchmark allocated to the ICE ML Sterling BBB Corporate Bond Index reflects the proportion of the Fund's investment in the MSPC Fund which has been deployed by abrdn. Once the Fund's investment has been fully deployed, the MSPC Fund will be measured against a benchmark consisting 100% of the ICE ML Sterling BBB Corporate Bond Index. Over the quarter to 31 December 2021, the MSPC Fund was measured against a blended benchmark of 33% 3 Month Sterling LIBOR and 67% ICE ML Sterling BBB Corporate Bond Index.

### 3 Total Fund

#### 3.1 Investment Performance to 31 December 2021

	Last Quarter	One Year	Three Years	Five Years
	(%)	(%)	(% p.a.)	(% p.a.)
Total Fund - Net of fees	4.4	14.0	11.6	7.7
Benchmark <sup>(1)</sup>	3.7	11.0	11.1	8.5
Net performance relative to benchmark	0.7	3.0	0.5	-0.8

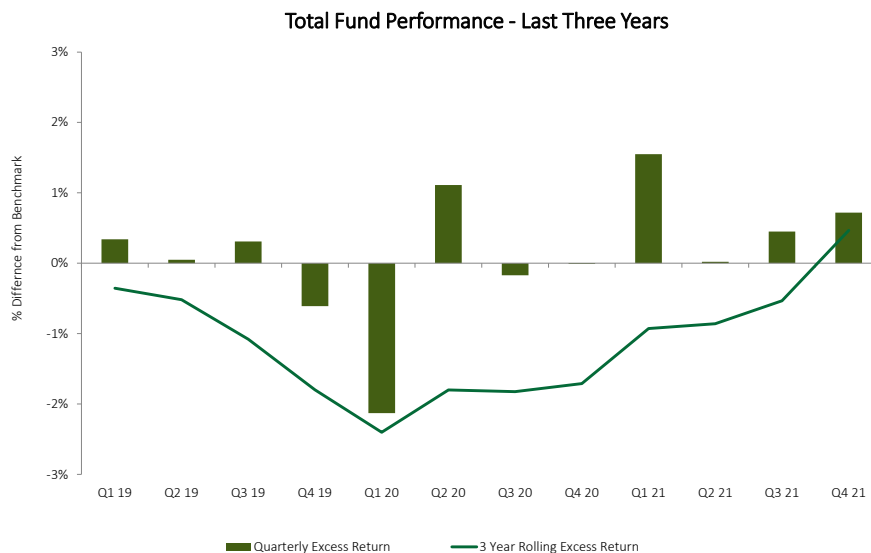
Source: Northern Trust. Relative performance may not sum due to rounding.

(1) Fixed weight benchmark

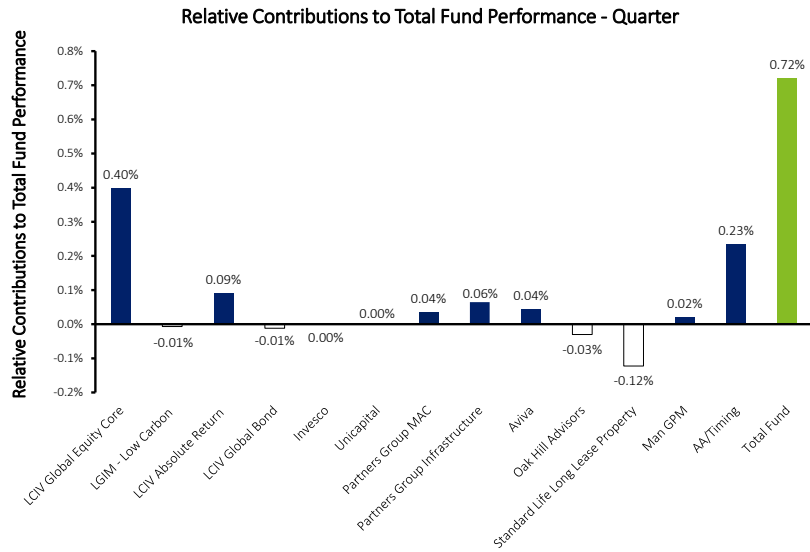
The Total Fund delivered a positive absolute return of 4.4% on a net of fees basis over the quarter to 31 December 2021, outperforming the fixed weight benchmark by 0.7%.

Over the year to 31 December 2021, the Total Fund delivered a positive absolute return of 14.0% on a net of fees basis, outperforming its fixed weight benchmark by 3.0%. The Total Fund delivered positive absolute returns of 11.6% p.a. and 7.7% p.a. on a net of fees basis over the longer three and five year periods to 31 December 2021 respectively, outperforming the fixed weight benchmark by 0.5% p.a. over the three year period and underperforming the fixed weight benchmark by 0.8% p.a. over the five years to 31 December 2021.

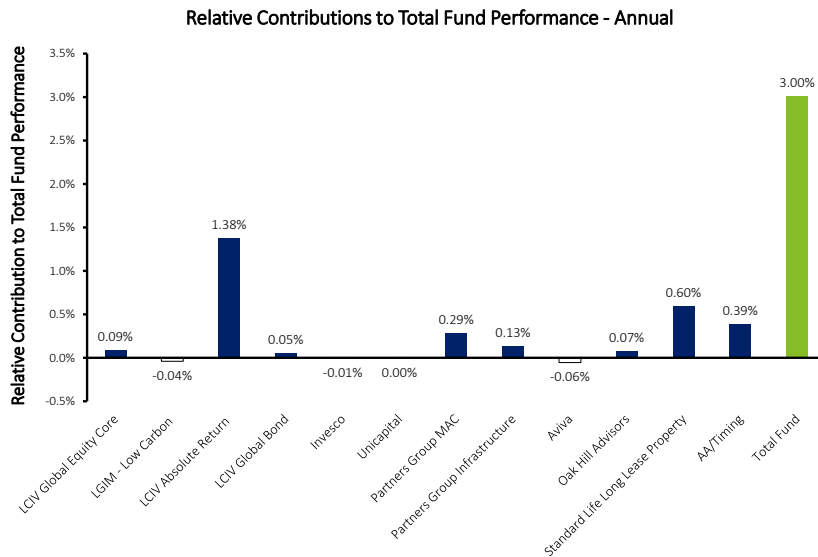
The chart below compares the net performance of the Fund relative to the fixed weight benchmark over the three years to 31 December 2021. The 3-year rolling excess return moved from negative to positive over the fourth quarter of 2021.



### 3.2 Attribution of Performance to 31 December 2021



Over the quarter to 31 December 2021, the Fund outperformed its fixed weight benchmark by c. 0.7%. Outperformance was primarily driven by the LCIV Global Equity Core Fund, having outperformed its benchmark over the fourth quarter of 2021 with the strategy’s bias to high quality stocks proving beneficial for the second quarter in succession. Outperformance can also be partially attributed to the LCIV Absolute Return Fund which outperformed its cash-plus target over the quarter with the manager’s strategic allocations proving beneficial. Outperformance was partially offset by the Standard Life Long Lease Property Fund having underperformed its gilts-based benchmark over the quarter. The positive attribution represented by the “AA/Timing” bar primarily reflects the impact of the Fund’s overweight equity allocation with the Fund’s equity mandates delivering positive absolute returns over the quarter, alongside the impact of the significant overweight position to the LCIV Absolute Return Fund.



The Fund outperformed its fixed weight benchmark by c. 3.0% over the year to 31 December 2021 with outperformance over the twelve month period primarily driven by the LCIV Absolute Return Fund, having delivered large levels of outperformance over three out of the four quarters of the year owing to the strategy’s equity and inflation-linked bonds positioning, with equity markets delivering strong returns over the year and real bond yields falling across the curve. Partners Group MAC fund has also delivered strong performance over the year with a strong rebound of the strategy’s tail investments.

### 3.3 Asset Allocation

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

Manager	Asset Class	Actual Asset Allocation				Benchmark Allocation (%)
		30 Sept 2021 (£m)	31 Dec 2021 (£m)	30 Sept 2021 (%)	31 Dec 2021 (%)	
LCIV	Global Equity Core	185.1	201.3	14.5	15.2	15.0
LGIM	Low Carbon Equity (passive)	421.0	448.1	33.0	33.9	30.0
	<b>Total Equity</b>	<b>606.0</b>	<b>649.4</b>	<b>47.5</b>	<b>49.1</b>	<b>45.0</b>
LCIV	Absolute Return	272.8	261.7	21.4	19.8	10.0
LCIV	Global Bond	109.0	108.1	8.5	8.2	10.0
	<b>Total Dynamic Asset Allocation</b>	<b>381.8</b>	<b>369.8</b>	<b>29.9</b>	<b>28.0</b>	<b>20.0</b>
Partners Group <sup>1</sup>	Multi Asset Credit	7.4	8.0	0.6	0.6	0.0
Oak Hill Advisors	Diversified Credit Strategies	82.2	82.6	6.4	6.3	5.0
Partners Group <sup>1</sup>	Direct Infrastructure	38.4	42.7	3.0	3.2	5.0
Aviva	Infrastructure Income	25.7	25.9	2.0	2.0	2.5
abrdn	Multi Sector Private Credit	56.3	56.0 <sup>4</sup>	4.4	4.2	5.0
Darwin Alternatives	Leisure Development Fund	-	-	-	-	2.5
	<b>Secure Income</b>	<b>210.1</b>	<b>215.2</b>	<b>16.5</b>	<b>16.3</b>	<b>20.0</b>
abrdn	Long Lease Property	65.3	65.9	5.1	5.0	5.0
Alpha Real Capital	Ground Rents	-	-	-	-	5.0
Man GPM	Affordable Housing	7.6	19.7	0.6	1.5	2.5
	<b>Total Inflation Protection</b>	<b>72.9</b>	<b>85.6</b>	<b>5.7</b>	<b>6.5</b>	<b>15.0<sup>2</sup></b>
Northern Trust	Trustee Bank Account	5.8	0.3	0.5	0.0	0.0
	<b>Total<sup>3</sup></b>	<b>1,276.8</b>	<b>1,320.5</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Northern Trust (Custodian) and have not been independently verified.

Figures may not sum to total due to rounding.

<sup>1</sup> Partners Group Multi Asset Credit and Direct Infrastructure valuations provided by Northern Trust with a month's lag (i.e. as at 31 August 2021 and 31 November 2021).

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

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

<sup>4</sup> abrdn MSPC Fund valuation as at 31 December 2021 was not available at the time of writing. The figure in the table above reflects the valuation of the Fund's investment in the MSPC Fund as at 30 September 2021, adjusted for cashflows over Q4 2021.

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 Leisure Development Fund as part of the secure income portfolio, reducing the Oak Hill Advisors allocation by 2.5% to 5.0%. As the Oak Hill Advisors Diversified Credit Strategies Fund is c. 1.3% overweight its updated benchmark, the Darwin allocation will be funded from Oak Hill Advisors and equities.

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 ARC was closed on 17 May 2021 with the full £60m expected to be drawn and deployed by April 2022. The Fund's commitment with Man GPM was closed on 2 June 2021 with the full £30m expected to be drawn over the next 6 years across quarterly and deal-specific requests. Over the fourth quarter of 2021, Man GPM issued two further draw down requests for a total of £11.4m, with the Fund's commitment c. 67% drawn for investment as at 31 December 2021. The Man GPM drawdown requests have been funded from the LCIV Absolute Return Fund.

### 3.4 Yield Analysis as at 31 December 2021

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

Manager	Asset Class	Yield as at 31 Dec 2021
LCIV	Global Equity Core	1.18%
LGIM	Low Carbon Equity	1.83%
LCIV	Absolute Return	1.50%
LCIV	Global Bond	2.58%
Partners Group	Multi-Asset Credit	5.80%
Oak Hill Advisors	Diversified Credit Strategy	5.60%
Aviva Investors	Infrastructure	5.80% <sup>1</sup>
abrdn	Long Lease Property	3.85%
	<b>Total</b>	<b>2.00%</b>

<sup>1</sup> Represents yield to 30 September 2021.

## 4 Summary of Manager Ratings

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

Manager	Mandate	Triggers for Review	Rating
Morgan Stanley Investment Management	LCIV Global Equity Core	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	1
LGIM	Low Carbon Equity	Major deviation from the benchmark return Significant loss of assets under management	1
Ruffer	LCIV Absolute Return	Departure of either of the co-portfolio managers from the business Any significant change in ownership structure	1
PIMCO	LCIV Global Bond	A significant increase or decrease to the assets under management Significant changes to the investment team responsible for the Fund	1
Partners Group	Multi Asset Credit	Significant changes to the investment team responsible for the Fund *Note the mandate is subject to a 7 year lock-up period	1
	Direct Infrastructure	Significant changes to the investment team responsible for the Fund *Note the mandate is subject to a 10 year lock-up period	1
Oak Hill Partners	Diversified Credit Strategy	Significant changes to the investment team responsible for the Fund Significant changes to the liquidity of underlying holdings within the Fund	1
Aviva Investors	Infrastructure Income	Significant changes to the investment team responsible for the Fund	2
abrdrn	Long Lease Property	Les Ross leaving the business or ceasing to be actively involved in the Fund without having gone through an appropriate hand-over A build up within the Fund of holdings with remaining lease lengths around 10 years Investment in lower yielding or poorer quality assets than expected	1
	Multi Sector Private Credit	Significant changes to the investment team responsible for the Fund	1
Alpha Real Capital	Ground Rents	Significant changes to the investment team responsible for the Fund	1
Man GPM	Affordable Housing	Significant changes to the investment team responsible for the Fund *Note the mandate is subject to a 10 year lock-up period	1

### 4.1 London CIV Business

The London CIV had assets under management of £13,877m within the 15 sub-funds (not including commitments to the primate markets strategies) as at 31 December 2021 an increase of £1,302m over the quarter primarily as a result of two investors seeding the Passive Equity Progressive Paris Aligned (PEPPA) Sub Fund in early December and new investors into the LCIV Global Bond Sub Fund, LCIV Diversified Growth Sub Fund and LCIV MAC Sub Fund

As at 31 December 2021, the total assets under oversight, including passive investments held outside the London CIV platform, stood at £29.6bn, an increase of c. £3.7bn over the quarter. Cumulative additional commitments to the London CIV's private market funds totaled £250.0m over the fourth quarter of 2021, with total commitments raised by the private market funds standing at £2.0bn of which £744m had been drawn as at 31 December 2021.

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

The Passive Equity Progressive Paris Aligned (“PEPPA”) Sub Fund launched on 1 December 2021, having received FCA approval and having agreed the terms of the IMA with the investment manager, State Street Global Advisors (SSGA). Two London Borough investors provided seed capital to the PEPPA Sub Fund, with the Sub Fund's assets under management standing at £533m as at 31 December 2021. The London CIV expects demand for the passive low carbon equity strategy to total between £0.9bn and £1.1bn.

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

#### Personnel

Over the quarter, Chris Osborne joined London CIV as a Senior Portfolio Manager, focusing on property. Chris joins the London CIV from Partners Group where he was Assistant Vice President in Real Estate, having spent 9 years at the firm.

Following quarter end, two investment analysts have accepted offers to join the London CIV, starting in February 2022.

**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. £601m as at 31 December 2021, an increase of c. £49m over the quarter.

As at 31 December 2021, the Morgan Stanley Global Sustain Fund, which the LCIV Global Equity Core Fund is based upon, held assets under management of c. \$5.1bn, representing an increase of c. \$0.6bn over the fourth quarter of 2021 as a result of positive market movements.

#### Personnel

Over the fourth quarter of 2021, the International Equity team announced the hire of Marte Borhaug as an Executive Director, Portfolio Manager and the team's Head of Sustainable Outcomes. Marte joins from Aviva Investors where she was Global Head of Sustainable Outcomes. Marte has 12 years of experience within the sustainability industry in both private and public sector initiatives and will help drive Morgan Stanley's sustainability strategy.

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

## 4.3 LGIM Business

As at 30 June 2021, Legal & General Investment Management (“LGIM”) had assets under management (“AuM”) of c. £1,327bn, an increase of c. £48bn since 31 December 2020. Note, LGIM provides AuM updates biannually. LGIM's AuM as at 31 December 2021 will not be available until later in the quarter.

#### Personnel



During December 2021, Howie Li was appointed as Global Head of Index and ETFs to lead the next phase of growth of LGIM's Index business. Howie will be responsible for the global development of LGIM's Index and ETF businesses going forward. Meanwhile, Fadi Zaher has been appointed as Head of Index Solutions.

