

Pension Fund Committee

Agenda

Tuesday 13 June 2023 at 7.00 pm
Room 9 (1st Floor)- 3 Shortlands, Hammersmith, W6 8DA

MEMBERSHIP

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

CONTACT OFFICER: Debbie Yau
Committee Coordinator
Corporate Services
☎: 07901 517470
E-mail: debbie.yau@lbhf.gov.uk

Reports on the open agenda are available on the Council's website:
www.lbhf.gov.uk/committees

Members of the public are welcome to attend and the building has disabled access.

Date Issued: 05 June 2023

Pension Fund Committee Agenda

<u>Item</u>	<u>Pages</u>
1. APOLOGIES FOR ABSENCE	
2. DECLARATIONS OF INTEREST	
<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>	
3. MINUTES OF THE PREVIOUS MEETING	5 - 15
<p><i>This item includes appendices that contain exempt information. Discussion of the appendices will require passing the proposed resolution at the end of the agenda to exclude members of the public and press.</i></p> <p>To approve as an accurate record the minutes of the meeting held on 28 February 2023.</p>	
4. DRAFT PENSION FUND STATEMENT OF ACCOUNTS	16 - 40
<p>This report presents the draft Pension Fund Statement of Accounts for the year ended 31 March 2023.</p>	

5. PENSION FUND DRAFT INVESTMENT BELIEFS	41 - 46
This paper provides the Pension Fund Committee with a draft Investment Beliefs statement.	
6. INVESTMENT STRATEGY UPDATE	47 - 48
<i>All information included in this item are exempt information. Discussion of them will require passing the proposed resolution at the end of the agenda to exclude members of the public and press.</i>	
This paper reports the outcomes of the following agreement made at the Pension Fund Committee meeting on 28 February 2023:	
<ol style="list-style-type: none">1. Reduce the allocation to equities by 5% and increase the Fund's fixed income allocation by this 5%.2. Invest an additional 2.5% in commercial ground rents funded from Alpha Real Capital.3. Select a replacement for Aviva Infrastructure Income and increase the strategic allocation to 3.5% with a manager selection exercise to be undertaken.	
7. PENSION FUND QUARTERLY UPDATE PACK	49 - 61
<i>This item includes appendices that contain exempt information. Discussion of the appendices will require passing the proposed resolution at the end of the agenda to exclude members of the public and press.</i>	
This paper provides the Pension Fund Committee with a summary of the Pension Fund's:	
<ul style="list-style-type: none">• overall performance for the quarter ended 31 March 2023;• cashflow update and forecast; and• assessment of risks and actions taken to mitigate these.	
8. KEY PERFORMANCE INDICATORS	62 - 101
This paper sets out a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Hammersmith & Fulham Pension Fund, including the Key Performance Indicators (KPI) for the period January 2023 – March 2023, i.e., Quarter 4 (Q4), and a summary of LPPA's KPI performance over the last 12 months.	
9. PENSION ADMINISTRATION UPDATE	102 - 110
One of the key priorities for this LGPS Fund is to pay and administer the pensions of its members and their beneficiaries. The Hammersmith & Fulham Pension Fund (HFPP) delegates its administration duties to Local Pension Partnership Administration (LPPA). This paper provides a summary of activity in key areas of pension administration for the HFPP.	

10. DATES OF FUTURE MEETINGS

To note the dates of future meetings:

- 19 September 2023
- 15 November 2023
- 20 February 2024

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

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

London Borough of Hammersmith & Fulham

Pension Fund Committee Minutes



Tuesday 28 February 2023

PRESENT

Committee members:

Councillor Ross Melton (Chair)
Councillor Florian Chevoppe-Verdier
Councillor Adam Peter Lang
Councillor Adrian Pascu-Tulbure

Co-opted members:

Michael Adam
Iain Cassidy

Other Councillors:

Councillor Rowan Ree (Cabinet Member for Finance and Reform)

Officers:

Eleanor Dennis (Head of Pensions) (joined remotely)
Sukvinder Kalsi (Director of Finance) (joined remotely, left at 7:30pm)
Phil Triggs (Director of Treasury and Pensions)
Mathew Dawson (Strategic Investment Manager)
Sian Cogley (Pension Fund Manager)
Peter Parkin (Unison Representative)
Katia Neale (Clerk)

Advisers:

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

Guest:

Steven Scott, FFA (Fund Actuary, Hymans Robertson LLP)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Laura Janes.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED

The minutes of the meeting held on 24 January 2023 were approved as accurate records of meeting.

Marian George (Independent Advisor) requested that all future minutes be proposed for approval only at regular meetings, not extraordinary ones.

ACTION: Committee Coordinator

CHANGE OF AGENDA ORDER

The Chair proposed, and it was unanimously agreed, to bring Items 7, 6 and 8 forward on the agenda, in this respective order.

7. TRIENNIAL VALUATION RESULTS AND FUNDING STRATEGY STATEMENT

Sian Cogley (Pension Fund Manager) introduced the report presenting the draft Funding Strategy Statement (FSS) produced by the Fund's actuary (Hymans Robertson), following the 2022 triennial Actuarial Valuation.

The purpose of the FSS was to establish a clear and transparent fund-specific strategy that would identify how employers' pension liabilities were best met going forward and take a prudent, longer-term view of funding those liabilities.

The FSS incorporated the funding approach of the admitted and scheduled bodies, including admissions, new academies, bulk transfers and cessations. The strategy also took into consideration the impact which the McCloud case judgement might have on the pension liabilities. All of the Fund's employers had now received their schedules of future contribution rates with only two queries received from two employers, which had been addressed and resolved.

Steven Scott, FFA (Fund Actuary, Hymans Robertson LLP) stated that the improvement in the funding position was driven by strong investment returns over the past three years. He reported that the Fund was in a very healthy position.

Michael Adam (Co-opted member) asked that, based on the updated funding level at the end of the year and the potential decrease in the inflation level, what were the predictions for the new financial year and the rates the Council would need to pay into the Pensions Fund. He added that if a reduction on the contribution rates was not possible at this time, this Committee should have a discussion about it in the near future.

Steven Scott replied that it was expected that the inflation level would fall. The Pension Fund funding level had improved significantly since the Valuation, largely because higher investment returns were expected in the future than the level assumed at the date of the 2022 Valuation. However, at the same time, the value of the assets had fallen over that period and there were lots of uncertainties in the investment markets over the coming years. They would not recommend any changes to contribution rates due to short-term changes as they were funding for the long-term. In addition, they followed the guidance from an advisory board stating that contribution rates were not expected to be reduced as a result of relatively small improvements in funding levels. However, if there was a clear justification in the future, the contributions could be reduced.

Councillor Adam Peter Lang noted that higher inflation had led to higher primary contributions, leading to an expected additional cost to the Council of £3.6m per annum and, as a result, the primary employer contribution rate had risen to 20.6%. He asked how that would be monitored going forward and how that would affect employee contributions.

Steven Scott replied that employee contribution rates were set by legislation from the Central Government and were based on a salary level basis. He added that changes in the inflation rate and in the level of interest rates that reflected on future investment returns were monitored on a quarterly basis.

In answer to a question from Councillor Florian Chevoppe-Verdier, Sian Cogley replied that the FSS had been shared with employers for comments over a period of one week, due to tight deadlines. However, going forward they would share with employers for comments over a longer period, ideally over one month.

The Chair asked for a report addressing the lessons learned on the process for answering queries raised by employers on Actuarial Valuation.

ACTION: Phil Triggs

Councillor Florian Chevoppe-Verdier stressed the importance to adopt consultation best practices to ensure employers had time to understand and engage with the Valuation contents and ways to respond to their queries swiftly.