In addition, over the fourth quarter of 2021 David Barron has returned to Chicago as Head of US Index Solutions and will be reporting directly to John Bender who will be taking on the new role of Chief Investment Officer, LGIM America. The remaining members of the US Index team will report to Dave Barron. LGIM believes these changes will allow LGIM to work more collaboratively across its investment teams in all locations, particularly aligning LGIM's investment teams in Chicago and London to strengthen the firm's ambition of being an industry leading provider of investment solutions.

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

## 4.4 Ruffer

### Business

As at 31 December 2021, Ruffer held c. £24.0bn in assets under management, an increase of c. £0.8bn over the quarter.

### Personnel

Over the quarter, Ruffer's CEO, Clemmie Vaughan, decided not to return to her role following maternity leave. Clemmie officially stepped down as CEO on 15 October 2021 and will remain a partner at Ruffer until March 2022 to support a full handover. From January 2021, Chris Bacon has been appointed as CEO and Miranda Best has been appointed as Deputy CEO, pending regulatory approval. Both Chris and Miranda are joining the board of Ruffer LLP having jointly lead the firm as interim co-CEOs during Clemmie's maternity leave. Chris joined Ruffer from Rothschild in 2017 and has been a Senior Adviser at the firm. Miranda joined Ruffer in 2005 as Head of Investments.

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

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

## 4.5 PIMCO

### Business

PIMCO held c. \$2.2tn in assets under management as at 31 December 2021, remaining relatively unchanged over the quarter. The LCIV Global Bond Fund had assets under management of c. £689m as at 31 December 2021, an increase of £193m over the fourth quarter of 2021 with two new London Boroughs investing in the Sub Fund over the fourth quarter of 2021.

### Personnel

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

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

## 4.6 Partners Group

### Business

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

### Multi Asset Credit

The Partners Group MAC Fund's net asset value stood at c. £41.8m as at 31 December 2021, an increase of c. £1.4m since the previous quarter end valuation at 30 September 2021 as a result of positive portfolio returns over the quarter.

The investment period for the 2014 MAC vintage finished at the end of July 2017, and the Fund continues to make distributions back to investors. Partners Group issued one further distribution of £0.1m over the quarter, split across all investors. The Partners Group MAC Fund issued a further distribution following quarter end with £1.5m distributed on 31 January 2022, split across all investors.

## Direct Infrastructure

As at 31 December 2021, the Direct Infrastructure Fund had drawn down c. 72% of its total €1,081m commitment value for investment, with c. 99% of the total Direct Infrastructure Fund's portfolio committed to investment opportunities as at 31 December 2021.

## Personnel

There were no significant team or personnel changes to the Multi Asset Credit or Direct Infrastructure Fund teams over the quarter.

**Deloitte View** - We continue to rate Partners Group for its private market capabilities.

## 4.7 abrdn – Multi-Sector Private Credit (“MSPC”)

### Business

The abrdn Multi-Sector Private Credit Fund (“MSPC”) commitment value stood at £176m as at 10 February 2022, remaining unchanged over the period since 25 October 2021 with an additional £18m commitment expected in the coming months.

The MSPC Fund has a robust indicative pipeline of private credit assets and has closed on one healthcare REIT private placement debt asset over the fourth quarter of 2021 with 75% of the MSPC Fund portfolio now invested in assets that will make up the long term portfolio as at 10 February 2022.

## Personnel

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

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

## 4.8 Oak Hill Advisors – Diversified Credit Strategies (“DCS”)

### Business

Oak Hill Advisors (“OHA”) held assets under management of c. \$55bn as at 31 December 2021, an increase of c. \$2bn since 1 August 2021.

The Diversified Credit Strategies Fund's net asset value stood at c. \$5.0bn as at 31 December 2021, remaining relatively unchanged over the quarter. The Diversified Credit Strategies Fund saw approximately \$121m of net cash inflows during the fourth quarter of 2021.

As reported last quarter, on 28 October 2021, OHA announced that the firm had entered into an agreement to be acquired by T. Rowe Price, Inc. (“T. Rowe Price”), a global asset management firm with c. \$1.6tn in assets under management, with the transaction closing on 29 December 2021. OHA has confirmed that the transaction will not change OHA's day-to-day operations, and that OHA will operate as a standalone business within T. Rowe Price, remaining under the OHA brand. There will also be no change to the team managing the Diversified Credit Strategies Fund and there will be no redundancies as part of the transaction. Glen August will remain as CEO of OHA and will join the Board of T. Rowe Price and all OHA partners will sign 5-year employment agreements.

## Personnel

At Managing Director level and above, OHA saw no investment professional joiners or departures over the fourth quarter of 2021. OHA expanded its partnership at year-end, with Adam Nankervis, Portfolio Manager, and Natalie Harvard, Head of Investor Relations, being promoted to Partner.

**Deloitte view** – We are comfortable with how the strategy is being managed and the level of risk within the strategy. We held a meeting with OHA in November 2021 to discuss the recent acquisition. We currently foresee no impacts on the DCS Fund’s investment as a result of the acquisition but we will continue to monitor developments closely.

## 4.9 Aviva Investors

### Business

The Aviva Investors Infrastructure Income Fund (the “AIIF”) had a total subscription value of c. £1,308m as at 31 December 2021, an increase of c. £16m over the fourth quarter of 2021.

Following quarter end, as at 15 February 2022, the undrawn amount for the AIIF was £179m, following additional commitments from one existing investor and a UK pension fund which has been involved in the onboarding process since the beginning of the soft close discussions over the fourth quarter of 2021 totaling £40m, and a further £139m of commitments received from 6 existing investors following quarter end in early 2022.

As such, Aviva expects to imminently advise all current investors that the minimum £175m funding requirement has been reached and the soft close therefore completed. Aviva drew £25m from an existing investor over the fourth quarter of 2021, and expects to draw £72m in Q1 2022, £33m in Q2 2022 and £45m from Q3 2022 onwards in order to meet the targeted funding schedule.

### Personnel

A new Director, Charlotte Frost, joined the team over the three-month period to 31 December 2021.

**Deloitte View** – We have removed the AIIF from our preferred list of funds. This means we no longer consider AIIF as a preferred or suitable fund in its asset class and would not put it forward to our clients. We provide the rationale for this change in view within a separate note entitled “Aviva Investors Infrastructure Income Fund – Rating Change” which also outlines potential next steps.

## 4.10 abrtn – Long Lease Property

### Business

The Standard Life Long Lease Property Fund, managed by abrtn, had a total fund value of c. £3.4bn as at 31 December 2021, an increase of c. £0.1bn since 30 September 2021.

*COVID-19 Impact:*

abrtn continues to work with its tenants to discuss deferment arrangements where necessary. As at 14 February 2022, the Long Lease Property Fund had collected 99.8% of its Q4 2021 rent with none of the Long Lease Property Fund’s rental income subject to deferment arrangements.

### Personnel

There were no significant team or personnel changes over the quarter to 31 December 2021.

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

## 4.11 Alpha Real Capital

### Business

As at 31 December 2021, Alpha Real Capital’s total assets under management stood at £4.5bn, an increase of £0.1bn over the quarter.

The Alpha Real Capital Index Linked Income Fund’s net asset value stood at £1,879m as at 31 December 2021, an increase of £112m since 30 June 2021. Alpha Real Capital expects to be able to draw down the London Borough of Hammersmith & Fulham Pension Fund’s commitment by the end of April 2022.

### Personnel

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

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

## 4.12 Man GPM

### Business

Man GPM held a total of c. \$3.6bn in assets under management as at 31 December 2021 including commitments, an increase of c. \$0.1bn over the quarter. The Community Housing Fund's NAV stood at c. £37.5m as at 30 September 2021, an increase of £22.6m over the third quarter of 2021, with the Fund's NAV at 31 December 2021 not yet available.

Following a second close during January 2022 where one new investor committed to the Fund and one existing client topped up their commitment, commitments to the Community Housing Fund now total £190m. The Fund's total capacity is £400m.

Man GPM issued a £1.1m capital call to the London Borough of Hammersmith & Fulham Pension Fund on 26 October 2021 and a £10.3m capital call on 9 December 2021. As such, as at 31 December 2021 the Fund's total commitment is c. 67% drawn for investment.

### Personnel

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

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

## 5 London CIV

### 5.1 Investment Performance to 31 December 2021

At 31 December 2021, the assets under management within the 15 sub-funds of the London CIV stood at £13,877m, with a further combined £2.0m committed to the London CIV's private market funds. The total assets under oversight (which includes passive investments held outside of the CIV platform) increased by c. £3.7bn to c. £29.6bn 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 Sept 2021 (£m)	Total AuM as at 31 Dec 2021 (£m)	Number of London CIV clients	Inception Date
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	2,730	2,642	11	11/04/16
LCIV Global Alpha Growth Paris Aligned	Global Equity	Baillie Gifford	1,377	1,375	6	13/04/21
LCIV Global Equity	Global Equity	Newton	787	782	3	22/05/17
LCIV Global Equity Core	Global Equity	Morgan Stanley Investment Management	552	601	2	21/08/20
LCIV Global Equity Focus	Global Equity	Longview Partners	964	1,001	5	17/07/17
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	582	557	7	11/01/18
LCIV Sustainable Equity	Global Equity	RBC Global Asset Management (UK)	1,246	1,468	8	18/04/18
LCIV Sustainable Equity Exclusion	Global Equity	RBC Global Asset Management (UK)	430	481	3	11/03/20
LCIV PEPPA	Global Equity	State Street Global Advisors	n/a	533	2	01/12/2021
LCIV Global Total Return	Diversified Growth Fund	Pyrford	244	230	3	17/06/16
LCIV Diversified Growth	Diversified Growth Fund	Baillie Gifford	695	912	8	15/02/16
LCIV Absolute Return	Diversified Growth Fund	Ruffer	1,117	1,205	10	21/06/16
LCIV Real Return	Diversified Growth Fund	Newton	181	187	2	16/12/16
LCIV MAC	Fixed Income	CQS	1,174	1,215	13	31/05/18
LCIV Global Bond	Fixed Income	PIMCO	496	689	7	30/11/18
<b>Total</b>			<b>12,575</b>	<b>13,877</b>		

Source: London CIV

Over the quarter to 31 December 2021, there were two seed investors into the Passive Equity Progressive Paris Aligned (PEPPA) Sub Fund, totaling £533m, whilst one new investor was added to the LCIV Diversified Growth Sub Fund, one new investor was added to the LCIV Multi Asset Credit Sub Fund and two new investors were added to the LCIV Global Bond Sub Fund, alongside positive net flows into the LCIV Sustainable Equity Sub Fund from an existing investor.

## 5.2 Private Markets

The table below provides an overview of the London CIV's private markets investments as at 30 September 2021.

Sub-fund	Total Commitment as at 30 Sept 2021 (£'000)	Called to Date (£'000)	Undrawn Commitments (£'000)	Fund Value as at 30 Sept 2021 (£'000)	Number of London CIV clients	Inception Date
LCIV Infrastructure Fund	399,000	122,061	276,939	124,154	6	31/10/2019
LCIV Inflation Plus Fund	202,000	35,772	166,228	35,393	3	11/06/2020
LCIV Renewable Infrastructure Fund	682,500	51,606	630,894	48,442	10	29/03/2021
LCIV Private Debt Fund	290,000	91,552	198,448	94,435	3	29/03/2021
The London Fund	195,000	22,917	172,083	21,662	2	15/12/2020

Source: London CIV

## 6 LCIV – Global Equity Core

Morgan Stanley Investment Management was appointed to manage an active equity portfolio with a focus on sustainability when selecting investment opportunities, held as a sub-fund on the London CIV platform from 30 September 2020. The aim of the fund is to outperform the MSCI AC World Index.

### 6.1 Global Equity Core – Investment Performance to 31 December 2021

	Last Quarter (%)	One Year (%)
Net of fees	9.0	20.3
Benchmark (MSCI World Net Index)	6.2	19.6
Global Franchise Fund (net of fees)	9.4	24.0
Net Performance relative to Benchmark	2.8	0.6

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

The LCIV Global Equity Core Fund delivered a positive return of 9.0% on a net of fees basis over the quarter to 31 December 2021, outperforming the MSCI World Net Index by 2.8%. Over the longer twelve-month period to 31 December 2021, the strategy has outperformed its benchmark by 0.6%, delivering a positive absolute return of 20.3% on a net of fees basis.

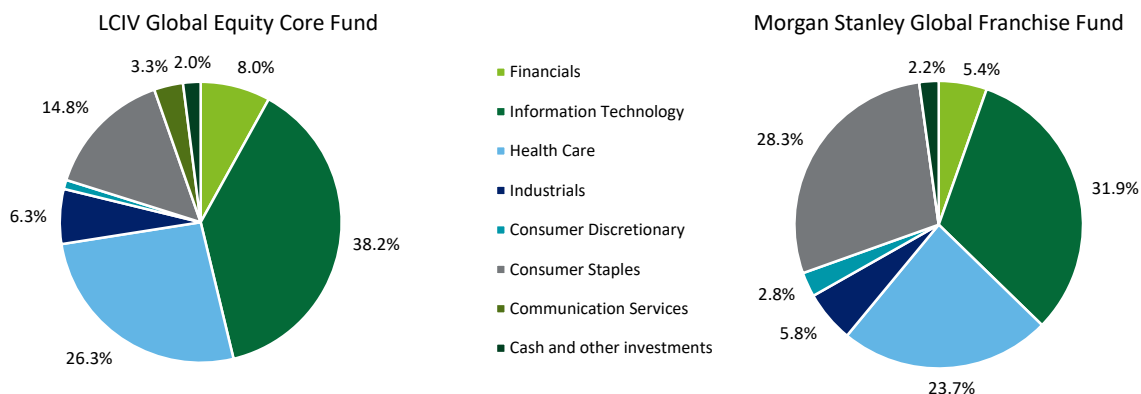
The LCIV Global Equity Core Fund’s portfolio is predominantly comprised of quality franchises with strong recurring cash flows, and the strategy therefore has a low allocation to cyclical stocks. The LCIV Global Equity Core Fund has outperformed the wider market over the fourth quarter of 2021 with the stable earnings profile and high-quality characteristics of the underlying stocks proving favourable, relative to cyclical companies.

Outperformance was boosted by the strategy’s sector allocation, with the LCIV Global Equity Core Fund’s overweight information technology and underweight communication services and financials positions proving beneficial. The strategy’s stock selection also contributed to outperformance over the quarter, with Microsoft and Accenture in particular posting positive earnings as both companies continued to expand their businesses ahead of anticipated future trends.

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 0.4% over the quarter, with underperformance largely attributed to a lower allocation to consumer staples companies, with beverage and tobacco companies benefitting from increased global social activity, having been adversely impacted by previous social distancing measures.

### 6.2 Portfolio Sector Breakdown at 31 December 2021

The charts below compare the relative weightings of the sectors in the LCIV Global Equity Core Fund and the Morgan Stanley Global Franchise Fund as at 31 December 2021.



Source: London CIV and Morgan Stanley

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

The Global Franchise Fund portfolio held an allocation of c. 9% to tobacco stocks as at 31 December 2021. The Global Equity Core Fund is restricted from investing in tobacco, and hence holds a substantially smaller allocation to consumer staples.

### 6.3 Performance Analysis

The table below summarises the Global Equity Core Fund portfolio's key characteristics as at 31 December 2021, compared with the Morgan Stanley Global Franchise Fund.