In response to a question from Peter Parkin (Unison Representative) regarding the same lessons learned reappearing triennially and the steps taken to resolve the issues with the Valuation, Steven Scott replied that all their work relied on the accurate and timely information provided by employers. As this was a very complex process, they had developed a portal to enable pension funds to give them their data, which included valuations, to capture most of the possible queries that could arise. This data was monitored in a continuous process of improvement. The reality was that the LGPS was becoming increasingly more complex driven by external factors such as number of employers and regulations.

Councillor Adam Peter Lang suggested that it would be useful, whenever possible, to have an executive summary clearly and succinctly explaining the main points made in the report to assist members understanding and to facilitate discussions at the Committee.

ACTION: All report authors

Steven Scott replied that the main point to make to scheme Members was that extreme market volatility did not affect the benefits, as they were guaranteed. The only impact it had was on the cost of those benefits and their funding over the long-term.

RESOLVED

The Committee noted the Triennial Valuation Results and agreed the draft Funding Strategy Statement and to delegate the final approval to the Director of Treasury and Pensions in consultation with the Chair.

6. INVESTMENT STRATEGY STATEMENT

Sian Cogley introduced the draft Investment Strategy Statement (ISS) for 2023, which reviewed the LBHF Fund's investment strategy in terms of the current asset allocation and funding position and highlighted some key areas the Committee should consider for the short and medium-term outlook of the Fund. The document was prepared by the Fund's investment adviser, Deloitte. It identified ways to further reduce risks within the portfolio.

RESOLVED

The Committee agreed:

1. To reallocate 5% from equity to bonds.
2. To invest Aviva proceeds with another infrastructure manager and to rebalance the asset allocation.
3. To increase the strategic Alpha Real Capital Ground Rents allocation to 7.5%, with the additional 2.5% funded from Ruffer, and make an additional subscription to the fund.

8. PENSION FUND QUARTERLY UPDATE PACK

Sian Cogley presented the report which provided a summary of the Pension Fund's overall performance for the quarter ended on 31 December 2022, the cashflow update and forecast, and assessment of risks and actions taken to mitigate these.

The overview of the Fund's performance was provided in Appendix 1 with a scorecard and included administrative investment and cash management performance for the quarter.

Exempt Appendix 2 contained information about the Investment Performance. The highlight over the quarter was that the market value of the assets had increased by £4.3 million.

Appendix 3 contained the Cashflow Monitoring Report which provided the cashflow forecast for the last quarter as well as cashflow forecast to September 2023.

Appendix 4 contained the Pension Fund Risk Registers with no risks added to the register or changes in scores. There had been three changes in trend: Risk 19 regarding inflation risk, Risk 28 regarding liabilities and Risk 31 regarding strain on smaller employers. Their trend came down to neutral as a result of the triennial valuation.

The report included a link to the ESG dashboard which was also available on the LBHF website.

RESOLVED

The Committee noted the contents of the report.

4. PENSION ADMINISTRATION – KEY PERFORMANCE INDICATORS

Eleanor Dennis introduced the report setting out the key performance indicators in respect of the pension administration service provided by Local Pension Partnership Administration (LPPA) on key cases such as estimates, transfers, deaths and retirements for the period October to December 2022.

During this period LPPA processed 958 cases for the fund. However, in line with the challenges that were stated by the LPPA strategic director , performance for Quarter Three had been disappointing and continued to be below the agreed targets, in particular with deaths and retirements were 34 and 33 cases had fallen outside of the SLA. This was mainly down to challenges in the way that the death cases were processed whereby the clock started ticking before the case was actually being looked at by an administrator, and also whereby they were awaiting information coming through from a beneficiary, such as a probate or documents such as proof of residence.

Councillor Adam Peter Lang asked whether the Committee could provide any further support to Eleanor Dennis's team to help improve the disappointing performance and if targets could be set for the next quarter.

Eleanor Dennis thanked the offer of help and reiterated that it was disappointing and frustrating to work with LPPA because, despite being a proactive Administrator, they still needed to improve and meet their core service delivery. Greg Smith (Director of Strategy, LPPA) stressed that they were absolutely focused on getting the service right and were actually going to scale back some of their improvements and ambitions for the future to focus on the core service.

In terms of support she would be willing to bring LPPA back to the Committee to discuss poor performance or to challenge them in a different way. Regarding targets, the Committee could think about a minimum standard by which if LPPA's performance fell below that the Committee could decide on appropriate action and rather than waiting for their quarterly report, they could request an interim update on performance.

The Chair replied that he supported both points, an interim report from LPPA as well as holding them into account to achieve the targets they already have. He reinforced that the Committee would support Eleanor Dennis in any way to hold them into account. They could send them a letter on behalf of the Committee listing the particular concerns on performance deficit.

Councillor Adrian Pascu-Tulbure asked if there were other levers to be used to ensure they performed well and noted that in the private sector this poor performance would not be accepted.

Eleanor Dennis replied that when Greg Smith came to this Committee he had said that he would expect to see an improvement on Quarter Four. She challenged him on that and asked for a realistic and achievable target. He later said it would be Quarter One, therefore she thought that this could be a good trigger point. By this time they would have been with LBHF for just over a year and would have had the opportunity to improve.

Eleanor Dennis added that in terms of actions, the suggestion of a formal letter from the Committee to LPPA, for the attention of the Managing Director, to let them know their dissatisfaction with the service provided would be perfectly reasonable. She had recently been told that LBHF work was being prioritised, but that had not transcended in performance yet. There were issues that needed addressing and a formal letter from the Committee with a formal expectation of that timeline would be helpful.

She added that the private sector was a very different environment and they managed to deliver very well. In a private sector you would not get consistent average wait times of nine or ten minutes.

Peter Parkin stated that Unison' Members main concerns were the delays in receiving their entitled pensions, which was very stressful for Members and their families, especially in case of death.

Eleanor Dennis agreed that Members expected their retirement to be a smooth process, especially after having worked for a considerable amount of time. Therefore, there were certainly some actions that could be looked at, such as communicating timelines more clearly.

Councillor Florian Chevoppe-Verdier asked at what point should the Committee look at an alternative pension administrator and what the availability was on the market.

Eleanor Dennis replied that LPPA should be allowed a certain amount of time to improve due to the complexity in dealing with administration. In addition, no company was 100% perfect. It was a big exercise to change administrator as

it costed a large sum of money, and it took a long time and expertise. However, LPPA had disappointed on several fronts, and this was not to be expected as a new client.

The availability of moving to a new administrator could be considered, and if the Committee decided to send them a formal letter, they could be given the opportunity to perform in Quarter Four and Quarter One. And if necessary, making a decision how to proceed going forward, even if only testing the market availability and price. The danger was to go through the selection process, choose another administrator and have other similar performance issues as well as the time and cost to go through such an exercise.

Michael Adam asked how the performance that LBHF was receiving from LPPA compared to their other clients. As a background to the issue he mentioned the poor performance of the two previous Administrators, Capita and Surrey. Therefore there had been three consecutive bad experiences, but in his opinion it was not a public sector versus a private sector problem, but perhaps the bad performance was the result of historic issues.

Iain Cassidy added that the move from Surrey to LPPA took years and astronomical amounts of work and money. The main problem was that the data that Surrey had was a legacy from Capita. Therefore, the data problems were a decade old. He believed that the move from one organisation to another was really cumbersome.

It was suggested that the Committee letter to LPPA could include a deadline by which the Committee would expect better performance. And if that was not achieved the Committee could request a discount on the fees.

The Chair, noting that the next Committee meeting would not be until June, asked Eleanor Dennis if a letter to LPPA could be sent next month with some suggested text around a fee challenge.

Eleanor Dennis explained that a fee challenge would not be possible due to an agreement whereby the costs were shared. The cost of running the service was for all of their clients and LBHF paid a very small percentage based on the size of membership. Within that agreement there was no option for action in case of poor performance, so withholding fees for service would not be possible. However, she agreed the Committee could draft formal letter raising the concerns at this meeting.