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

\*Not including cash

Source: London CIV and Morgan Stanley

#### Holdings

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

Global Equity Core Fund Holding	% of NAV
Microsoft	7.3
Accenture	5.5
Visa	5.0
Sap	5.0
Reckitt Benckiser	4.9
Abbott Laboratories	4.1
Baxter International	4.1
Thermo Fisher Scientific	4.1
Danaher	3.9
Becton Dickinson	3.9
<b>Total</b>	<b>47.7*</b>

\*Note figures may not sum due to rounding

Source: London CIV and Morgan Stanley

Global Franchise Fund Holding	% of NAV
Microsoft	9.2
Philip Morris	7.6
Reckitt Benckiser	6.4
Accenture	5.6
Visa	5.1
Thermo Fisher Scientific	5.0
Sap	4.8
Procter & Gamble	4.8
Danaher	4.7
Abbott Laboratories	4.6
<b>Total</b>	<b>57.6*</b>

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



## 7 Legal and General – World Low Carbon Equity

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

### 7.1 World Low Carbon Equity – Investment Performance to 31 December 2021

	Last Quarter (%)	One Year (%)	Three Years (%)
Net of fees	7.4	23.1	20.1
Benchmark (MSCI World Low Carbon Target)	7.4	23.2	20.2
MSCI World Equity Index	7.4	23.4	19.8
Net Performance relative to Benchmark	0.0	-0.1	-0.1

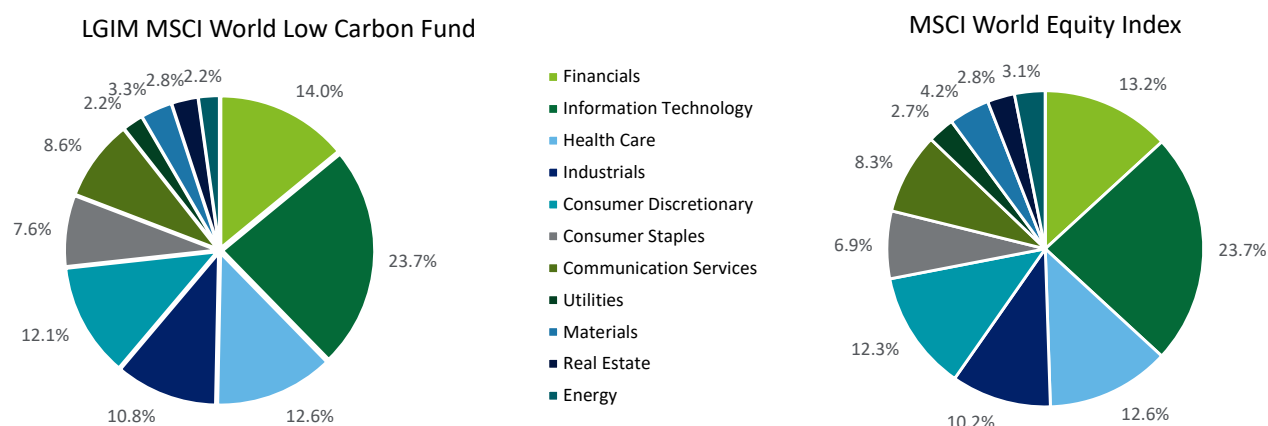
Source: LGIM and Northern Trust. Relative performance may not tie due to rounding.

The LGIM MSCI World Low Carbon Index Fund delivered a positive absolute return of 7.4% on a net of fees basis over the quarter to 31 December 2021, performing broadly in line its MSCI World Low Carbon Target benchmark and the MSCI World Equity Index.

Over the one-year-period to 31 December 2021, the LGIM MSCI World Low Carbon Index Fund delivered a strong positive absolute return of 23.1% on a net of fees basis, slightly underperforming its MSCI World Low Carbon Target benchmark by 0.1%, while underperforming the broader MSCI World Equity Index by 0.3% on a net of fees basis over the year. The Fund’s large positive absolute return over the year can be attributed to the widely sustained recovery in global equity markets following the onset of the COVID-19 pandemic over the first quarter of 2020, with global equity markets delivering positive returns over each of the four separate quarters to 31 December 2021.

### 7.2 Portfolio Sector Breakdown at 31 December 2021

The below charts compare the relative weightings of the sectors in the LGIM MSCI World Low Carbon Target Fund and the MSCI World Equity Index as at 31 December 2021.



Source: LGIM

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

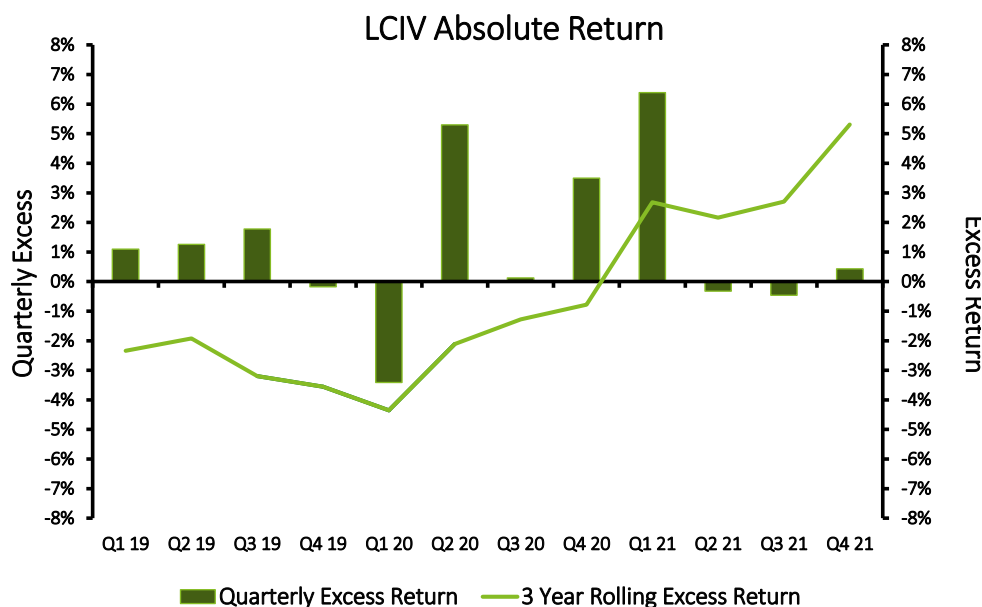
## 8 LCIV – Absolute Return

Ruffer was appointed to manage an absolute return mandate, held as a sub-fund under the London CIV platform from 21 June 2016, with the aim of outperforming the 3 month Sterling LIBOR benchmark by 4% p.a. The manager has a fixed fee based on the value of assets.

### 8.1 Dynamic Asset Allocation – Investment Performance to 31 December 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	1.5	10.3	9.7	4.6
Target	1.0	4.1	4.4	4.5
Net performance relative to Target	0.4	6.2	5.3	0.1

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



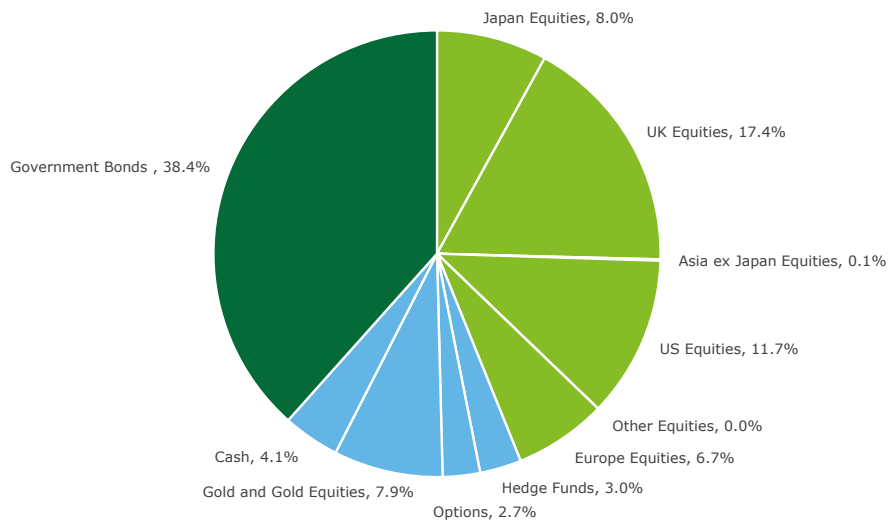
Over the quarter to 31 December 2021, the Absolute Return Fund returned 1.5% on a net of fees basis, outperforming its LIBOR+4% target by 0.4%. The strategy has delivered a strong absolute return of 10.3% on a net of fees basis over the year to 31 December 2021, outperforming its target by 6.2%. Over the longer three and five year periods to 31 December 2021, the strategy has delivered positive returns of 9.7% p.a. and 4.6% p.a. respectively on a net of fees basis, outperforming the LIBOR-based target by 5.3% p.a. and 0.1% p.a. respectively.

The Absolute Return Fund outperformed its target over the quarter with the manager's strategic positioning proving relatively successful in navigating the beginning of the withdrawal of COVID-related monetary support alongside the impacts of the Omicron variant. Positive returns were primarily driven by the strategy's UK inflation-linked bonds exposure, with the strategy's short-dated bonds benefitting from rising near-term inflation expectations while long-dated bonds benefitted from the decline in longer term yields. The LCIV Absolute Return Fund's equity allocation also contributed positively to returns over the three-month period, particularly the strategy's c. 5% allocation to global pharmaceuticals and healthcare stocks, whose defensive characteristics proved beneficial as the Omicron variant emerged over the fourth quarter.

However, the Fund's equity protection and credit protection strategies detracted from performance somewhat over the quarter. In addition, Ruffer reduced the Absolute Return Fund's exposure to gold and gold producers over the third quarter of 2021, with these sectors performing well over the fourth quarter.

## 8.2 Asset Allocation

The chart below represents the asset allocation of the LCIV Absolute Return Fund portfolio as at 31 December 2021.



Source: London CIV

## 9 LCIV – Global Bond

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

### 9.1 Global Bond – Investment Performance to 31 December 2021

	Last Quarter (%)	One Year (%)
Net of fees	-0.2	-0.5
Benchmark	-0.1	-1.1
Net Performance relative to Benchmark	-0.1	0.6

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

Over the quarter to 31 December 2021, the LCIV Global Bond Fund delivered a negative absolute return of -0.2% on a net of fees basis, slightly underperforming the Barclays Aggregate – Credit Index Hedged (GBP) Index by 0.1%. Over the year to 31 December 2021, the strategy delivered a negative return of -0.5%, but has outperformed the benchmark by 0.6%.

With government bond yields rising over the fourth quarter of 2021 at shorter maturities, as investors priced in the increased pace of interest rate rises in response to record high inflation, and with credit spreads widening slightly, the global credit market fell over the quarter. Although corporate earnings remained robust, the Global Bond Fund marginally underperformed its peers owing to the strategy's spreads exposure.

The LCIV Global Bond Fund's emerging market security selection significantly detracted from performance, with the Chinese real estate sector continuing to come under pressure. The strategy's Chinese property developer securities in particular were negatively impacted as concerns grew around the potential restructuring of Kaisa Group, which proved to be the Fund's largest detractor over the quarter with the company defaulting on a \$400m bond payment and subsequently downgraded by rating agencies, alongside the general health of China's economy. In addition, the strategy's underweight position to European supranational debt detracted from relative performance over the quarter.

The strategy experienced no defaults over the quarter. 40 issues, representing c. 3% of the portfolio, were downgraded however no issues were downgraded to sub-investment grade over the period. PIMCO maintains that the lowered ratings do not reflect the fundamentals of the issues, and aims to hold on to the majority of these issues. The strategy remains relatively well positioned to cope with downgrades. The Global Bond Fund has the ability to hold up to 10% in sub-investment grade credit per its mandate.

### 9.2 Performance Analysis

The table below summarises the Global Bond portfolio's key characteristics as at 31 December 2021.

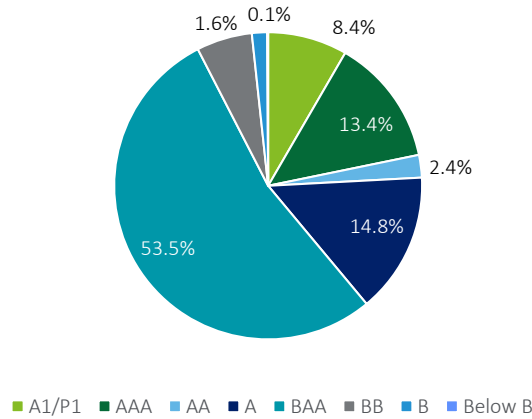
	30 Sept 2021	31 Dec 2021
No. of Holdings	1,113	1,178
No. of Countries	48	47
Coupon	2.85	2.57
Effective Duration	6.82	6.31
Rating	BAA+	A-
Yield to Maturity (%)	2.60	2.58

Source: London CIV

Over the fourth quarter of 2021, the number of holdings in the portfolio increased by 65 while the proportion of the portfolio held in cash and other net assets increased by c. 11%. We are working with the London CIV to understand the reasoning behind this significant increase in cash and other net assets over the quarter.

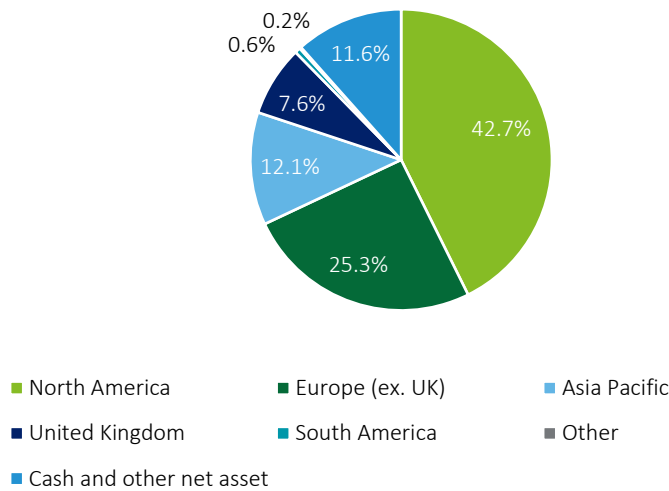
PIMCO remains highly selective at current spread levels, primarily observing cyclical but resilient opportunities with strong liquidity profiles that have potential for further spread compression. After opting to increase the strategy’s overall duration positions over the second quarter of 2021, PIMCO continued to decrease the portfolio’s effective duration position, reducing the portfolio’s duration by a further c. 0.5 years over the fourth quarter of 2021.

The chart below represents the split of the Global Bond portfolio by credit rating. The Fund’s investment grade holdings made up c. 92.5% of the portfolio as at 31 December 2021, an increase of 1.1% over the quarter, with the Fund predominantly invested in BAA and A rated bonds.



Source: London CIV

The chart below represents the regional split of the Global Bond portfolio.



Source: London CIV

Note that figures do not sum to 100% due to short holdings in cash and currency forwards.

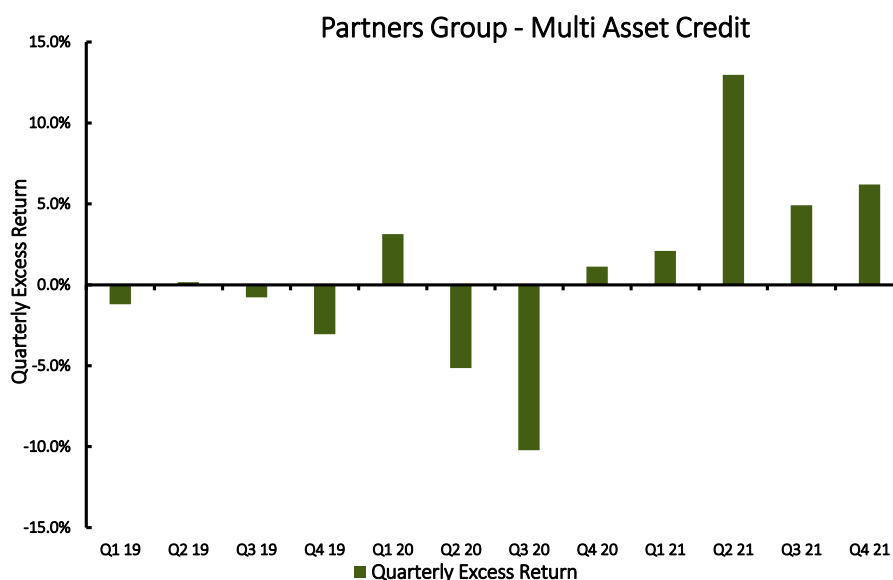
## 10 Partners Group – Multi Asset Credit

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

### 10.1 Multi Asset Credit - Investment Performance to 30 November 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	7.2	33.4	7.3	6.5
Benchmark / Target	1.0	4.1	4.4	4.5
Net performance relative to Benchmark	6.2	29.3	2.9	2.1

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



Please note, performance shown is to 30 November 2021.