ACTION: Committee members

RESOLVED

The Committee considered and noted the contents of this report.

5. PENSION ADMINISTRATION UPDATE

Eleanor Dennis presented the paper setting out the summary of updates on key areas of activity in the pension administration function, the headlines being progressed of the legacy backlog, the increasing wait times on the help desk and, in particular, it requested the approval of the 23/24 budget proposal. The budget would be increasing from £384,000 to £493,000. The main reason behind this significant increase from LPPA was primarily to retain and recruit staff as they had a 32% staff turnover.

They also wanted to establish some new roles to allow them to be compliant in regulatory forthcoming changes and associated with cleansing data. The reality was that the system was not performing as it should be, and it required more resource from their own team. They needed extra funds to bring in expertise resource to get the system performing well, and in the long-term it would provide some cost savings in terms of the cost of the pension service delivery.

Councillor Adrian Pascu-Tulbure noted that in the private sector if a service was failing to deliver to a client they should not ask the client for more money to get more staff to address those failings. He did not understand why LBHF was expected to subsidise failure.

Eleanor Dennis agreed that this would be the case in the private sector. The issue here was that they did not have a contract but had a discharge agreement whereby the costs were shared amongst all clients. As a non-profit organisation there was no option to withhold increasing costs.

Councillor Florian Chevoppe-Verdier noted that the report stated that tackling the backlog began on 9 of January and 198 cases had been tackled in two months. That meant there were 542 left that needed to be tackled in one month. At that current rate they would probably conclude by mid-May, therefore missing on the target.

In terms of the backlog, Eleanor Dennis explained that it was very difficult to quantify the run rate because every case was different and there might be some complex work that needed to be done before completing the case. As Iain Cassidy had mentioned, the change of administrators from Capita to Surrey to LPPA meant there were inherent data issues and some of those legacy issues were not resolved properly by previous administrators and must be fixed before they would be able to complete each case. Therefore it was difficult to predict a realistic run rate because more complicated cases could take a significant amount of time just to get the record right before the actual identified task could be completed. She had recently heard that the backlog had been restricted further by a resources issue and she would update the committee outside of this meeting on the new timescale. LPPA had said that March was looking unlikely but had not given a realistic timeline.

ACTION: Eleanor Dennis

The Chair asked whether this would be a temporary administration increase with the anticipation that there would be future savings. He also asked what

options could be considered and whether they could go back to the Administrator to voice the Committee concerns regarding this request for an increased budget. They could stress that any increase would need to be matched with corresponding increase in performance.

Eleanor Dennis agreed that the right course of action was to send LPPA a formal letter outlining expectations on the understanding that the budget was approved based on performance being as agreed in the service agreement. And probably the only realistic one given the arrangement with the organisation.

The Chair expressed his frustration that their only two options were to either accept this increase or to accept it and then issue a letter. He asked about the nature of the discharge agreement with LPPA, and whether there were opportunities for it to be reviewed.

Eleanor Dennis replied that unfortunately, unless this contract was terminated, there would be no option to review the terms. The omission of a clause to recompense the Fund or fine for poor performance was highlighted by the legal team at LBHF prior to the signing of the documents but because there are shared , not for profit service Lancashire lawyers would not agree to such a clause being added. There was, however, a clause to protect the Fund if it incurred as a result of their poor service.

In view of no other option, the Chair proposed to accept this increase in budget stressing that it should be accompanied with a strong worded letter outlining the Committee's expectations for increases in performance. And secondly for the Committee to set an internal deadline for performance improvement and if that was not achieved, to start looking at alternative options. In addition, to request interim reports outlining their performance but to stress on the letter that the Committee would not accept this being used as an excuse for declining performance.

ACTION: Eleanor Dennis

Eleanor Dennis added that LPPA had mentioned moving towards regular monthly updates, but so far no report had been received. Greg Smith had promised he would look at that. However, she agreed with Councillor Florian Chevoppe-Verdier point that they would use this as an excuse for poor performance, stating that it was time consuming. But her argument was that they already had the data in order to manage their performance and delivery, so they should already be recording it. In fact the help desk information used to be a daily overview that she received on a weekly basis but currently it was just a summary. Therefore, reporting and presenting their data was an issue which was not reflected in the KPIs. It would be a challenge even if they issued those interim reports as the information would be quite restricted.

The Chair asked for an additional line on the letter to state that LPPA had promised interim reports which so far had not been delivered. However, he added that the Committee should expect that more interim reports were likely to be less detailed, but the Committee should still insist on more granular data on specific areas already requested at previous meetings.

ACTION: Eleanor Dennis

The Chair stressed that the Committee was extremely supportive of Eleanor Dennis and her team and appreciated their hard work managing the Administrator and keen to offer any support necessary. He was looking forward to seeing the draft letter within a couple of weeks.

Peter Parkin echoed the Chair's comment because, from the unions point of view, since Eleanor Dennis came on board Members were able to have direct access to her and her team and to receive a quick response regarding their pensions.

RESOLVED

The Committee noted the contents of this report and agreed the increase pension administration providers increased budget.

9. DATE OF THE NEXT MEETING

The date of the next meeting was noted to be on 13 June 2023. However, there were a number of actions to be taken before this date.

10. AOB

Marian George informed that the London CIV Annual Conference (LCIV) would be held on 4 and 5 of September. She urged Members of the Committee to attend as she thought it would be interesting. Normally only two people could attend, but if there were higher numbers they should let her know and she would ask LCIV to try to accommodate them.

The Chair asked for the invitation to the London CIV Annual Conference to be sent to all Committee Members when it arrived.

ACTION: Phil Triggs

The Chair requested Mathew Dawson to restore the item on the agenda about the Committee's training requirements.

ACTION: Mathew Dawson

Meeting started: 7.15 pm
Meeting ended: 10.25 pm

Chair

Contact officer: Katia Neale
Committee Co-ordinator
Corporate Services
E-mail: katia.neale@lbhf.gov.uk

Agenda Item 4

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 13 June 2023

Subject: Draft Pension Fund Statement of Accounts

Report author: Siân Cogley, Pension Fund Manager

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

SUMMARY

This report presents the draft Pension Fund Statement of Accounts for the year ended 31 March 2023.

RECOMMENDATIONS

1. That the Pension Fund Committee note the 2022/23 draft Statement of Accounts.

Wards Affected: None

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

Financial Impact

None

Legal Implications

None

DETAILED ANALYSIS

Background

1. The draft Pension Fund Statement of Accounts 2022/23 provides the Pension Fund Committee members with an opportunity to review and comment on any matters within the financial statements.
2. The Pension Fund net assets decreased by £34m over the year. This reduction was driven by lower performance across the Fund's investment portfolio than in the previous year.
3. Management costs decreased from £9.9m to £8.2m, a decrease of 17%. This is driven mainly by decreased management fees on a lower overall net asset value.