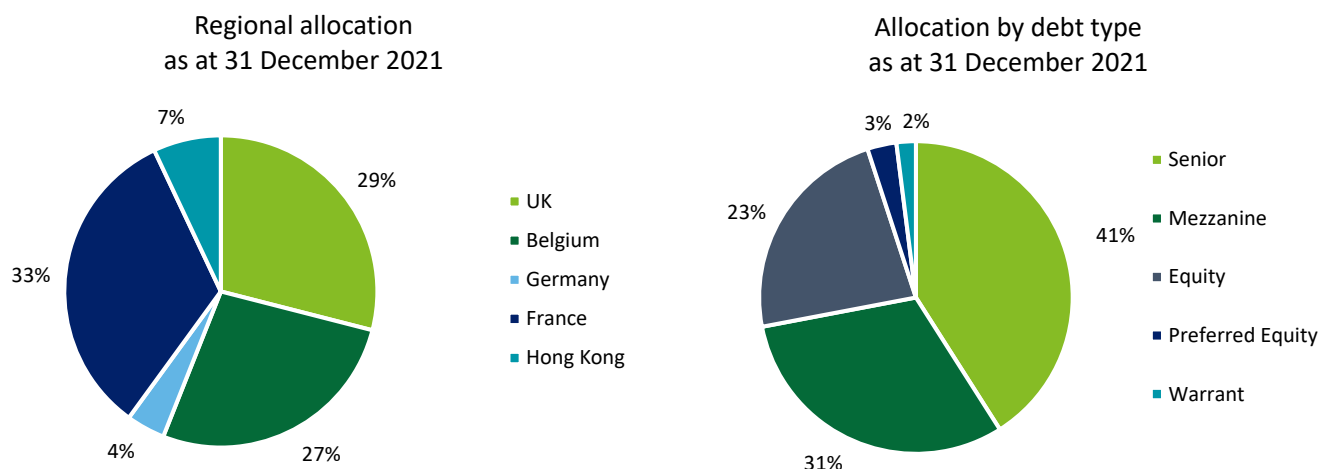
The Multi Asset Credit strategy delivered a positive return of 7.2% on a net of fees basis over the three-month period to 30 November 2021, outperforming its 3 Month LIBOR +4% benchmark by 6.2%.

Over the quarter to 31 December 2021, we expect the MAC Fund to have delivered a return of 3.8% on a net of fees basis, based on an estimation of the strategy's time-weighted rate of return using cashflow information – with the primary difference in return due to the month of September 2021 dropping out of the calculation period, with the strategy delivering a strong return of 4.1% over September 2021.

Over the year to 30 November 2021, the strategy has delivered a strong positive return of 33.4% on a net of fees basis. The strong performance over the one-year period represents the rebound in performance of the strategy's tail investments which the Fund lifespan was extended for, which were initially particularly impacted by the economic restrictions caused by COVID-19 and have rebounded as anticipated following the reversal and easing of these restrictions gradually since summer 2021.

## 10.2 Asset Allocation

The charts below show the regional split and allocation by debt type of the Fund as at 31 December 2021, based on the seven loans remaining in the portfolio.



Note: Based on information provided by Partners Group.

## 10.3 Fund Activity

The Partners Group Multi Asset Credit Fund had made 54 investments, of which 47 have been fully realised as at 31 December 2021 with no realisations taking place over the fourth quarter of 2021.

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

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

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

Over the fourth quarter of 2021, Partners Group issued one further distribution with c. £19.6k distributed to the London Borough of Hammersmith & Fulham Pension Fund on 30 December 2021. Partners Group issued a further distribution following quarter end with c. £293.8k distributed to the London Borough & Fulham Pension Fund on 31 January 2022.

# 11 abr dn – Multi-Sector Private Credit Fund

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

## 11.1 Multi-Sector Private Credit - Investment Performance to 30 September 2021

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

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

At the time of writing, Northern Trust has been unable to provide details of the MSPC Fund's performance over the quarter to 31 December 2021. As such, the performance figures quoted in the table above reflect the MSPC Fund's investment return over the periods to 30 September 2021.

The strategy continues to deploy invested capital, with non-deployed capital invested in a portfolio of cash and short term bonds until full investment is achieved. Once fully committed, the strategy will be measured against the ICE ML Sterling BBB Corporate Bond Index. While the strategy is in the process of deploying invested capital, the strategy is measured against a blended benchmark of 3 Month Sterling LIBOR and the ICE ML Sterling BBB Corporate Bond Index, with the weight of the benchmark allocated to the ICE ML Sterling BBB Corporate Bond Index reflecting the proportion of the Fund's investment in the MSPC Fund which has been deployed by abr dn. Over the quarter to 31 December 2021, the MSPC Fund has been measured against a benchmark of 33% 3 Month Sterling LIBOR and 67% ICE ML Sterling BBB Corporate Bond Index.

## 11.2 Portfolio Composition

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

### Illiquid Investments

As at 31 December 2021, the MSPC Fund portfolio consists of 18 private assets:

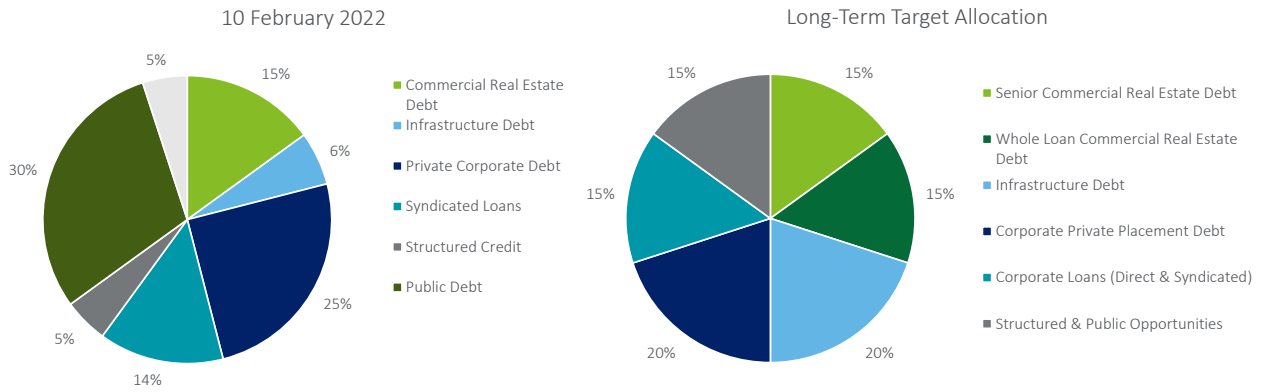
- 2 infrastructure debt investments;
- 7 senior real estate debts investments;
- 1 whole loan real estate debt investment; and
- 8 private corporate debt investments.

abr dn has a strong pipeline of opportunities with one further investment added to the portfolio during January 2022. abr dn expects the target allocation to be achieved over the first quarter of 2022.



### Asset Allocation

As at 10 February 2022, 75% of the MSPC Fund portfolio has been invested in illiquid assets that will make up the long term portfolio, while the remaining 25% of the portfolio remains invested in a liquid transition portfolio in order to avoid a cash drag where the Fund has not fully deployed its committed capital. The charts below compare the asset allocation as at 10 February 2022 with that of the long-term target allocation.



Source: abrdn

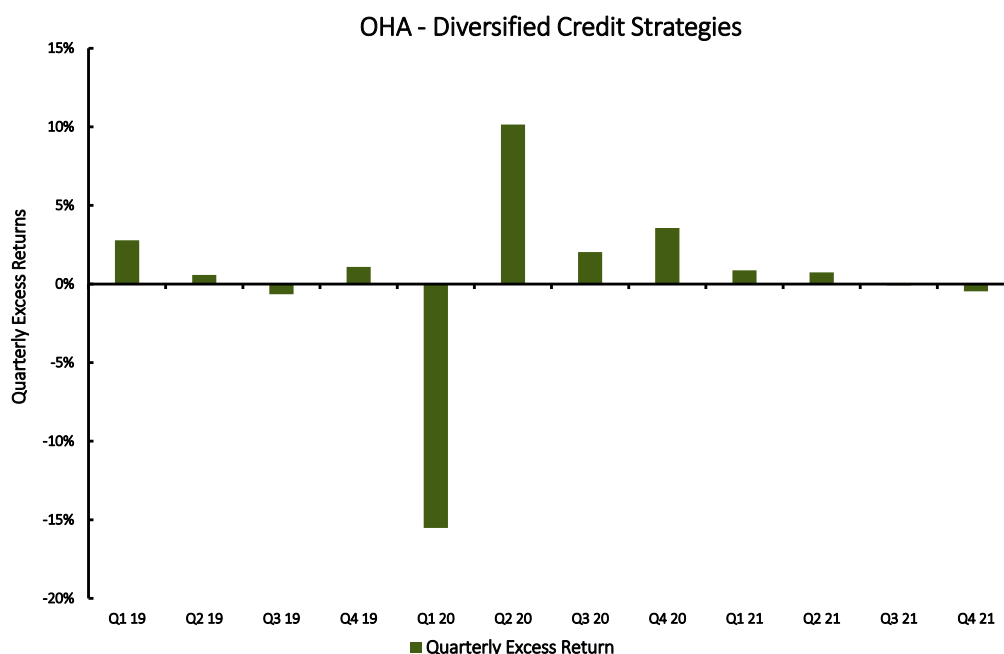
## 12 Oak Hill Advisors – Diversified Credit Strategies Fund

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

### 12.1 Diversified Credit Strategies - Investment Performance to 31 December 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	0.6	5.2	5.5	3.6
Benchmark / Target	1.0	4.1	4.4	4.5
Net Performance relative to Benchmark	-0.5	1.1	1.1	-0.8

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



The Oak Hill Advisors Diversified Credit Strategies Fund delivered a positive absolute return of 0.6% on a net of fees basis over the quarter to 31 December 2021, underperforming its 3 Month Sterling LIBOR +4% p.a. benchmark by 0.5%. The strategy delivered a positive absolute return of 5.2% on a net of fees basis over the year to 31 December 2021, outperforming the benchmark by 1.1%. As the strategy is measured against a cash-plus benchmark, we would expect relative performance differences over shorter time horizons.

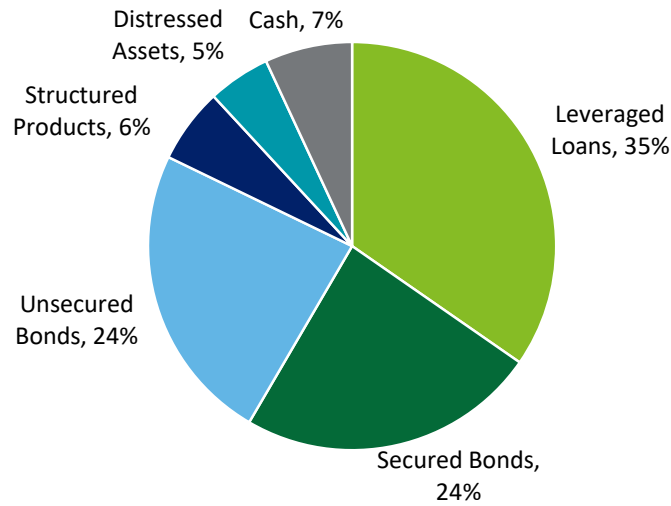
The strategy’s high yield bonds and leveraged loans exposures continued to deliver positive returns over the fourth quarter of 2021, with credit spreads increasing slightly during the emergence of the Omicron variant while corporate earnings remained robust.

The strategy’s distressed assets exposures, having noticeably contributed to positive performance since the beginning of the calendar year to the end of Q3 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 quarter, owing to the heightened default risk given the rapid global spread of the Omicron variant and the resulting fears surrounding the potential implementation of further lockdown restrictions.

Oak Hill Advisors does not track the number of defaults within its portfolio. The strategy’s opportunistic nature means that the fund can take on restructuring opportunities for issuers. However, the manager does track when an issuer becomes “non-performing”. Oak Hill Advisors has stated that no positions in the portfolio became “non-performing” over the quarter.

## 12.2 Asset Allocation

The below chart shows the composition of the Diversified Credit Strategies Fund’s Portfolio as at 31 December 2021.



Source: Oak Hill Advisors

The Diversified Credit Strategies Fund allocation remained relatively unchanged over the quarter.

# 13 Partners Group – Direct Infrastructure

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

## 13.1 Direct Infrastructure - Investment Performance to 31 December 2021

### Activity

The Direct Infrastructure Fund’s investment period ended on 30 September 2021 and the Fund will therefore make no further investments going forward, having made 22 investments. As at 31 December 2021, 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. 99.3% has been committed to investments as at 31 December 2021, with c. 72.7% of the total capacity drawn down from investors as at 31 December 2021.

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

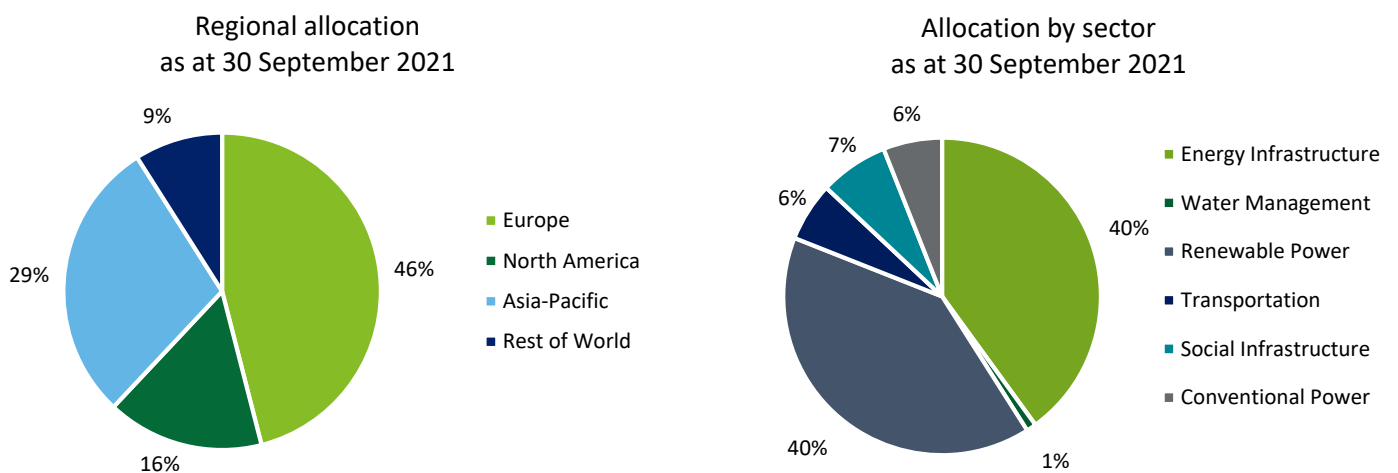
### Capital Calls and Distributions

The Fund issued one net capital call over the quarter to 31 December 2021:

- On 13 December 2021, the Fund issued a capital call for €83.2m, of which the London Borough of Hammersmith & Fulham Pension Fund was entitled to pay €4.2m, partially offset by a distribution of €21.6m on the same date, of which the London Borough of Hammersmith & Fulham Pension Fund received €1.1m – resulting in a net capital call of €3.1m paid by the Fund.

## 13.2 Investments Held

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



Note: Based on information provided by Partners Group.

## 14 Aviva Investors – Infrastructure Income

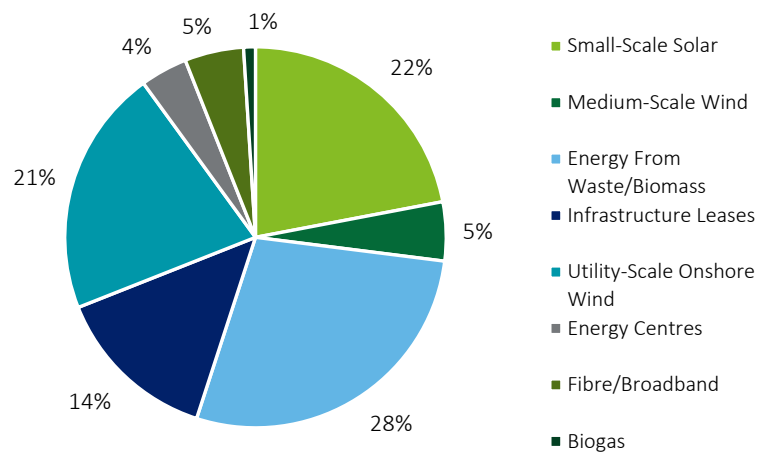
Aviva Investors was appointed to manage an infrastructure income mandate with the aim of outperforming the 3 month Sterling LIBOR benchmark by 6% p.a. The manager has an annual management fee and performance fee.

### 14.1 Infrastructure Income - Investment Performance to 30 September 2021

Over the year to 30 September 2021, the income distribution of the Fund was 5.8% p.a., which sits below the 7-8% p.a. range targeted by Aviva, with the decrease in yield attributed to identified commissioning defects in the Fund's Biomass assets 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.

#### Sector Breakdown

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



Source: Aviva Investors.

The Biomass and Energy from Waste assets make up c. 28% of the portfolio.

#### Transactions and Pipeline

Over the fourth quarter of 2021, the Infrastructure Income Fund received an additional £40m of commitments, from one existing investor and one UK pension fund, with a further £139m of commitments received from 6 existing investors following quarter end in early 2022.

As such, Aviva expects to imminently advise all current investors that the minimum £175m funding requirement has been reached and the soft close therefore completed. Aviva drew £25m from an existing investor over the fourth quarter of 2021, and expects to draw £72m in Q1 2022, £33m in Q2 2022 and £45m from Q3 2022 onwards in order to meet the targeted funding schedule.

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

## 15 abrtn – Long Lease Property

abrtn was appointed to manage a long lease property mandate with the aim of outperforming the FT British Government All Stocks Index benchmark by 2.0% p.a. The manager has an annual management fee.

### 15.1 Long Lease Property - Investment Performance to 31 December 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	0.8	9.1	6.2	7.5
Benchmark / Target	3.2	-2.7	5.3	4.5
Net Performance relative to Benchmark	-2.4	11.8	0.8	3.0

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

The Standard Life Long Lease Property Fund, managed by abrtn, delivered an absolute return of 0.8% on a net of fees basis over the fourth quarter of 2021, underperforming the FT British Government All Stocks Index Benchmark by 2.4%.

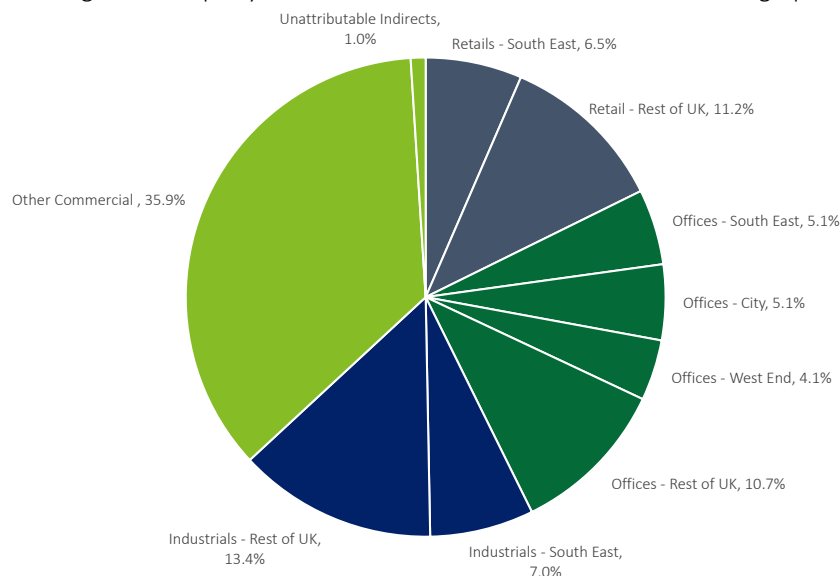
Over the fourth quarter of 2021, the Long Lease Property Fund has underperformed the wider property market, as measured by the MSCI (formerly IPD Monthly) UK All Property Index, by 7.1%, largely as a result of the strategy's underweight position to the industrial and retail warehousing sectors relative to the wider property market, with both sectors performing well over the quarter to 31 December 2021 owing to continued yield compression. The strategy has outperformed the wider property market over the longer term, with long term performance continuing to be aided by the portfolio's stronger tenant credit quality and long, inflation linked leases, and the lack of any high street or shopping centre exposure with these sectors particularly impacted by the COVID-19 outbreak.

After removing the material valuation uncertainty clause and lifting the suspension on trading during the third quarter of 2020, the Long Lease Property Fund continues to trade as normal.

Rent collection statistics improved slightly over the fourth quarter of 2021 as abrtn realised Q4 collection rates of 99.8% (as at 14 February 2022). Over the fourth quarter of 2021, none of the Long Lease Property Fund's rental income was subject to deferment arrangements, with 0.2% unpaid or subject to ongoing discussions with tenants. As at 14 February 2022, abrtn had collected 97.6% of its Q1 2022 rent, with no income subject to deferment arrangements and 2.4% of rent unpaid or subject to ongoing discussions with tenants.

### 15.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 31 December 2021 is shown in the graph below.



Source: abrtn.

The Long Lease Property Fund completed no further acquisitions over the fourth quarter of 2021. abrdn, however, estimates a further investment pipeline of up to £1.15bn exists with a number of off market opportunities being actively tracked and a number of openly marketed opportunities of rarely available assets coming to market. abrdn has strong conviction in its ability to deploy capital through 2022, considering the current pipeline.

Q4 2021 and Q1 2022 rent collection, split by sector, as at 14 February 2022 is reflected in the table below:

Sector	Proportion of Fund as at 31 December 2021 (%)	Q4 2021 collection rate (%)	Q1 2022 collection rate (%)
Alternatives	6.0	100.0	93.0
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	92.0
Leisure	3.3	94.0	95.0
Public Houses	5.5	100.0	100.0
Offices	29.6	100.0	98.0
Student Accommodation	8.1	100.0	100.0
Supermarkets	18.2	100.0	100.0
<b>Total</b>	<b>100.0</b>	<b>99.8</b>	<b>97.6</b>

As at 31 December 2021, 0.9% of the Fund's NAV is invested in ground rents via an indirect holding in the abrdn Ground Rent Fund, with 17.3% of the Fund invested in income strip assets.

The leisure sector has expressed the poorest rental collection statistics over the fourth quarter of 2021 and the first quarter of 2022 as at 14 February 2022, with the industrial sector also expressing poor rental collection statistics over Q1 2022 as at 14 February 2022.

abrdn has stated that the majority of the Long Lease Property Fund's underlying tenants have reverted to paying rent as per their lease terms, with no Q4 2021 or Q1 2022 rental income subject to deferment arrangements as at 14 February 2022.

abrdn has now collected 99.8% of 2020 rents and 99.1% of 2021 rents, with the majority of outstanding rent in 2021 reduced to a small number of tenants. There has been no write-off of any outstanding rent, or rent-free periods agreed.

The table below shows details of the top ten tenants in the fund measured by percentage of net rental income as at 31 December 2021:

Tenant	% Net Income	Credit Rating
Whitbread	5.6	BBB
Viapath	5.0	AA
Tesco	5.0	BBB
Sainsbury's	4.6	BB
Marston's	4.4	BB
Asda	3.8	BBB
Salford University	3.6	A
Secretary of State for Communities	3.5	AA
QVC	3.4	BB
Lloyds Bank	3.3	AA
<b>Total</b>	<b>42.2*</b>	

\*Total may not equal sum of values due to rounding

The top 10 tenants contributed 42.2% of the total net income of the Fund as at 31 December 2021. Of which 13.4% of the net income came from the supermarket sector, with Tesco, Sainsbury's and Asda continuing to make up a significant proportion of the Fund at quarter end.

The unexpired lease term decreased from 25.7 years as at 30 September 2021 to 25.5 years as at 31 December 2021. The proportion of income with fixed, CPI or RPI rental increases increased by c. 0.8% over the quarter to 91.9%.



## 16 Alpha Real Capital

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

### 16.1 Index Linked Income – Illustrative Investment Performance to 31 December 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)
Net of fees	2.7	7.2	5.3
Benchmark / Target	5.8	6.1	9.4
Net Performance relative to Benchmark	-3.1	1.1	-4.1

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

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

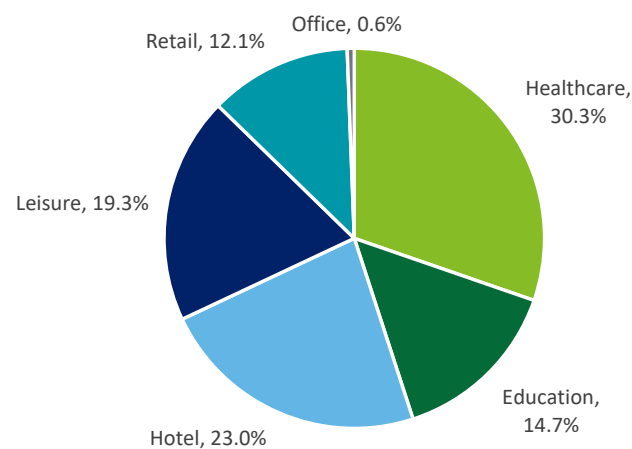
The London Borough of Hammersmith & Fulham Pension Fund's commitment has not yet been drawn for investment by Alpha Real Capital. The Fund's full £60m commitment is expected to be drawn and deployed before the end of April 2022. As such, please note that the performance of the Alpha Real Capital Index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

The Index Linked Income Fund has delivered a positive return of 2.7% on a net of fees basis over the quarter to 31 December 2021, but has underperformed its BoAML Long-Dated UK Inflation-Linked Gilts Index +2% by 3.1% with real yields at the longer end of the curve falling over the fourth quarter of 2021.

Alpha Real Capital has collected c. 94% of the Fund's Q4 2021 rental income, representing an increase from the c. 88% collection rate over the third 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.

### 16.2 Portfolio Holdings

The sector allocation in the Index Linked Income Fund as at 31 December 2021 is shown in the graph below.



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

Alpha Real Capital completed one transaction over the fourth quarter of 2021 – a ground rent top-up transaction with South Africa Lodge, a specialist care facility for a net purchase price of £1.7m. As at 10 February 2022, Alpha Real Capital is in the process of executing two further investments, a £49m top-up investment on a portfolio of garden centres and a £75m

portfolio of 99 UK pubs, with a further £2.6bn of opportunities under consideration across an extensive pipeline, diversified by sector and location.

The table below shows details of the top ten holdings in the Fund measured by value as at 31 December 2021.

Tenant	Value (%)	Credit Rating
Leonardo Hotels	15.9	A1
Elysium Healthcare	11.5	A3
Parkdean	10.0	A3
HC One	8.3	A3
Dobbies Garden Centres	8.3	Baa1
PGL	5.9	Baa3
Away Resorts	5.4	Baa1
Busy Bees	5.0	A3
Kingsway Hall	4.0	A3
CareTech	3.8	Baa1
<b>Total</b>	<b>78.1</b>	

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

The top 10 holdings in the Index Linked Income Fund accounted for c. 78.1% of the Fund as at 31 December 2021.

The average lease length stood at 139 years as at 31 December 2021, remaining relatively unchanged over the quarter while the Index Linked Income Fund's portfolio continues to be 100% linked to RPI with no fixed rent reviews in the portfolio.

## 17 Man GPM

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

### 17.1 Community Housing Fund - Investment Performance to 31 December 2021

#### Capital Calls and Distributions

The Fund issued two capital calls over the quarter to 31 December 2021:

- Man GPM issued a £1.1m capital call to the London Borough of Hammersmith & Fulham Pension Fund on 26 October 2021. The request consisted entirely of capital drawn for investments into the portfolio.
- Man GPM issued a £10.3m capital call to the London Borough of Hammersmith & Fulham Pension Fund on 9 December 2021. The request consisted of c. £10.1m for investments and c. £0.2m for expenses.

As such, as at 31 December 2021, the London Borough of Hammersmith & Fulham Pension Fund's commitment was c. 67% drawn for investment.

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

#### Activity

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

- Chilmington, Ashford – a forward fund of 225 homes comprised of 132 houses and 93 flats in a well-connected market town with 85% affordable rent targeted at key worker and shared ownership households. The investment has been completed and Man GPM is holding discussions on a 10 year operating lease to a local Housing Association. Gross project cost of £71m.

In addition to the Campbell Wharf project, where terms were agreed over the third quarter of 2021, Man GPM also agreed terms on two projects over the third quarter of 2021 with the deals announced by Man GPM later in Q4:

- Towergate, Milton Keynes – a forward fund of 55 homes embedded within a larger development scheme totaling 150 homes. The development targets 100% shared ownership affordable rent targeted at key worker and median income households. The investment has been completed and Man GPM is holding discussions on a 10 year operating lease to a local Housing Association. Gross project cost of £18m.
- Coombe Farm, Saltdean – a forward fund of 71 homes comprised of a mixture of new houses and bungalows with 83% of homes being made available for discounted rental or affordable home ownership. The deal is a repeat investment with a developer already known to the Fund. The investment has been completed and Man GPM is in advanced discussions on a 10 year operating lease to a local Housing Association. Gross project cost of £25m.

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

#### Pipeline

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

## 17.2 Investments Held

The table below shows a list of the projects currently undertaken by the Man GPM Community Housing Fund as at 31 December 2021.

Investment	Number of Homes	Number of Affordable Homes	Expected Total Commitment – Gross (£m)	Expected Total Commitment – Net (£m)	Total Capital Drawn and Invested to Date (£m)
Alconbury Weald	95	95 (100%)	22.4	12.0	4.8
Grantham	227	186 (82%)	38.0	17.0	4.8
Lewes	41	39 (95%)	12.9	10.5	1.2
Campbell Wharf	79	79 (100%)	21.5	10.1	TBC
Towergate	55	55 (100%)	18.1	6.5	TBC
Saltdean	71	59 (83%)	24.8	9.6	TBC
Chilmington	225	192 (85%)	70.8	30.6	TBC
<b>Total</b>	<b>793</b>	<b>705 (89%)</b>	<b>208.5</b>	<b>96.3</b>	<b>TBC</b>

Source: Man GPM

## Appendix 1 – Fund and Manager Benchmarks

The tables in this Appendix detail the benchmarks and outperformance targets, for the Total Fund and each individual manager.

### Total Fund

Inception: 31 December 1999.

Manager	Asset Class	Allocation	Benchmark	Inception Date
LCIV	Global Equity Core	15.0%	MSCI AC World Index	30/09/20
LGIM	Low Carbon Target	30.0%	MSCI World Low Carbon Target Index	18/12/18
Ruffer	Dynamic Asset Allocation	10.0%	3 Month Sterling LIBOR +4% p.a.	31/07/08
PIMCO	Global Bond	10.0%	Barclays Global Aggregate – Credit Index Hedged (GBP)	09/05/19
Partners Group	Multi Asset Credit	0.0%	3 Month Sterling LIBOR +4% p.a.	28/01/15
Oak Hill Advisors	Multi Asset Credit	5.0%	3 Month Sterling LIBOR +4% p.a.	01/05/15
abrdn	Multi Sector Private Credit	5.0%	3 Month Sterling LIBOR / ICE ML Sterling BBB Corporate Bond Index	08/04/2020
Partners Group	Infrastructure Fund	5.0%	3 Month Sterling LIBOR +8% p.a.	31/08/15
Aviva Investors	Infrastructure Income Fund	2.5%	3 Month Sterling LIBOR +6% p.a.	23/05/18
Darwin Alternatives	Leisure Development Fund	2.5%	TBC	TBC
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 LIBOR +4% p.a. (Target)	02/06/21
TBC	TBC	2.5%	TBC	TBC
	<b>Total</b>	<b>100.0%</b>		

## Appendix 2 – Manager Ratings

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

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

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

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

## Appendix 3 – Risk Warnings & Disclosures

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

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**Pension Fund Current Account Cashflow Actuals and Forecast for period Oct - Dec-21**

	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	F'cast	F'cast
	£000s	£000s	£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	Annual	Monthly
													Total	Total
<b>Balance b/f</b>	<b>8,565</b>	<b>5,716</b>	<b>4,894</b>	<b>15,137</b>	<b>13,704</b>	<b>13,470</b>	<b>12,536</b>	<b>11,103</b>	<b>10,469</b>	<b>9,535</b>	<b>8,102</b>	<b>7,468</b>	<b>£000s</b>	<b>£000s</b>
Contributions	2,580	2,573	2,380	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	30,933	2,578
Pensions	(2,877)	(3,011)	(2,913)	(2,934)	(2,934)	(2,934)	(2,934)	(2,934)	(2,934)	(2,934)	(2,934)	(2,934)	(35,204)	(2,934)
Lump Sums	(1,182)	(1,632)	(557)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(8,770)	(731)
Net TVs in/(out)	(1,040)	1,187	(35)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(2,588)	(216)
Net Expenses/other transactions	(330)	(950)	358	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(2,723)	(227)
<b>Net Cash Surplus/(Deficit)</b>	<b>(2,849)</b>	<b>(1,832)</b>	<b>(768)</b>	<b>(1,434)</b>	<b>(1,434)</b>	<b>(1,434)</b>	<b>(1,434)</b>	<b>(1,434)</b>	<b>(1,434)</b>	<b>(1,434)</b>	<b>(1,434)</b>	<b>(1,434)</b>	<b>(18,352)</b>	<b>(1,529)</b>
Distributions		1,011	361		800	500		800	500		800	500	5,272	439
<b>Net Cash Surplus/(Deficit) including investment income</b>	<b>(2,849)</b>	<b>(822)</b>	<b>(407)</b>	<b>(1,434)</b>	<b>(634)</b>	<b>(934)</b>	<b>(1,434)</b>	<b>(634)</b>	<b>(934)</b>	<b>(1,434)</b>	<b>(634)</b>	<b>(934)</b>	<b>(13,080)</b>	<b>(1,090)</b>
Transfers (to)/from Custody Cash			10,650		400								11,050	1,579
<b>Balance c/f</b>	<b>5,716</b>	<b>4,894</b>	<b>15,137</b>	<b>13,704</b>	<b>13,470</b>	<b>12,536</b>	<b>11,103</b>	<b>10,469</b>	<b>9,535</b>	<b>8,102</b>	<b>7,468</b>	<b>6,535</b>	<b>118,669</b>	<b>489</b>

**Current account cashflow actuals compared to forecast in Oct - Dec-21**

	Oct-21		Nov-21		Dec-21		Oct - Dec-21
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Contributions	2,600	2,580	2,600	2,573	2,600	2,380	(267)
Pensions	(2,833)	(2,877)	(2,833)	(3,011)	(2,833)	(2,913)	(302)
Lump Sums	(600)	(1,182)	(600)	(1,632)	(600)	(557)	(1,570)
Net TVs in/(out)	(300)	(1,040)	(300)	1,187	(300)	(35)	1,012
Expenses	(200)	(330)	(200)	(950)	(200)	358	(323)
Distributions			800	1,011	500	361	72
Withdrawals (to)/from Custody Cash	2,000					10,650	8,650
<b>Total</b>	<b>667</b>	<b>(2,849)</b>	<b>(533)</b>	<b>(822)</b>	<b>(833)</b>	<b>10,243</b>	<b>7,271</b>

**Notes on variances**

- transfers in and out and lump sums are difficult to forecast given their unpredictable nature.