LIST OF APPENDICES

Appendix 1: draft Statement of Accounts 2022/23

Pension Fund Accounts

Fund Account

Net Assets Statement

Notes to the Pension Fund

FUND ACCOUNT

	Notes	2022/23		2021/22	
		£000	£000	£000	£000
Dealings with members, employers and others directly involved in the scheme					
Contributions					
From Employers	7	27,421		25,568	
From Members	7	9,539	36,960	8,735	34,303
Transfers In from other Pension Funds			6,847		8,617
Benefits					
Pensions	8	(40,045)		(37,839)	
Commutation & Lump Sum Retirement Benefits	8	(7,792)		(10,097)	
Payment in respect of tax		(210)	(48,047)	(271)	(48,207)
Payments to and on account of leavers					
Transfers Out to other Pension Funds			(6,738)		(5,737)
Refunds to members leaving service			(84)		(152)
Net Additions (Withdrawals) from dealings with members			(11,062)		(11,176)
Management expenses	9		(8,283)		(9,915)
Returns on Investments					
Investment Income	10		24,673		11,170
Other Income	10		21		26
Profit and losses on disposal of investments and changes in value of investments	12		(39,819)		115,585
Net Return on Investments			(15,125)		126,781
Net Increase (Decrease) in the net assets available for benefits during the year			(34,470)		105,690
Opening Net Assets of the Scheme			1,324,913		1,219,223
Closing Net Assets of the Scheme			1,290,443		1,324,913

NET ASSET STATEMENT

	Notes	31 March 2023 £000	31 March 2022 £000
Investment Assets			
Equities	11	150	150
Pooled Property Vehicles	11	78,572	87,987
Pooled Investment Vehicles	11	1,118,138	1,127,189
Private Equity / Infrastructure	11	63,531	72,202
Cash Deposits	11	20,245	32,104
Other Investment Balances			
Investment Income Due	11	39	7
Net Investment Assets	11	1,280,675	1,319,639
Current Assets	19	3,911	4,525
Current Liabilities	20	(1,979)	(2,118)
Cash Balances (held directly by Fund)		7,836	2,867
Net assets of the Fund available to fund benefits at the period end		1,290,443	1,324,913

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

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 1. DESCRIPTION OF HAMMERSMITH AND FULHAM PENSION FUND

a) General

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

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

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

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

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from investment returns on the Fund's investment assets. Contributions from employees are made in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employer contributions are set based on the triennial actuarial funding valuation, as detailed in Note 18.

b) Pension Fund Committee

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

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

c) Pensions Board

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

d) Investment Principles

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

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

e) Membership

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

Organisations participating in the Hammersmith & Fulham Pension Fund include:

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

The deferred member numbers include 605 undecided leavers, who are no longer paying contributions or in receipt of benefits.

	31 March 2023	31 March 2022
Number of Active Employers	48	55
Contributing employees	5,150	4,856
Pensioners receiving benefit	5,960	5,804
Deferred members	6,218	6,232
Total members	17,328	16,892

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

NOTE 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Statement of Accounts summarise the Fund's transactions for 2022/23 and its position at year end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

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

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

The Hammersmith & Fulham Pension Fund is a statutory, state backed Local Government Pension Scheme (LGPS) that is 105% funded on a conservative basis and backed by an administering authority with tax raising powers. As such, the Pension Fund Accounts have been prepared on a going concern basis.

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

a) Contribution Income

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

b) Transfers to and from other schemes

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

c) Investment Income

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

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

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

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

Fund Account - Expense Items

d) Benefits Payable

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

e) Taxation

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

f) Voluntary Scheme Pays, Mandatory Scheme Pays and lifetime allowance

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

g) Management Expenses

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

Administrative expenses – All staff costs of the pension administration team are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and governance – All staff costs associated with governance and oversight are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.

Investment management expenses – The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage, and/or a fee based on performance.

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

Net Assets Statement

h) Financial Assets

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

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

i) Derivatives

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

j) Foreign Currency Transactions

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

k) Cash and Cash Equivalents

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

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

l) Financial Liabilities

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

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

m) Actuarial present value of promised retirement benefits

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

n) Additional Voluntary Contributions (AVCs)

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 21. There are also some residual policies with Equitable Life, which are disclosed in Note 21, but it is not open for new members.

o) Recharges from the General Fund

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

NOTE 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

Aviva Infrastructure

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

Within the manager's financial statements at 31 December 2019, 31 December 2020, 31 December 2021, and 31 December 2022, fund management were unable to quantify the financial impact of the challenge, thus placing a degree of uncertainty on the value of the portfolio overall. As such the underlying accounts have been qualified by the auditors. On the 20th of June 2022, the committee voted to disinvest from the Aviva fund with the redemption documents being submitted prior to the 30th June 2022 deadline for redemptions. The disinvested monies are anticipated to be received by LBHF Pension by the end of 2023.

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

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

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

Description of asset	Uncertainties	Basis of valuation
Actuarial present value of promised retirement benefits (Note 18a)	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. Hymans Robertson are engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: <ul style="list-style-type: none"> • 0.1% decrease in the discount rate assumption would result in an increase in promised retirement benefits of £20m • 0.1% increase in assumed earnings would increase the value of the liabilities by approximately £1m • 0.1% increase in pension increases would increase the liability by approximately £19m • A one-year increase in life expectancy would increase the liability by approximately £51m

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

a) Pension Fund Liability

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

b) Private debt/Infrastructure investments

The fair value of the Partners Group Multi Asset Credit fund and Infrastructure fund is also subject to some valuation uncertainty. Several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. As at 31 March 2023, the assets invested with Partners Group were valued at £45.6m (£53.5m in 2021/22).

The same applies to the Aviva Infrastructure which has a quarterly valuation cycle. As at 31 March 2023, the value of the investment was £26.0m (£26.6m in 2021/22). The impact of the uncertainty surrounding these investments has also been included in the sensitivity analysis in Note 14d.

NOTE 6. EVENTS AFTER THE BALANCE SHEET

There are no events after the balance sheet date.

NOTE 7. CONTRIBUTIONS RECEIVABLE

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

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

	Employers' Contributions				Employees' Contributions	
	Normal		Deficit Recovery		2022/23	2021/22
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Administering Authority	18,687	17,061	3,844	3,792	8,141	7,329
Scheduled Bodies	3,821	3,478	24	-	1,092	1,006
Admitted Bodies	1,060	1,253	(15)	(16)	306	400
Total	23,568	21,792	3,853	3,776	9,539	8,735
Total Contributions			27,421	25,568	9,539	8,735

NOTE 8. BENEFITS PAYABLE

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

	Pensions		Lump sum retirement benefits		Lump sum death benefits	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Administering Authority	(36,544)	(34,701)	(5,662)	(8,294)	(598)	(792)
Scheduled Bodies	(599)	(502)	(529)	(74)	(290)	(96)
Admitted Bodies	(2,903)	(2,636)	(528)	(712)	(185)	(130)
Total	(40,045)	(37,839)	(6,719)	(9,080)	(1,073)	(1,017)

Total Lump Sum Benefits	(7,792)	(10,097)
--------------------------------	----------------	-----------------

NOTE 9. MANAGEMENT EXPENSES

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

	2022/23 £000	2021/22 £000
Administrative costs	(962)	(1,225)
Investment management expenses	(7,014)	(8,406)
Oversight and governance costs	(307)	(284)
	(8,283)	(9,915)

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

	2022/23 £000	2021/22 £000
Management fees	(5,428)	(6,431)
Performance fees	(107)	(79)
Transaction costs	(1,377)	(1,845)
Custody fees	(102)	(51)
	(7,014)	(8,406)

NOTE 10. INVESTMENT INCOME

The table below shows a breakdown of investment income.

	2022/23 £000	2021/22 £000
Pooled investments - unit trusts and other managed funds	22,386	8,037
Income from Alternative Investments	1,982	3,129
Interest on Cash Deposits	305	4
Other Investment Income	21	26
Total	24,694	11,196

NOTE 11. INVESTMENT STRATEGY

During 2022/23 the Fund's investment strategy had the following developments:

- In June 2022, the Fund had its first capital call from Alpha Real Capital and has since fulfilled the initial total commitment of £60m.
- In February 2023, the Pension Fund committee agreed a top up of 2.5% (£37m) into the Alpha Real Capital (Commercial Ground Rents) fund. This is due to be funded in May 2023.

In August 2015, the Fund made a commitment to the Partners Group Direct Infrastructure fund. As at 31 March 2023 €8.3m (£7.3m) still remained unfunded.

As shareholders of London LGPS CIV Ltd, (the organisation set up to run pooled LGPS investments in London) the Fund has funded £150,000 of regulatory capital. This is in the form of unlisted UK equity shares. The Fund has been active in the transfer of assets under management to the London Collective Investment Vehicle (LCIV) to gain efficiencies and fee reductions. As at 31 March 2023, the Fund had £908m invested with the London CIV, which accounts for 70.9% of the fund's total assets.