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

**Pension Fund Custody Invested Cashflow Actuals and Forecast for period Oct - Dec-21**

	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	F'cast	F'cast
	£000s	£000s	£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	Annual	Monthly
													Total	Total
<b>Balance b/f</b>	<b>5,772</b>	<b>4,704</b>	<b>4,704</b>	<b>405</b>	<b>405</b>	<b>2,505</b>	<b>2,305</b>	<b>4,305</b>	<b>6,305</b>	<b>9,105</b>	<b>9,105</b>	<b>11,105</b>	<b>£000s</b>	<b>£000s</b>
Sale of Assets			4,000	32,000		1,000	60,000	2,000	2,000		2,000	2,000	105,000	10,500
Purchase of Assets	(1,068)		(13,949)	(32,000)	(1,500)	(1,200)	(60,000)		(1,200)				(110,917)	(13,865)
<b>Net Capital Cashflows</b>	<b>(1,068)</b>		<b>(9,949)</b>		<b>(1,500)</b>	<b>(200)</b>		<b>2,000</b>	<b>800</b>		<b>2,000</b>	<b>2,000</b>	<b>(5,917)</b>	<b>(493)</b>
Distributions			1,300				2,000		2,000			1,000	6,300	525
Interest														
Management Expenses														
Foreign Exchange Gains/Losses														
Class Actions														
<b>Net Revenue Cashflows</b>			<b>1,300</b>				<b>2,000</b>		<b>2,000</b>			<b>1,000</b>	<b>6,300</b>	<b>525</b>
<b>Net Cash Surplus/(Deficit) excluding withdrawals</b>	<b>(1,068)</b>		<b>(8,649)</b>		<b>(1,500)</b>	<b>(200)</b>	<b>2,000</b>	<b>2,000</b>	<b>2,800</b>		<b>2,000</b>	<b>3,000</b>	<b>383</b>	<b>32</b>
Contributions to Custody Cash			8,350		4,000									
Withdrawals from Custody Cash			(4,000)		(400)								(4,400)	(367)
<b>Balance c/f</b>	<b>4,704</b>	<b>4,704</b>	<b>405</b>	<b>405</b>	<b>2,505</b>	<b>2,305</b>	<b>4,305</b>	<b>6,305</b>	<b>9,105</b>	<b>9,105</b>	<b>11,105</b>	<b>14,105</b>	<b>(4,017)</b>	<b>(335)</b>

London Borough of Hammersmith and Fulham Pension Fund Risk Register														
Risk Group	Risk Ref.	Risk Description	Impact				Likelihood	Previous risk score	Current risk score	Trending	Mitigation actions	Revised likelihood	Total risk score	Reviewed on
			Fund	Employers	Reputation	Total								
Asset and Investment Risk	1	The global outbreak of COVID-19 poses economic uncertainty across the global investment markets.	4	3	1	8	3	30	24	↓	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	2	16	16/02/2022
Asset and Investment Risk	2	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty, including with Russia and Ukraine.	5	4	1	10	4	30	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	16/02/2022
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.	4	3	1	8	3	32	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	16/02/2022
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	16/02/2022
Asset and Investment Risk	5	The London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious.	5	4	3	12	3	24	36	↑	TORELATE 1) Partners for the pool have similar expertise and like-mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. 2) Monitor the ongoing fund and pool proposals are comprehensive and meet government objectives. 3) The LCIV has recently bolstered its investment team with the successful recruitment of a permanent CIO, Head of Responsible Investment & Client Relations Director. 4) Fund representation on key officer groups. 5) Ongoing Shareholder Issue remains a threat	2	24	16/02/2022
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	3	30	30	↔	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	16/02/2022

Asset and Investment Risk	7	Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	5	3	2	10	3	30	30	↔	<b>TREAT</b> 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	16/02/2022
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	↔	<b>TOLERATE</b> 1) Officers consult and engage with MHCLG, LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Uncertainty surrounding new MHCLG guidance	3	18	16/02/2022
Asset and Investment Risk	9	London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	3	3	2	8	3	24	24	↔	<b>TREAT</b> 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	16/02/2022
Liability Risk	10	Impact of economic and political decisions on the Pension Fund's employer workforce.	5	2	1	8	2	16	16	↔	<b>TOLERATE</b> 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	16/02/2022
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	↔	<b>TREAT</b> 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	16/02/2022
Asset and Investment Risk	12	Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in July 2019, the full impact of this decision is uncertain. TCFD regulations impact on LGPS schemes currently unknown but expected to come into force during 2023.	3	2	4	9	3	27	27	↔	<b>TREAT</b> 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	16/02/2022
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	↔	<b>TREAT</b> 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	16/02/2022
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	↔	<b>TREAT</b> 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	16/02/2022

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	16/02/2022
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	16/02/2022
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	16/02/2022
Liability Risk	18	Failure to identify GMP liability leads to ongoing costs for the pension fund.	3	2	1	6	1	6	6	↔	TREAT 1) GMP to be identified as a Project as part of the Service Specification between the Fund and Surrey County Council.	1	6	16/02/2022
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	16/02/2022
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	16/02/2022
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%.	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. 4) Equities will provide a degree of inflation protection.	3	30	16/02/2022
Liability Risk	22	Scheme members live longer than expected leading to higher than expected liabilities. This risk is trending down as life expectancy does not increase at rates expected.	5	5	1	11	2	22	22	↔	TOLERATE 1)The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. 2)The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.	2	22	16/02/2022
Liability Risk	23	Employee pay increases are significantly more than anticipated for employers within the Fund.	4	4	2	10	2	20	20	↔	TOLERATE 1) Fund employers continue to monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 3) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014). 4) Pay rises generally remain below inflation.	2	20	16/02/2022
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	16/02/2022
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	16/02/2022

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 be considered during the 2019 actuarial valuation process. 3) Fund will respond to several ongoing consultation processes. 4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulations 8 (compulsory pooling) to be monitored.	2	12	16/02/2022
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	16/02/2022
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	16/02/2022
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	16/02/2022
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	3	21	21	↔	TREAT 1) Review at each triennial valuation and challenge actuary as required. 2) Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	1	7	16/02/2022
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	16/02/2022
Employer Risk	32	Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	5	3	1	9	3	27	27	↔	TREAT 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of employers planned to be part of 2019 actuarial valuation. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	2	18	16/02/2022
Employer Risk	33	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	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	16/02/2022
Resource and Skill Risk	34	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints. Service may deteriorate due to the contract ending at the end of 2021. Currently transitioning to new admin provider LPP.	1	3	3	7	3	21	21	↔	TOLERATE 1) Officers to continue monitor the ongoing staffing changes at Surrey CC. 2) Ongoing monitoring of contract and KPIs	3	21	16/02/2022
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	16/02/2022
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	16/02/2022

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	16/02/2022
Resource and Skill Risk	38	Unstructured training leads to under developed workforce resulting in inefficiency.	2	2	2	6	2	12	12	↔	TREAT 1) Implementation and monitoring of a Staff Training and Competency Plan as part of the Service Specification between the Fund and Surrey County Council. 2) Officers regularly attend training seminars and conferences 3) Designated officer in place to record and organise training sessions for officers and members	1	6	16/02/2022
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	16/02/2022
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	16/02/2022
Resource and Skill Risk	41	Failure by the audit committee to perform its governance, assurance and risk management duties	3	2	1	6	3	18	18	↔	TREAT 1) Audit Committee performs a statutory requirement for the Pension Fund with the Pension Sub-Committee being a sub-committee of the audit committee. 2) Audit Committee meets regularly where governance issues are regularly tabled.	2	12	16/02/2022
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	16/02/2022
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	2	18	18	↔	TREAT 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval)	1	9	16/02/2022
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	16/02/2022
Resource and Skill Risk	45	Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding	2	2	1	5	2	10	10	↔	TREAT 1) Succession planning processes are in place. 2) Ongoing training of Pension Fund Committee members. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.	1	5	16/02/2022

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. At the Same time the Pension Fund is transferring its Pension Fund Administration service from Surrey County Council, to the Local Pensions Partnership.	4	3	3	10	3	30	30	↔	<b>TREAT</b> 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	16/02/2022
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	4	3	9	1	9	9	↔	<b>TOLERATE</b> 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 administrator has been able to return to business as usual	1	9	16/02/2022
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	↔	<b>TREAT</b> 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	16/02/2022
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	↔	<b>TREAT</b> 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	16/02/2022
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	↔	<b>TREAT</b> 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. <b>TOLERATE</b> 1) Northern Trust provides 3rd party validation of performance and valuation data. Admin team and members can interrogate data to ensure accuracy.	1	11	16/02/2022
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	↔	<b>TREAT</b> 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	16/02/2022
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	↔	<b>TREAT</b> 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	16/02/2022
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	↔	<b>TREAT</b> 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	16/02/2022

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	16/02/2022
Regulatory and Compliance Risk	55	Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation. The Fund is changing admin providers which poses a risk for a breach during transition.	3	3	5	11	3	33	33	↔	TREAT 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2) LBHF IT data security policy adhered to. 3) Implementation of GDPR 4) Project team in place to ensure smooth transition	1	11	16/02/2022
Regulatory and Compliance Risk	56	Failure to comply with recommendations from the Local Pension Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator	1	3	5	9	2	18	18	↔	TREAT 1) Ensure that a cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	9	16/02/2022
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	16/02/2022
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	16/02/2022
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	16/02/2022
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	16/02/2022
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	16/02/2022
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	16/02/2022
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	16/02/2022



**LBHF Pension Fund**

Knowledge and Skills Self-Assessment

Name: .....

Role: Committee/Board member (delete as appropriate)

1) Pensions Legislative and governance context

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

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

## 2) Pensions accounting and auditing standards

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

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

## 3) Financial services procurement and relationship management

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

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

#### 4) Investment performance and risk management

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

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

#### 5) Financial markets and products knowledge

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

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

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

6) Actuarial methods, standards and practices

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

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

7) Pensions Administration

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

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

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

Once complete, please return to:

Phil Triggs  
Tri Borough Director of Treasury & Pensions

[ptriggs@westminster.gov.uk](mailto:ptriggs@westminster.gov.uk)



# Agenda Item 8

LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 28 February 2022

**Subject:** Pension Fund Risk Management Policy

**Report author:** Patrick Rowe, Pension Fund Manager

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

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## SUMMARY

As part of the independent review of the Pension Fund, a recommendation was made to prepare a Risk Management Policy

This report is seeking approval for the adoption of the Risk Management Policy.

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## RECOMMENDATIONS

1. That the Pension Fund Committee approves the Risk Management Policy included at Appendix 1.

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**Wards Affected:** None

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<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
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. As part of the independent review of the Pension Fund, a recommendation was made to compile and approve a Risk Management Policy.
2. CIPFA provide guidance on risk management in their publication 'Managing Risk in the Local Government Pension Scheme' (published in December 2018); alongside the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.
3. The policy aims to draw on this guidance and adhere to the principles within.

### **Risk Management Policy**

1. The Policy details the risk management strategy for the Fund, including:
  - the risk philosophy for the management of the Fund and, in particular, attitudes to and for risk;
  - how risk management is implemented;
  - risk management responsibilities;
  - the procedures that are adopted in the Fund's risk management process; and
  - the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

### **Risk Management Implications**

1. By ensuring effective risk management the pension fund can ensure good and effective governance and minimise any risks that result from a failure in governance.

## **LIST OF APPENDICES**

Appendix 1: Risk Management Policy

# **Pension Fund Risk Management Policy**

## 1. Introduction

This is the Risk Management Policy of the London Borough of Hammersmith and Fulham Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS), which is managed and administered by the London Borough of Hammersmith and Fulham (the Administering Authority).

The Policy details the risk management strategy for the Fund, including:

- the risk philosophy for the management of the Fund and, in particular, attitudes to and for risk;
- how risk management is implemented;
- risk management responsibilities;
- the procedures that are adopted in the Fund's risk management process; and
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing the risks through an effective policy and risk management strategy, the Administering Authority is able to:

- demonstrate best practice in governance;
- improve financial management of the Fund;
- minimise the risk and effect of adverse conditions on the Fund;
- identify and maximise opportunities that may arise; and
- minimise threats.

The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks and ensures risk management is an integral part in the governance of the Fund, at a strategic and operational level.

## 2. Scope

This Risk Management Policy applies to all members of the Pension Fund Committee and the Pensions Board. It also applies to all senior officers involved in the management of the Fund.

Senior managers and officers involved in the daily management of the Fund and administration of the LGPS are also integral to managing risk for the Fund, and will be required to have appropriate understanding of risk management relating to their roles.

Advisers and suppliers to the Fund are also expected to be aware of this Policy, and assist officers, Committee members and Board members, as required, in meeting the objectives of this Policy.

### 3. Aims and Objectives

In relation to understanding and monitoring risk, the Administering Authority aims to:

- integrate risk management into the culture and day-to-day activities of the Fund;
- raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners);
- anticipate and respond positively to change;
- minimise the probability of negative outcomes for the Fund and its stakeholders;
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice; and
- ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

To assist in achieving these objectives in the management of the Fund, the Administering Authority will aim to comply with:

- the CIPFA publication 'Managing Risk in the Local Government Pension Scheme' (published in December 2018);
- the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

### 4. Risk Management Philosophy

The Administering Authority recognises that it is not possible, or even desirable, to eliminate all risks: accepting and actively managing risk is therefore a key part of the Fund's risk management strategy. The Administering Authority's risk management process does not seek to fully eliminate all risks, but where possible, to reduce residual risk to an appropriate level with which it is comfortable.

A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in the light of the Administering Authority's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained;
- facilitate a focusing of resource on high-risk areas, and hence allow for a more efficient service provision;
- adopt a system that will enable the Fund to anticipate and respond positively to change;
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided;

- make sure that any new areas of activity (new investment strategies, any joint working, framework agreements, etc) are undertaken only if the risks they present are fully understood and taken into account in making decisions.

The Administering Authority also recognises that risk management is not an end in itself, nor will it remove risk from the Fund or the Administering Authority. However, it is a sound management technique that is an essential part of the Administering Authority's stewardship of the Fund. The benefits of a sound risk management approach include better decision making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

## **5. How Risk Management is Implemented**

### **5.1 CIPFA and the Pension Regulator's Requirements:**

CIPFA's publication 'Managing Risk in the Local Government Pension Scheme' explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the Administering Authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

### **5.2 The Pensions Regulator's Code of Practice:**

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 relating to the requirement to have internal controls in public service pension schemes:

*"249B Requirement for internal controls: public service pension schemes*

*(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed:*

- (a) in accordance with the scheme rules, and*
- (b) in accordance with the requirements of the law.*

*(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.*

*(3) In this section, "enactment" and "internal controls" have the same meanings as in section 249A."*

Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued such a code in which it encourages scheme managers to employ a risk-based approach to assessing the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator's code of practice guidance on internal controls requires scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly.

The risk assessment should begin by:

- setting the objectives of the scheme;
- determining the various functions and activities carried out in the running of the scheme; and
- identifying the main risks associated with those objectives, functions and activities.

Schemes should consider the likelihood of risks arising and the effect if they do arise when determining the order of priority for managing risks and focus on those areas where the impact and likelihood of a risk materialising is high. Schemes should then consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. The code of practice includes the following examples as issues which schemes should consider when designing internal controls to manage risks:

- how the control is to be implemented and the skills of the person performing the control;
- the level of reliance that can be placed on information technology solutions where processes are automated;
- whether a control is capable of preventing future recurrence or merely detecting an event that has already happened;
- the frequency and timeliness of a control process;
- How the control will ensure that data is managed securely; and
- The process for flagging errors or control failures, and approval and authorisation controls.

The code states that risk assessment is a continual process and should take account of a changing environment and new and emerging risks. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that schemes should periodically review the adequacy of internal controls in:

- mitigating risks;
- supporting longer term strategic aims, for example relating to investments;
- identifying success (or otherwise) in achieving agreed objectives; and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

Under section 13 of the Pensions Act 2004, the Pensions Regulator can issue an improvement notice (i.e., a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to internal controls are not being adhered to.

### **5.3 Application to the London Borough of Hammersmith and Fulham Pension Fund**

The Administering Authority adopts the principles contained in CIPFA's Managing Risk in the LGPS document and the Pensions Regulator's code of practice in relation to the Fund. This Risk Management Policy highlights how the Administering Authority strives to achieve those

principles through the use of risk management processes and internal controls incorporating regular monitoring and reporting.

#### 5.4 Responsibility

The Administering Authority must be satisfied that risks are appropriately managed. For this purpose, the Section 151 Officer is the designated individual for ensuring the process outlined below is carried out, subject to the oversight of the Pension Fund Committee and Pensions Board.

However, it is the responsibility of each individual covered by this Policy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

Senior officers will undertake relevant activities in ensuring that the risk register is maintained and presented to the Pension Fund Committee and Pensions Board at the appropriate times.

### 6. Risk Management Process

The Administering Authority's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are detailed in the following sections.



## 6.1 Risk Identification

Risk identification involves assessing risks in the context of the objectives and targets of the Fund. The risk identification process is both a proactive and reactive one: looking forward, i.e., horizon scanning for potential risks, and looking back, by learning lessons from reviewing how previous decisions and existing processes have manifested in risks to the organisation. Risks to the Fund are identified by a number of means including, but not limited to:

- formal risk assessment exercises managed by the Pension Fund Committee;
- performance measurement against agreed objectives;
- monitoring against the Fund's Annual Business Plan;
- findings of internal and external audit and other adviser reports;
- feedback from the Pensions Board, employers and other stakeholders;
- informal meetings of senior officers or other staff involved in the management of the Fund; and
- liaison with other organisations, regional and national associations, professional groups, etc.

Once identified, risks will be documented on the Fund's risk register, which is the primary control document for the subsequent analysis and classification, control and monitoring of those risks.

## 6.2 Risk Analysis and Evaluation

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed and scored by considering the likelihood of the risk occurring, from rare to almost certain, and the impact if it does occur, from insignificant to extreme. These scores are then multiplied to produce overall risk ratings, which are then used to prioritise the risk into three categories; from red, being the highest priority risks, to green, being the lowest priority risks.

Risk Ratings		Impact				
		Very Low (1-3)	Low (4-6)	Medium (7-9)	High (10-12)	Very High (13-15)
Likelihood	Extremely Unlikely	2	5	8	11	14
	Remote Possibility	4	10	16	22	28
	Occasional	6	15	24	33	42
	Probable	8	20	32	44	56
	Highly Probable	10	25	40	55	70

Impact is calculated 1 – 5 across three district areas and added together:

- Employers
- Fund
- Reputation



	Likelihood
1. Extremely unlikely	Virtually impossible to occur 0 to 5% chance of occurrence.
2. Remote possibility	Very unlikely to occur 6 to 20% chance of occurrence
3. Occasional	Likely to occur 21 to 50% chance of occurrence
4. Probable	More likely to occur than not 51% to 80% chance of occurrence
5. Highly probable	Almost certain to occur 81% to 100% chance of occurrence

Impact Description	Category	Description
1 Very Low	Cost/Budgetary Impact	£0 to £25,000
	Impact on life	Temporary disability or slight injury or illness less than 4 weeks (internal) or affecting 0-10 people (external)
	Environment	Minor short-term damage to local area of work.
	Reputation	Decrease in perception of service internally only – no local media attention
	Service Delivery	Failure to meet individual operational target – integrity of data is corrupt no significant effect
2 Low	Cost/Budgetary Impact	£25,001 to £100,000
	Impact on life	Temporary disability or slight injury or illness greater than four weeks recovery (internal) or greater than ten people (external)
	Environment	Damage contained to immediate area of operation, road, area of park single building, short term harm to the immediate ecology or community
	Reputation	Localised decrease in perception within service area – limited local media attention, short term recovery
	Service Delivery	Failure to meet a series of operational targets – adverse local appraisals – integrity of data is corrupt, negligible effect on indicator
3 Medium	Cost/Budgetary Impact	£100,001 to £400,000
	Impact on life	Permanent disability or injury or illness
	Environment	Damage contained to Ward or area inside the borough with medium term effect to immediate ecology or community
	Reputation	Decrease in perception of public standing at Local Level – media attention highlights failure and is front page news, short to medium term recovery
	Service Delivery	Failure to meet a critical target – impact on an individual performance indicator – adverse internal audit report prompting timed improvement/action plan - Integrity of data is corrupt, data falsely inflates or reduces outturn of indicator
4 High	Cost/Budgetary Impact	£400,001 to £800,000
	Impact on life	Individual Fatality
	Environment	Borough wide damage with medium or long-term effect to local ecology or community
	Reputation	Decrease in perception of public standing at regional level – regional media coverage, medium term recovery
	Service Delivery	Failure to meet a series of critical targets – impact on a number of performance indicators – adverse external audit report prompting immediate action - Integrity of data is corrupt, data falsely inflates or reduces outturn on a range of indicators
5 Very High	Cost/Budgetary Impact	£800,001 and over
	Impact on life	Mass Fatalities
	Environment	Major harm with long term effect to regional ecology or community
	Reputation	Decrease in perception of public standing nationally and at Central Government – national media coverage, long term recovery
	Service Delivery	Failure to meet a majority of local and national performance indicators – possibility of intervention/special measures – Integrity of data is corrupt over a long period, data falsely inflates or reduces outturn on a range of indicators

### 6.3 Risk Response

The risk ratings assigned to identified risks will determine the risk categories:

	Categories		
Risk ratings	Green(1-15)	Amber (16-24)	Red (25+)
Risk Response	Unlikely to need specific additional resources allocated. Routine monitoring and responses in place.	Senior Management attention needed and responsibility allocated accordingly.	Immediate action required. Senior Management will closely monitor.

Officers will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Before any such action can be taken, Pension Fund Committee approval may be required where appropriate officer delegations are not in place.

The result of any change to the internal controls could result in any of the following:

Control		Details required
Terminate	Stop what is being done	A clear description of the specific actions to be taken to control the risk or opportunity
Treat	Reduce the likelihood of the risk occurring	
Take	Circumstances that offer positive opportunities	
Transfer	Pass to another service best placed to deal with mitigations but ownership of the risk still lies with the original service	The name of the service that the risk is being transferred to and the reasons for the transfer
Tolerate	Do nothing because the cost outweighs the benefits and/or an element of the risk is outside our control	A clear description of the specific reasons for tolerating the risk

The Fund’s risk register details all further action in relation to a risk, as well as the risk owner and direction of travel upon review.

### 6.4 Monitor and Review

Risk monitoring is the final part of the risk management cycle and will be the ultimate responsibility of the Pension Fund Committee. In monitoring risk management activity, the Committee will consider whether:

- the risk controls taken achieved the desired outcomes;
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate;
- greater knowledge of the risk and potential outcomes would have improved the decision making process in relation to that risk; and
- there are any lessons to be learned for the future assessment and management of risks.

## **7. Key Internal Controls**

### **7.1 Reporting and Monitoring of this Policy**

Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on a quarterly basis to the Pension Fund Committee.

The Pensions Board is expected to consider risk regularly, and will be provided with an officer update at each meeting and will be able to provide comment and input to the management of risks.

In order to identify whether the objectives of this Policy are being met, the Administering Authority will review the delivery of the requirements of this Policy on an annual basis, taking into consideration any feedback from the Pension Fund Committee and the Pensions Board.

The risks identified are of significant importance to the Fund. Where a risk is identified that could be of significance to the wider Council, it would be included in the corporate risk register.

### **7.2 Key Risks to the Effective Delivery of this Policy**

The key risks to the delivery of this Policy are outlined below. The Pension Fund Committee, with the assistance of officers, will monitor these and other key risks and consider how to respond to them.

- risk management becomes mechanistic, is not embodied into the day-to-day management of the Fund and consequently the objectives of the Policy are not delivered;
- changes in Pension Fund Committee and/or Pensions Board membership and/or senior officers mean key risks are not identified due to lack of knowledge;
- insufficient resources are available to satisfactorily assess or take appropriate action in relation to identified risks;
- risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls;
- Lack of engagement or awareness of external factors means key risks are not identified; and
- Conflicts of interest or other factors lead to a failure to identify or assess risks appropriately.

### **7.3 Costs**

All costs related to this Risk Management Policy are met directly by the Fund.

### **7.4 Approval, Review and Consultation**

This document, once formally approved by the Pension Fund Committee, will be reviewed and updated at least every three years or sooner if the risk management arrangements or other matters included within it merit reconsideration.

## **8. Further Information**

For further information about anything in or related to this Risk Management Policy, please contact:

London Borough of  
Hammersmith and Fulham  
Tri-Borough Treasury & Pensions  
City Hall

16<sup>th</sup> Floor  
64 Victoria Street,  
London  
SW1E 6QP

Email: [pensionfund@lbhf.gov.uk](mailto:pensionfund@lbhf.gov.uk)

# Agenda Item 9

LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 28 February 2022

**Subject:** Pension Fund Business Plan

**Report author:** Patrick Rowe, Pension Fund Manager

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

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## SUMMARY

The purpose of this report is to seek approval for the 2022/23 business plan, which presents strategic medium-term objectives and a budget forecast.

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## RECOMMENDATIONS

1. That the Pension Fund Committee carefully considers the 2022/23 business plan (at Appendix 1)
2. That the Pension fund committee approves the 2022/23 attached business plan (included at Appendix 1).

**Wards Affected:** None

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

## Financial Impact

None

## Legal Implications

None

## **DETAILED ANALYSIS**

### **Background**

1. The Myners Report to HM Treasury, compiled by Lord Myners and published in March 2001, recommended that local authority pension funds should approve an annual business plan in respect of the objectives required for the next one to three years.
2. This is the second LBHF pension fund business plan presented to the Pension Fund Committee and sets out the short-term objectives and a financial forecast for 2022/23. It is attached at Appendix 1.
3. An outturn report will be presented to the Pension Fund Committee to update members on progress and present outcomes with an outturn cost summary.

### **LIST OF APPENDICES**

Appendix 1: LBHF Pension Fund Business Plan 2022/23

**London Borough of Hammersmith and Fulham Fund**

**Pension Fund Business Plan 2022/23**

**Introduction**

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

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

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

- Administration and Communication;
- Actuarial / Funding;
- Pension Fund Committee;
- Pensions Board;
- Risk Management.

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



## 2021/22 Forecast Expenditure

	Company Name (If Applicable)	2020/21	2021/22	2022/23
		Actual	Estimate*	Estimate
		£000	£000	£'000
<b>Administration</b>				
Contract Fees		361	236	245
Other costs		3	5	5
		<b>365</b>	<b>241</b>	<b>250</b>
<b>Governance and oversight</b>				
Employees		447	570	590
Investment advisory services	Deloitte	68	132	165
Governance and compliance		145	160	160
External audit	Grant Thornton	25	30	35
Actuarial fees	Barnett Waddingham/ Hymans Robertson	79	95	95
		<b>764</b>	<b>987</b>	<b>1046</b>
<b>Investment Management</b>				
Management, Performance and Transaction fees				
	Legal & General	210	303	318
	LCIV Absolute Return	2,846	3,028	3,179
	M&G	388	-	-
	Standard Life Property	291	273	287
	Oak Hill Advisors	823	937	984
	Partners Group	1,397	1,400	1,400
	Aviva	189	160	168
	LCIV Global Bond Fund	320	345	362
	Abrdn MSPC	142	156	164
	Morgan Stanley	537	956	1,004
	Man Group	-	38	120
	Alpha Real Capital	-	-	250
	Darwin Alternatives	-	50	220
	Northern Trust	21	35	35
	LCIV	309	340	570
		<b>7,472</b>	<b>8,021</b>	<b>9,061</b>
<b>Total</b>		<b>8,601</b>	<b>9,107</b>	<b>10,200</b>

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

## Administration and Communication

The LBHF Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with secondary legislation.

The administration of the Fund has been undertaken by Surrey County Council since 2015. It was decided to terminate the delegation agreement from 31 January 2022, with services being provided by the Local Pension Partnership from 1 February 2022 onwards.

### Objectives

1. Ensure the scheme is run in accordance with agreed service standards and in compliance with Regulations;
2. Deliver a high quality, cost effective pension administration service;
3. Collaborative working with outsourced parties;
4. Successful transition to LPPA team following exit from Surrey County Council.

	<b>Actions</b>	<b>Timeline</b>	<b>Responsibility</b>	<b>Overseen by</b>
A	Annual review and publication of the Pensions Administration strategy	31/3/23	Eleanor Dennis	Dawn Auger
B	Compliance and reporting of key service performance indicators (KPIs)	31/3/23	Eleanor Dennis	Dawn Auger
C	Review and publication of communication policy	31/3/23	Eleanor Dennis	Dawn Auger
D	Annual report and accounts published on website	1/12/23	Patrick Rowe	Matt Hopson
E	Freedom of information (FOI) requests responded to within statutory deadline	Ongoing	Patrick Rowe	Matt Hopson

## Actuarial / Funding

The Fund is responsible for commissioning triennial actuarial valuations of the Pension Fund regarding the funding status and level of employers' contributions necessary to fully fund the Pension Fund. Actuarial services are currently subject to tender and will be awarded starting 1 April 2021 for five years.

### Objectives:

1. Monitor the funding level of the Scheme, including a formal actuarial valuation every three years (next valuation as at 31 March 2022);
2. Monitor and reconcile contribution payments to the Scheme by the employers and scheme members;
3. Understand legislative changes which will impact on funding.

	<b>Actions</b>	<b>Timeline</b>	<b>Responsibility</b>	<b>Overseen by</b>
A	Provide employers with IAS19/FRS102 funding statements in line with employer year end.	March 22 July 22 August 22	Patrick Rowe	Matt Hopson
B	Funding level to be reported to Pension Fund Committee quarterly.	Quarterly	Patrick Rowe	Matt Hopson
C	Monitor and reconcile employer contributions remittances with the pension fund bank statement.	Monthly	Alastair Paton	Matt Hopson
D	Member training to cover actuarial funding issues.	Ongoing	Mathew Dawson	Phil Triggs
E	Funding strategy reviewed and updated	March 23	Matt Hopson/Phil Triggs	Pension Fund Committee

## Pension Fund Committee

Investment allocation decisions are delegated to the Pension Fund Committee who oversees the management of the Fund's assets. The Pension Fund Committee appoints fund managers and advisors to assist in reviewing the overall strategic asset allocation, ensuring its suitability and the diversification of assets.