The market value and proportion of investments managed by each fund manager at 31 March 2023 was as follows:

	31 March 2023		31 March 2022	
	Market Value	Total	Market Value	Total
	£000	%	£000	%
Investments manager by the London CIV asset pool				
LGIM - MSCI Low Carbon (Passive)	399,782	31.2%	405,364	30.7%
Ruffer - Absolute Return (Active)	232,271	18.1%	270,935	20.5%
PIMCO - Global Bonds (Active)	90,078	7.0%	99,766	7.6%
Morgan Stanley - Global Sustain Fund	185,900	14.5%	188,554	14.3%
	908,031	70.90%	964,619	73.10%
Investments managed outside of the London CIV asset pool				
Darwin Alternatives - Leisure Fund	34,694	2.7%	32,582	2.5%
Alpha Real Capital - Ground Rents	55,930	4.4%	-	0.0%
Man Group - Affordable Housing	24,027	1.9%	18,231	1.4%
Oak Hill Advisers - Secured Income (Active)	65,179	5.1%	66,283	5.0%
Abrdn - Long Lease Property	54,545	4.3%	69,756	5.3%
Aviva - Private Infrastructure	25,965	2.0%	26,596	2.0%
Partners Group - Infrastructure	37,536	2.9%	45,468	3.4%
Partners Group - Multi Asset Private Credit	8,094	0.6%	7,986	0.6%
Invesco - Private Equity	-	0.0%	-	0.0%
Unigestion - Private Equity	30	0.0%	138	0.0%
Inhouse Cash - Cash	20,284	1.6%	32,111	2.4%
London CIV Ltd	150	0.0%	150	0.0%
NT Ultra Short Bond Fund	1	0.0%	1	0.0%
Abrdn - MSPC	46,209	3.6%	55,718	4.2%
	372,644	29.1%	355,020	26.9%
	1,280,675	100.0%	1,319,639	100.0%

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

	31 March 2023		31 March 2022	
	Market Value	Total	Market Value	Total
	£000	%	£000	%
LGIM - MSCI Low Carbon (Passive)	399,782	31.2%	405,364	30.7%
Ruffer - Absolute Return (Active)	232,271	18.1%	270,935	20.5%
PIMCO - Global Bonds (Active)	90,078	7.0%	99,766	7.6%
Oak Hill Advisers - Secured Income (Active)	65,179	5.1%	66,283	5.0%
Morgan Stanley - Global Sustain Fund	185,900	14.5%	188,554	14.3%

NOTE 12. RECONCILIATION OF MOVEMENT IN INVESTMENTS

The table below shows a reconciliation of the movement in the total investment assets of the Fund by asset class during 2022/23

	Value at 1 April 2022	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Value at 31 March 2023
Fund Manager	£000	£000	£000	£000	£000
Equities	150	-	-	-	150
Pooled equity investments	1,119,203	32,000	(75,159)	(21,930)	1,054,114
Pooled property investments	87,987	57	301	(15,568)	72,777
Private equity/infrastructure	80,188	70,203	(14,683)	(2,358)	133,350
Sub-total	1,287,528	102,260	(89,541)	(39,856)	1,260,391
Cash Deposits	32,104			152	20,245
Investment income due	7			-	39
Spot FX contracts	-			(115)	-
Totals	1,319,639			(39,819)	1,280,675

The equivalent analysis for 2021/22 is provided below:

	Value at 1 April 2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Value at 31 March 2022
Fund Manager	£000	£000	£000	£000	£000
Equities	150				150
Pooled equity investments	1,081,786	32,000	(91,882)	97,299	1,119,203
Pooled property investments	61,162	55	(100)	8,640	87,987
Private equity/infrastructure	71,863	31,260	(14,347)	9,642	80,188
Sub-total	1,214,961	63,315	(106,329)	115,581	1,287,528
Cash Deposits	8			(1)	32,104
Investment income due	13			-	7
Spot FX contracts	-			5	-
Totals	1,214,982			115,585	1,319,639

NOTE 13. FAIR VALUE BASIS OF VALUATION

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
----------------------	---------------------	--------------------	------------------------------------	---

Pooled Investments - Equity funds UK and Overseas Managed Funds	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets	Evaluated price feeds	Not required
Unquoted bonds and unit trusts	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services	Evaluated price feeds	Not required
Pooled Long Lease Property Fund	Level 2	The Aberdeen Standard Long Lease Property Fund is priced on a Single Swinging Price	In house evaluation of market data	Not required
Private equity	Level 3	Comparable valuation of similar companies in accordance with International Private and Venture Capital Valuation Guidelines 2012	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple Revenue multiple	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts
Infrastructure funds	Level 3	Valued by Fund Managers at the lower of cost and fair value.	Managers use their judgement having regard to the Equity and Venture Capital Valuation Guidelines 2012 guidelines noted above	Upward valuations are only considered where there is validation of the investment objectives, and such progress can be demonstrated. Downward valuations are enacted where the manager considers there is an impairment to the underlying investment
Illiquid Alternatives	Level 3	Valued by Fund Managers at the lower of cost and fair value.	In house evaluation of market data	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts

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

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

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

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

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

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

	31 March 2023			31 March 2022		
	Quoted Market Price	Using observable inputs	With significant unobservable inputs	Quoted Market Price	Using observable inputs	With significant unobservable inputs
	Level 1 £000	Level 2 £000	Level 3 £000	Level 1 £000	Level 2 £000	Level 3 £000
Financial Assets						
Designated at fair value through profit and loss	-	1,073,965	186,426	-	1,156,377	131,151
Total Financial Assets	-	1,073,965	186,426	-	1,156,377	131,151
Financial Liabilities						
Designated at fair value through profit and loss	-	-	-	-	-	-
Total Financial Liabilities	-	-	-	-	-	-
Net Financial Assets	-	1,073,965	186,426	-	1,156,377	131,151
			1,260,391			1,287,528

NOTE 14b. TRANSFERS BETWEEN LEVELS 1 AND 2

In 2022/23, the Fund’s operational activity resulted in no transfers between Levels 1 and 2.

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

	Market Value as at 31 March 2022 £000	Transfers in/out of Level 3	Purchases £000	Sales £000	Unrealised gains / (losses) £000	Realised gains / (losses) £000	Market Value as at 31 March 2023 £000
Overseas venture capital	45,606	-	3,261	(10,782)	(696)	176	37,565
UK Infrastructure	26,596	-	-	-	(631)	-	25,965
UK Venture Capital	26,216	-	66,942	(3,900)	(1,207)	-	88,051
London LGPS CIV	150	-	-	-	-	-	150
Overseas Equity Funds	32,582	(32,000)	-	-	(582)	-	0
UK Equity Funds	-	32,000	-	-	2,694	-	34,694
Total	131,151	-	70,203	(14,683)	(422)	176	186,426

NOTE 14d. SENSITIVITY OF ASSETS VALUED AT LEVEL 3

The Pension Fund has analysed historical data and current trends in consultation with independent investment advisors to determine the accuracy of the valuations of its Level 3 investments. The potential impact on the reported valuations as at 31 March 2023 has been estimated to be accurate within the following ranges:

Description of assets	Assessed Valuation Range (+)	Assessed Valuation Range (-)	Value at 31 March 2022	Value on increase	Value on decrease
			£000	£000	£000
Aviva - Private Infrastructure	6.90%	7.80%	25,965	27,757	23,940
Partners Group - Infrastructure	8.73%	8.73%	37,536	40,813	34,259
Partners Group - Multi Asset Private Credit	9.73%	9.73%	8,094	8,882	7,306
Darwin Alternatives - Leisure Fund	7.90%	6.90%	34,694	37,435	32,300
Alpha Real Capital - Ground Rents	10.10%	8.00%	55,930	61,579	51,456
Man Group - Affordable Housing	9.50%	8.80%	24,027	26,310	21,913
Total			186,246	202,774	171,174

*Three assets (totalling £0.180m) have been excluded from this note due to immateriality.