### Objectives

1. Members should be equipped with the correct training and experience to make investment decisions;
2. Members should be provided with timely information on investment performance against agreed benchmarks;
3. Meetings should be run efficiently to ensure decisions are made clearly and effectively;
4. Suitability and diversification of the overall investment strategy and strategic asset allocation of the pension fund should be ensured, reporting to Council as necessary.

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

## Pensions Board

Under Section 5 of the Public Service Pensions Act 2013 and Regulation 106 of the LGPS Regulations 2013, a Pensions Board must be established. The Pensions Board meets three times a year and assists in the governance and administration of the Fund.

### Objectives

1. Ensure the Pensions Board is constituted and functions within the Regulations;
2. Help facilitate the effective operation of the Pensions Board.

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

## Risk Management

In line with the best practice and the Pension Regulator's (tPR's) Code of Practice, the Pension Fund maintains a risk register to identify and monitor short and long-term risks to the Fund.

Investment assets are managed by external investment managers, with segregated assets held by an independent global custodian.

### Objectives

1. Properly record financial transactions and produce an annual report and accounts within six months of the year end.
2. Monitor and report fees against an agreed budget.
3. Assess the risk associated with the management of the Scheme.

	<b>Actions</b>	<b>Timeline</b>	<b>Responsibility</b>	<b>Overseen by</b>
A	Monitor Pension Fund expenses for the year against the agreed forecast.	March 23	Patrick Rowe	Matt Hopson
B	Produce an Annual Statement of Accounts and achieve an unqualified audit.	Sep 22/23	Patrick Rowe	Matt Hopson
C	Ensure ongoing risk assessments of the management of the Fund.	Ongoing	Patrick Rowe	Matt Hopson
D	Review MiFID documentation to ensure the Fund retains its professional investor status.	Ongoing	Patrick Rowe	Matt Hopson
E	Obtain independent internal controls assurance reports for investment managers and fund global custodian.	March 23	Patrick Rowe	Matt Hopson
F	Approve the Risk Register	Quarterly	Phil Triggs	Pensions Board

## Further Information

As per the requirements of the Competition Markets Authority (CMA), the Pension Fund must establish aims and objectives for its investment consultant. A set of consultant objectives were drawn up for the investment advisor, Deloitte, and approved by the Pension Fund Committee in November 2019.

In line with best practice, the performance of the investment consultant against the objectives should be reviewed on an annual basis and the objectives updated at least every three years, or when there has been a material change in the investment approach. Annex 1 details these objectives and assessed performance as at January 2022.

## Timetable

<b>PENSIONS BOARD</b>	
Meeting Date	Report Deadline
9th Feb 2022	31 <sup>st</sup> Jan 2022
8th Jun 2022	31 <sup>st</sup> May 2022

<b>Pension Fund Committee</b>	
Meeting Date	Report Deadline
28th Feb 2022	16 <sup>th</sup> Feb 2022
28th June 2022	24 <sup>th</sup> Jun 2022
15th Nov 2022	11 <sup>th</sup> Nov 2022
28th Feb 2023	17 <sup>th</sup> Feb 2023

# Agenda Item 10

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 28 February 2022

**Subject:** Pension Fund Consultant Review

**Report author:** Patrick Rowe, Pension Fund Manager

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

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### SUMMARY

The Competition and Markets Authority (CMA) requires that the Pension Fund establish aims and objectives for its investment consultant.

This paper provides the Pension Fund Committee with a performance review of the Pension Fund's investment consultant, in line with the agreed set of aims and objectives.

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### RECOMMENDATIONS

1. The Pension Fund Committee is recommended to note and comment on the report.

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**Wards Affected:** None

<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
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. In December 2019, the Competition and Markets Authority's (CMA) Investment Consultancy and Fiduciary Management Investigation Order 2019 came into effect, following an extensive review into the industry. This required all pension funds to set formal aims and objectives for their investment consultants.
2. The Committee approved its set of investment consultant aims and objectives on 26 November 2019, against which the consultant performance for 2020 has been reviewed.
3. A detailed assessment of the consultant's performance is included in Appendix 1 to this paper.

### **Performance Against Aims and Objectives**

1. The consultant's objectives have been broken down into the following sub-categories:

#### **Assistance in Achieving the Fund's Objectives**

2. The consultant scored an Excellent performance rating against all the objectives in this category by advising the Pension Fund on its investment strategy reviews throughout the year.

#### **Governance and Costs**

3. The consultant scored an Excellent performance rating against the all the objectives in this category including carrying out due diligence on behalf of the Pension Fund on existing and prospective investments.

#### **Proactivity/Keeping Informed**

4. The consultant scored an Excellent performance rating against the all the objectives in this category by providing training on new asset classes and suggesting potential investment options for the Sub-Committee to explore.

#### **Monitoring**

5. The consultant scored an Excellent performance rating against the all the objectives in this category, providing the Sub-Committee with a quarterly monitoring report on investment manager performance

## **Delivery**

6. The consultant had an Excellent performance rating against most of the objectives, although a couple areas of improvement were identified regarding the delivery of reports to officers and the breakdown of costs relating to work carried out on behalf of the Pension Fund.
7. As shown in Appendix 1, the consultant's performance over the past year has been to an Excellent standard and the Pension Fund remains pleased with the work that the consultant continues to carry out in advising the fund on its investment strategy.

## **LIST OF APPENDICES**

Appendix 1: Investment Consultant Review

## LBHF Pension Fund Investment Consultant Review 2021/22

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### Background

As per the requirements of the Competition and Markets Authority (CMA), the Pension Fund must establish aims and objectives for its investment consultant. A set of consultant objectives were drawn up for the Pension Fund investment consultant, Deloitte, and approved by Committee on 26 November 2019.

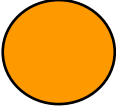
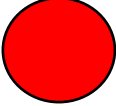
After conducting an extensive review into the pension fund consultancy and fiduciary management industry, the CMA produced a report, detailing several recommendations to improve pension fund governance, with a number of concerns expressed around fees and conflicts of interest.

The Pensions Regulator (tPR) welcomed the review by the CMA and produced guidance on setting aims and objectives. The regulator's view is that it is good practice for pension funds, including the LGPS, to be setting aims and objectives for investment consultants and advisors in order to achieve better outcomes and manage areas of underperformance.

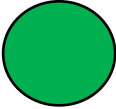
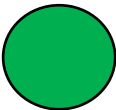
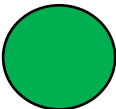
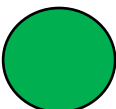
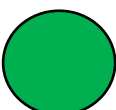
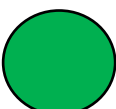
### Performance Against Aims and Objectives

In line with best practice, the performance of the investment consultant against the objectives should be reviewed on an annual basis and the objectives updated at least every three years, or when there has been a material change in investment approach.

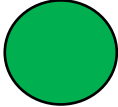
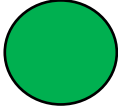
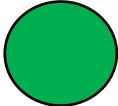
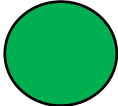
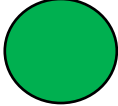
In the tables below are the agreed objectives and aims for the investment consultant, Deloitte, against which the consultant performance has been reviewed. Each objective has been assessed individually and assigned a rating as follows:

Performance Rating	Key
Excellent	
Good	
Satisfactory	
Unsatisfactory	
Not able to assess	N/A

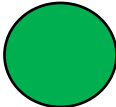
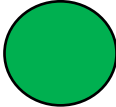
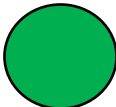
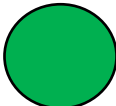
**LBHF Pension Fund  
Investment Consultant Review 2021/22**

<b>1. Assistance in Achieving the Fund's Objectives</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	Any proposed change in investment strategy or investment managers has a clear rationale linked to the Fund's objectives with specific reference to improving the efficiency of the investment strategy in terms of risk adjusted returns.		Review of investment strategy during 2021, and manager selections which reflect the new asset allocation.
b)	All advice considers funding implications and the ability of the Fund to meet its long-term objectives.		The actuarial valuation taken into consideration when agreeing the revised asset allocation. This will be revisited in 2022.
c)	The investment consultant has an appropriate framework in place to recognise opportunities to reduce risk.		The investment consultant has the required due diligence processes in place to reduce risks.
d)	The investment consultant has contributed to the Fund's cashflow management process ensuring that the Fund's benefit obligations are met in a cost-efficient manner.		The Fund cashflow management is run in-house. However, the consultant may suggest appropriate income strategies to match the shortfall in cash.
e)	The investment consultant undertakes specific tasks such as the selection of new managers and asset liability studies as commissioned.		The consultant has drawn up shortlists and arranged interviews for the manager selections during the year.
f)	The investment consultant has complied with prevailing legislation, the constraints imposed by the Investment Strategy Statement, the detailed Investment Management Agreements and the policy agreed with the Committee when considering the investment of the Fund's assets.		The investment consultant and the Pension Fund have a contract in place.

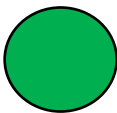
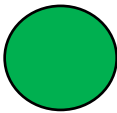
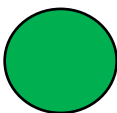
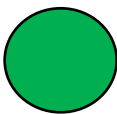
**LBHF Pension Fund  
Investment Consultant Review 2021/22**

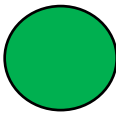
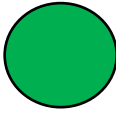
<b>2. Governance and Costs</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	Assist the Committee to implement the Fund's investments on a more competitive fee basis, through negotiation and periodic benchmarking of fees.		The investment consultant produces a quarterly investment report which includes fees benchmarking.
b)	Cost implications, both in terms of investment management expenses and implementation costs, are considered as part of investment strategy advice.		These factors were taken into account for the asset manager selections during the year and reporting quarterly.
c)	Where the investment consultant has provided support on implementation activity, including activity required to meet Fund benefits, these transactions have been carried out in a cost-effective manner.	<b>N/A</b>	The fund transitions are undertaken by the in-house investment team.
d)	The investment consultant has demonstrated an understanding and appreciation of governance requirements, in particular, the investment consultant has avoided complexity where simpler, more cost-effective solutions may be available.		Manager fees taken into consideration during the manager shortlisting and selection process.
e)	The investment consultant has ensured that investments are in accordance with the current regulatory and compliance requirements relevant for the LGPS.		The investment consultant has the required due diligence processes in place to ensure regulatory and compliance requirements are met.
f)	The investment consultant has taken into account the necessity for all investment funds within the portfolio, with few exceptions, to utilise one of the pools.		The consultant includes the asset pool products within the manager shortlisting and selection process.

**LBHF Pension Fund  
Investment Consultant Review 2021/22**

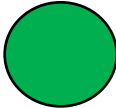
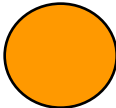
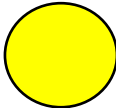
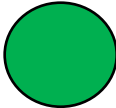
<b>3. Proactivity/Keeping informed</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	Advise the Committee on appropriate new investment opportunities.		The consultant provides training to the Committee on new asset classes.
b)	Recognition of the dynamism of investment markets, recognising opportunities to crystallise gains or emerging risks which require immediate attention.		The investment consultant produces a quarterly report, rating the managers and advising if they believe the mandate is no longer rated favourably.
c)	The investment consultant has kept the Committee up to date with regulatory developments and additional compliance requirements.	<b>N/A</b>	The Committee is updated by the in-house investment team on regulatory matters.
d)	The investment consultant has highlighted areas that the Committee may wish to focus on in the future.		The investment consultant suggests asset classes which the Committee may wish to explore further.
e)	The investment consultant should be generally available for consultation on fund investment matters.		The consultant advises on all investment matters as required by the Pension Fund Officers and Committee.

**LBHF Pension Fund  
Investment Consultant Review 2021/22**

<b>4. Monitoring</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	The investment consultant provides insightful monitoring focused on the reasoning behind performance.		The investment consultant produces a quarterly report, providing narrative on investment manager performance.
b)	The Committee has been kept abreast of investment market developments and their implications for the Fund's investment strategy.		The consultant meets with Committee members quarterly and advises of market developments.
c)	Monitoring is integrated with funding and risk.		The risks within each mandate are monitored on an ongoing basis and the funding level is taken into consideration.
d)	Particular focus on the continued merits of active management. The investment consultant considers the value added by active management on a net of fees basis.		The consultant provides a quarterly report which details asset manager performance net of fees.

<b>5. Delivery</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	The investment consultant has formed a strong working relationship with the Committee, Council Officers and other key stakeholders.		There is a good working relationship between the investment consultant and Officers/Committee members.
b)	Reports and educational material are pitched at the right level, given the Committee's understanding.		The reports and training matters are clear, easily understandable and concise to meet the needs of the

**LBHF Pension Fund  
Investment Consultant Review 2021/22**

			Committee.
c)	Provides training/explanation which aids understanding and improves the Committee's governance.		Training provided by the consultant to meet any needs of the Committee.
d)	Meeting papers are provided in a timely fashion, with all required detail and accuracy.		Papers are usually received by the Pension Fund Officers sufficiently in advance of the Committee meetings. On occasion some reports may require slight revisions to include more detail and have been provided in a less optimal timeframe.
e)	The investment consultant works within agreed budgets and is transparent with regard to advisory costs, itemising additional work with fees in advance.		The consultant sends regular invoices with an itemised breakdown. However, the new contract has highlighted areas for improvement in invoicing.
f)	The investment consultant works collaboratively with the scheme's actuary and other advisors or third parties including the global custodian.		The consultant works with the custodian to calculate the quarterly fund performance and liaises with the actuary on the funding level.

As highlighted in the performance review above, the consultant has performed well over the past year, meeting the majority of the aims and objectives to an Excellent standard. This maintains the Excellent rating the consultant was given in the previous year. The Pension Fund remains pleased with the work produced by the consultant and aims to continue building on the good working relationship that has already been established.



**Report to:** Pension Fund Committee

**Date:** 28 February 2022

**Subject:** Aviva Infrastructure Income Fund Update

**Report author:** Patrick Rowe, Pension Fund Manager

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

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### SUMMARY

The purpose of this report is to update the Committee on the Pension Fund's investment in the Aviva Infrastructure Income Fund. Specifically, the Fund's investment advisor, Deloitte, has produced a report relating to various issues Aviva is facing and the subsequent position Aviva has on its rated list as a result.

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### RECOMMENDATIONS

1. Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
2. The Pension Fund Committee is recommended to comment on and note the attached Deloitte report, shown at Appendix 1.

**Wards Affected:** None

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

### Financial Impact

1. None

## **Legal Implications**

1. None

## **DETAILED ANALYSIS**

### **Background**

1. In early 2021, Aviva Investors informed its clients of its intention to soft close its Aviva Investors Infrastructure Income Fund ("AIIF"), which the Fund did not choose to pursue.
2. Additionally, there have been a number of asset specific issues that have negatively impacted the fund's performance and potential outlook of AIIF. The assets in question are the Project Hull, Project Barry, and Project Boston biomass plants, which currently have litigation issues associated with them.
3. Aviva hosted an Open Forum Meeting to provide an update on a number of topics, including the biomass plants, which led to subsequent discussions between Deloitte and Aviva to ascertain the situation in more detail.
4. The report recommends that the Committee consider whether it would like to explore liquidity options.

### **LIST OF APPENDICES**

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

**Report to:** Pension Fund Committee

**Date:** 28/02/2022

**Subject:** Cessation of Fulham Palace Trust

**Report author:** Eleanor Dennis, Head of Pensions  
Paul Moore, Pension Specialist

**Responsible Director:** Rhian Davies, Director of Resources

### SUMMARY

The Actuary and Fund legal recommendation is that an exit credit is paid to Fulham Palace Trust.

### RECOMMENDATIONS

1. Appendices 1 and 2 are not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
2. The recommendation is to pay Fulham Palace Trust an exit credit as set out in the exempt appendix 1.

**Wards Affected:** None

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

### Financial Impact

None

### Legal Implications

These are detailed in the exempt appendices.

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## **Background Papers Used in Preparing This Report - None**

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### **Reasons for Decision**

The decision taken is in accordance with the legal and actuarial advice provided to the pension fund.

### **LIST OF APPENDICES**

Exempt Appendix 1 – Exempt Information and implications.

Exempt Appendix 2 - Fulham Palace Trust cessation report of June 2021.