NOTE 15a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	31 March 2023			31 March 2022		
	Designated at fair value through profit & loss £000	Financial assets at amortised cost £000	Financial Liabilities at amortised cost £000	Designated at fair value through profit & loss £000	Financial assets at amortised cost £000	Financial Liabilities at amortised cost £000
FINANCIAL ASSETS						
Index Linked Securities						
<i>Pooled Investment Vehicles:</i>						
UK equity funds	817,953	-	-	864,853	-	-
UK fixed income fund	144,382	-	-	163,471	-	-
UK property fund	113,266	-	-	120,569	-	-
UK infrastructure	81,895	-	-	26,596	-	-
Overseas fixed income fund	65,179	-	-	66,283	-	-
Overseas infrastructure	37,536	-	-	45,468	-	-
Overseas venture capital	30	-	-	138	-	-
London LGPS CIV	150	-	-	150	-	-
Investment income due	-	39	-	-	6	-
Cash deposits with managers	-	20,245	-	-	32,105	-
Debtors	-	3,911	-	-	4,525	-
Cash balances (held by fund)	-	7,836	-	-	2,867	-
	1,260,391	32,031	-	1,287,528	39,503	-
FINANCIAL LIABILITIES						
Creditors	-	-	(1,979)	-	-	(2,118)
	-	-	(1,979)	-	-	(2,118)
GRAND TOTALS	1,260,391	32,031	(1,979)	1,287,528	39,503	(2,118)
			1,290,443			1,324,913

NOTE 15b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

	31 March 2023	31 March 2022
	£000	£000
Financial Assets		
Fair value through profit and loss	(39,856)	115,581
Loans and receivables	152	5
Financial Liabilities		
Fair value through profit and loss	(115)	(1)
	(39,819)	115,585

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

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

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

a) Market Risk

Market risk is the risk of loss emanating from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities. To manage excessive volatility in market risk, the Fund continues to invest its assets in a broad range of asset classes in terms of geographical and industry sectors and individual securities which are expected to produce returns above their benchmarks over the long term, albeit with greater volatility. This diversification reduces exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

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

On 24 February 2022, Russia invaded Ukraine, a severe escalation in the conflict which had been ongoing since 2014. Subsequently, numerous global powers implemented sanctions against major Russian banks and financial institutions, including freezing of overseas assets and removing access to SWIFT international payments. The Pension Fund can report that as at 31 March 2023, the value of investments in Russia or Ukraine is immaterial.

b) Price Risk

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

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

All assets except for cash, forward foreign exchange contracts, other investment balances, debtors and creditors are exposed to price risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 9.25% higher or 9.25% lower.

Assets exposed to price risk

	Value	Price Risk	Positive increase	Negative increase
	£000		£000	£000
At 31st March 2023	1,288,511	9.3%	1,407,552	1,169,170
At 31st March 2022	1,322,506	9.4%	1,447,181	1,197,831

c) Interest Rate Risk

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

Fixed income investments, cash and some elements of the pooled investment vehicles are exposed to interest rate risk. The table below shows the value of these assets at 31 March 2023 and what the value would have been if interest rates had been 1% higher or 1% lower.

Assets exposed to interest rate risk

	Value	+ 1%	- 1%
	£000	£000	£000
At 31st March 2023	328,483	318,649	344,299
At 31st March 2022	341,107	331,880	348,737

d) Currency Risk

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

The Fund recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

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

Assets exposed to currency risk

	Value	Currency Risk	Positive increase	Negative increase
	£000		£000	£000
At 31st March 2023	676,661	7.2%	725,540	627,782
At 31st March 2022	739,360	6.8%	789,358	689,363

e) Credit Risk

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

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

f) Liquidity Risk

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

The only assets in the Fund which cannot be liquidated within a month are detailed in the table below. These amounted to 16.8% of the Fund's Net Assets at 31 March 2023 (13.2% at 31 March 2022). The remaining assets can all be liquidated within days.

Manager	Portfolio	31 March 2023	31 March 2022
		£000	£000
Standard Life	Property	54,545	69,756
Partners Group	Infrastructure	37,536	45,468
Partners Group	Multi Asset Credit	8,094	7,986
Invesco	Private Equity	-	-
Unigestion	Private Equity	30	138
Darwin Alternatives	Illiquid Alternatives	34,694	32,582
Alpha Real Capital	Ground Rents	55,930	-
Man Group	Property	24,027	18,231
		214,856	174,161

NOTE 17. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

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

	31 March 2023	31 March 2022
	£000	£000
Alpha Real Capital	37,000	60,000
Man Group - Affordable Housing	8,013	9,969
Partners Group Direct Infrastructure Fund 2015	7,320	10,193
	52,333	80,162

NOTE 18. FUNDING ARRANGEMENTS

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

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

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

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

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

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

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

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

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

NOTE 18a. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The table below shows the total net liability of the Fund as at 31 March 2023. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

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

	31 March 2023	31 March 2022
	£000	£000
Present Value of Promised Retirement Benefits*	(1,339)	(1,876)
Fair Value of Scheme Assets (bid value)	1,290	1,325
Net Liability	(49)	(551)

The assumptions applied by the actuary are set out below:

Financial Assumptions	31 March 2023	31 March 2022
	£000	£000
Salary increases	4.00%	4.20%
Pension increases	3.00%	3.20%
Discount Rate	4.75%	2.70%

Demographic Assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Life Expectancy from age 65		31 March 2023	31 March 2022
Retiring today	Males	21.8	21.4
	Females	24.5	24.1
Retiring in 20 years	Males	22.8	22.9
	Females	25.8	26.1

NOTE 19. CURRENT ASSETS

	31 March 2023	31 March 2022
	£000	£000
Debtors		
Contributions due - employers	1,627	1,620
Contributions due - employees	678	704
London Borough of Hammersmith and Fulham	50	96
Sundry Debtors	1,556	2,105
	3,911	4,525

	31 March 2023	31 March 2022
	£000	£000
Analysis of debtors		
Local authorities	50	96
Other entities and individuals	3,393	4,087
Central Government	468	342
	3,911	4,525

NOTE 20. CURRENT LIABILITIES

	31 March 2023	31 March 2022
	£000	£000
Creditors		
Unpaid Benefits	(659)	(562)
Management Expenses	(901)	(843)
Sundry creditors	(419)	(713)
	(1,979)	(2,118)

	31 March 2023	31 March 2022
	£000	£000
Analysis of creditors		
Other entities and individuals	(1,979)	(2,118)
	(1,979)	(2,118)

NOTE 21. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

The Fund's AVC providers are Scottish Widows Workplace Savings and Utmost Life and Pensions. AVCs are invested separately from the Pension Fund and their valuations are shown in the table below.

	31 March 2023*	31 March 2022
	£000	£000
Scottish Widows Workplace Savings		
Market Value at 31st March	917	917
Contributions during the year	11	11
Utmost Life and Pensions		
Market Value at 31st March	176	176

*The AVC Statements for 31 March 2023 were not available at the time of Accounts production, therefore the 31 March 2022 figures have been used as a proxy.

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

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account

and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

NOTE 22. RELATED PARTIES

London Borough of Hammersmith and Fulham

The Pension Fund is administered by the London Borough of Hammersmith and Fulham. The Council incurred costs of £0.777m in 2022/23 (£0.637m in 2021/22) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Council made £18.7m of contributions in year (£20.9m in 2021/22).

The Pension Fund’s accounting and governance management is carried out through a shared service with Westminster City Council. Westminster City Council incurred costs of £0.183m in 2022/23 (£0.174m in 2021/22) in relation to the accounting and governance of the Fund and were reimbursed for the expense.

Key management personnel

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

	31 March 2023	31 March 2022
	£000	£000
Short-term benefits	30	32
Post-employment Benefits	(179)	(30)
	(149)	2

NOTE 23. EXTERNAL AUDIT COSTS

The external audit fee payable to Fund’s external auditors, Grant Thornton LLP, was £36,556 (£33,000 in 2021/22).

Report to: Pension Fund Committee

Date: 13 June 2023

Subject: Pension Fund Draft Investment Beliefs

Report author: Siân Cogley, Pension Fund Manager

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

SUMMARY

This paper provides the Pension Fund Committee with a draft Investment Beliefs statement.

RECOMMENDATIONS

1. The Pension Fund Committee is recommended to consider and comment on the draft investment beliefs shown in Appendix 1. This will assist in developing a set of core beliefs to be adopted by the Fund.
-

Wards Affected: None

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

Financial Impact

None.

Legal Implications

None.

DETAILED ANALYSIS

LBHF Investment Beliefs 2023

1. Investment beliefs adopted by the Fund will form the foundation of discussions and assist decisions, regarding the structure of the Fund, strategic asset allocation and the selection of investment managers.
2. When considering the Committee's investment beliefs, it is useful to consider the six objectives within the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, as listed in the first section of Appendix 1. A clear set of investment beliefs can help achieve good governance by providing a framework for all investment decisions.
3. There are a number of investment beliefs listed under each of the six sections drafted by the investment advisor.
4. The Committee is invited to consider its views regarding the draft statement as well as offering any further ideas.

LIST OF APPENDICES

Appendix 1: Deloitte Draft Investment Beliefs Statement

London Borough of Hammersmith & Fulham Pension Fund

Draft Investment Beliefs

This paper has been prepared for the Pension Fund Committee of the London Borough of Hammersmith & Fulham Pension Fund (“the Fund”). The purpose of this paper is to provide a draft set of investment beliefs of the Pension Fund Committee for discussion.

Investment objectives in the Investment Strategy Statement (“Statement”)

To provide a framework for the Pension Fund Committee’s beliefs, the Statement adopted by the Fund covers each of the following six objectives in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016:

- A requirement to invest fund money in a wide range of investments;
- The authority’s assessment of the suitability of particular investments and types of investment;
- The authority’s approach to risk, including the ways in which risks are to be measured and managed;
- The authority’s approach to pooling investments, including use of collective investment vehicles;
- The authority’s policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;
- The authority’s policy on the exercise of rights (including voting rights) attaching to investments.

The draft investment beliefs are shown below.

London Borough of Hammersmith & Fulham Pension Fund – draft Investment Beliefs Statement

This is the Core Belief Statement of the London Borough of Hammersmith & Fulham Pension Fund (“the Fund”).

The Statement is to set out the Fund’s key investment beliefs. These beliefs will form the foundation of discussions, and assist decisions regarding the Fund’s structure, its strategic asset allocation and selecting investment managers.

1. Investment Governance

- a) The Fund has access to the necessary skills, expertise and resources to manage the whole Fund, as well as internally managing a small proportion of the Fund’s assets, such as cash management.
- b) Investment consultants, independent advisors and officers are a source of expertise and research to inform and assist the Pension Fund Committee’s decisions.
- c) The ultimate aim of the Fund’s investments is to pay pension liabilities when they become due. The Committee will therefore take account of liquidity, cashflow generation and the long-term ability of the Fund to meet these obligations.
- d) The Fund is continuously improving its governance structure through bespoke training to implement tactical views more promptly, but acknowledges that it is not possible to achieve optimum market timing.

2. Long Term Approach

- a) The strength of the employers’ covenant allows a long term deficit recovery period and enables the Fund to take a longer term view of investment strategy than most investors.
- b) The most important aspect of risk is not the volatility of returns, but the risk of absolute loss over the medium and long term. This would in turn impact the ability of the employers to make adequate contributions to meet the Fund’s liabilities.

- c) Illiquidity and volatility are shorter term risks which offer potential sources of additional compensation to the long term investor. Moreover, it is important to avoid being a forced seller in short term market setbacks.
- d) Over the long term, equities are expected to outperform other liquid assets, particularly government bonds and cash.

3. Environmental, Social and Governance (ESG) factors

- a) Certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved.
- b) Well governed companies that manage their business in a responsible manner are less vulnerable to downside risk and may therefore produce higher returns over the long term.
- c) In order to improve corporate governance, where possible, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they invest in.
- d) Environmental, social and governance considerations form a part of the Pension Fund Committee's decision-making process when making investment allocations. Allocations to alternative investment asset classes, such as renewable infrastructure, offer the Fund opportunity to undertake a best practice approach to ESG investment considerations.
- e) Where the Fund invests in passively-managed funds which replicate benchmark indices, where possible the Pension Fund Committee will explore ESG-tilted indices.
- f) If an investment manager fails to adequately consider ESG issues, the Committee is prepared to disinvest assets from that manager.

4. Asset allocation

- a) Allocations to asset classes other than equities and government bonds (e.g., corporate bonds, private markets, property, infrastructure and renewable infrastructure) offer the Fund other forms of risk premia (e.g., additional solvency risk/illiquidity risk).
- b) Diversification across asset classes and asset types that have low correlation with each other will tend to reduce the volatility of the overall Fund return.
- c) In general, allocations to bonds are made to achieve additional diversification. When the Fund approaches full funding level, it may also use bond based strategies to mitigate liability risks and thus dampen the volatility of the Fund's actuarial funding level.

5. Management Strategies

- a) A well-balanced portfolio has an appropriate mix of passive and active investments.
- b) Passive, index-tracker style management can provide low cost exposure to equities and bonds, and can be especially attractive in efficient markets.
- c) Active management can be expensive but can provide additional performance and diversification. Fees should be aligned to the interests of the Fund rather than performance of the market.
- d) Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that continued appointment is appropriate.

Deloitte Total Reward and Benefits Limited

March 2023

Risk Warnings

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

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



This document is confidential and it is not to be copied or made available to any other party. Deloitte Total Reward and Benefits Limited does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte Total Reward and Benefits Limited engagement contract.

If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities).

Deloitte Total Reward and Benefits Limited is registered in England and Wales with registered number 03981512 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom.

Deloitte Total Reward and Benefits Limited is a subsidiary of Deloitte LLP, the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

Deloitte Total Reward and Benefits Limited is authorised and regulated by the Financial Conduct Authority.

London Borough of Hammersmith & Fulham

Report to:	Pension Fund Committee
Date:	13 June 2023
Subject:	Investment Strategy Update (Public Report)
Report author:	Siân Cogley, Pension Fund Manager
Responsible Director:	Phil Triggs, Tri-Borough Director of Treasury and Pensions

Summary

The Pension Fund Committee agreed at the meeting on 28 February 2023 to undertake the following actions:

1. Reduce the allocation to equities by 5% and increase the Fund's fixed income allocation by this 5%.
2. Invest an additional 2.5% in commercial ground rents funded from Alpha Real Capital.
3. Select a replacement for Aviva Infrastructure Income and increase the strategic allocation to 3.5% with a manager selection exercise to be undertaken.

In regard to the second decision, the fund completed the top up investment of 2.5% (£37m) into Alpha Real Capital into the commercial ground rent fund on 23 May 2023.

The appendices to these report detail considerations and recommendations from the investment advisors to assist the committee in its decision making regarding the investment strategy of the Fund.

Recommendations

- 1 Appendices 1 through 4 should not be made available for publication on the basis that they contain 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).

Wards Affected: None

LBHF Priorities

Please state how the outcome will contribute to our priorities – delete those priorities which are not appropriate.

Our Priorities	Summary of how this report aligns to the LBHF Priorities
<ul style="list-style-type: none">Being ruthlessly financially efficient	Although there are no immediate financial implications arising from this report, investment performance will have an impact on the Council's future employer contributions to the Pension Fund and this is achieved via a direct charge to the General Fund.

Financial Impact

Although there are no immediate financial implications arising from this report, investment performance will have an impact on the Council's future employer contributions to the Pension Fund and this is achieved via a direct charge to the General Fund.

The investment manager fees payable are set out in Appendix 1 to this report.

Legal Implications

The Pension Fund Committee has the power to appoint investment managers under its terms of reference. Following this paper, it is likely that managers will be invited to present.

Units in a pooled investment Fund fall within the definition of securities and financial instruments under the EC Directive 2004/39/EC and Directive 2014/65/EU so as to fall within the exceptions under PCR Regulation 10(1)(e)(i) regarding requirement for an OJEU tender process.

Background Papers Used in Preparing This Report

None.

List of Appendices:

Appendix 1: Detailed Covering Report (Exempt)

Appendix 2: Investment Strategy Review Implementation Considerations (Exempt)

Appendix 3: Renewable Infrastructure Shortlist (Exempt)

Appendix 4: LCIV PEPPA Fund (Exempt)

Report to: Pension Fund Committee

Date: 13 June 2023

Subject: Pension Fund Quarterly Update Pack

Report author: Siân Cogley, Pension Fund Manager

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

SUMMARY

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

- overall performance for the quarter ended 31 March 2023;
 - cashflow update and forecast;
 - assessment of risks and actions taken to mitigate these.
-

RECOMMENDATIONS

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

Wards Affected: None

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

Financial Impact

None

Legal Implications

None

DETAILED ANALYSIS

LBHF Pension Fund Quarterly Update: Q4 2022/23

1. This report and attached appendices make up the pack for the quarter four (Q4) review ended 31 March 2023. An overview of the Pension Fund's performance is provided in Appendix 1. This includes administrative, investment, and cash management performance for the quarter.
2. Appendix 2 provides information about the Pension Fund's investments and performance. The highlights from the quarter are shown below:
 - Global markets investment performance was positive over the quarter, with global equity indices returning a 2.47% in local currency terms over the quarter.
 - Overall, the investment performance report shows that, over the quarter to 31 March 2023, the market value of the assets increased by £27.4m to £1,280.8m.
 - The Fund has underperformed its benchmark net of fees by 1.1%, delivering a return of 2.5% over the quarter.
 - Over the year to 31 March 2023, the fund underperformed its benchmark by 0.3%, returning -1.7% overall.
3. The Pension Fund's cashflow monitor is provided in Appendix 3. This shows both the current account and invested cash movements for the last quarter, as well as cashflow forecasts to 31 December 2023. An analysis of the differences between the actuals and the forecast for the quarter is also included.
4. Appendix 4 contains the Pension Fund's risk registers.
5. The breaches of the law log has not been included this quarter as there have been no breaches to report.
6. The ESG dashboard can be found at:
<https://app.powerbi.com/view?r=eyJrIjoieYjc2ZTEyZjltODI0Yi00NzY2LWJkNTMtODAwYjNINWNjYTQ5IiwidCI6IjUwZDhjMTE1LWI3N2YtNDM5NS1hM2JhLTNiNDM3Y2FmMGQ4OCIsImMiOiJh9>
7. At the previous committee of 28 February 2023, a top-up investment allocation of 2.5% into Alpha Real ILIF Fund was agreed. This was drawn on 23 May 2023. The value of the top-up investment was £37m.

Risk Management Implications

1. These are included in the risk registers.
2. There have been no new risks identified on the risk register.
3. There have been no changes in the risk scores on the risk register.
4. The below risks have had a change in trend:
 - i. Risk 3 – The LCIV Partnerships. This has been amended from trending neutral to trending down. This is because the LCIV shareholder issue has now been resolved.

LIST OF APPENDICES

Appendix 1:	Scorecard as at 31 March 2023
Appendix 2a:	Deloitte Quarterly Report for Quarter Ended 31 March 2023 (EXEMPT)
Appendix 2b:	Deloitte Quarterly Report for Quarter Ended 31 March 2023 (EXEMPT)
Appendix 3:	Cashflow Monitoring Report
Appendix 4:	Pension Fund Risk Registers

Scorecard at 31 March 2023

London Borough of Hammersmith and Fulham Pension Fund Quarterly

Monitoring Report

	Mar 22 £000	Jan 23 £000	Feb 23 £000	Mar 23 £000	Report reference/Comments
Value (£m)	1,288	1,280	1,262	1,281	IRAS reports.
% return quarter	-0.81%	1.90%	-1.68%	2.47%	
% Return one year	9.83%	-0.50%	-0.94%	-1.74%	
LIABILITIES					
Value (£m)	1,322			1,020	Hymans Robertson LLP Estimated Funding Update
Surplus/(Deficit) (£m)	(36)			(26)	
Funding Level	97%			125%	
CASHFLOW					
Cash balance	2,841	6,415	8,877	8,805	Appendix 3
Variance from forecast	(9,695)	2,109	4,136	5,610	
MEMBERSHIP					
Active members	4,856			5,150	Reports from Pension Fund Administrator
Deferred beneficiaries	6,232			6,218	
Pensioners	5,804			5,960	
RISK					
No. of new risks				0	Appendix 4: Risk Register
No. of ratings changed				0	
LGPS REGULATIONS					
New consultations	None	None	None	None	
New sets of regulations	None	None	None	None	

Pension Fund Current Account Cashflow Actuals and Forecast for period Jan - Mar-23

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	F'cast	F'cast
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	Annual	Monthly
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	Total	Total
Balance b/f	6,894	6,415	8,877	8,805	6,980	6,452	4,792	3,088	2,224	3,549	1,867	2,193	£000s	£000s
Contributions	3,693	2,804	2,829	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	32,725	2,727
Pensions	(3,008)	(3,031)	(3,028)	(3,324)	(3,128)	(3,160)	(3,204)	(3,164)	(3,176)	(3,181)	(3,174)	(3,177)	(37,755)	(3,146)
Lump Sums	(819)	(723)	(598)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(7,540)	(628)
Net TVs in/(out)	129	(1,798)	70	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(4,299)	(358)
Net Expenses/other transactions	(475)	(391)	151	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(2,514)	(210)
Net Cash Surplus/(Deficit)	(479)	(3,139)	(576)	(1,824)	(1,628)	(1,660)	(1,704)	(1,664)	(1,676)	(1,681)	(1,674)	(1,677)	(19,382)	(1,615)
Distributions		5,601	503		1,100			800			2,000		10,004	1,112
Net Cash Surplus/(Deficit) including investment income	(479)	2,462	(72)	(1,824)	(528)	(1,660)	(1,704)	(864)	(1,676)	(1,681)	326	(1,677)	(9,378)	(781)
Transfers (to)/from Custody Cash									3,000				3,000	500
Balance c/f	6,415	8,877	8,805	6,980	6,452	4,792	3,088	2,224	3,549	1,867	2,193	516	55,759	(281)

Current account cashflow actuals compared to forecast in Jan - Mar-23

	Jan-23		Feb-23		Mar-23		Jan - Mar-23
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Contributions	2,600	3,693	2,600	2,804	2,600	2,829	1,525
Pensions	(3,064)	(3,008)	(3,065)	(3,031)	(3,046)	(3,028)	109
Lump Sums	(600)	(819)	(600)	(723)	(600)	(598)	(340)
Net TVs in/(out)	(300)	129	(300)	(1,798)	(300)	70	(699)
Expenses/other transactions	(200)	(475)	(200)	(391)	(200)	151	(114)
Distributions			2,000	5,601		503	4,104
Transfers (to)/from Custody Cash							
Total	(1,564)	(479)	435	2,462	(1,546)	(72)	4,586

Notes on variances

- Contributions are paid one month in arrears.
- Transfers in and lump sum benefits cannot be reliably forecast given they relate to individual member decisions and take time to process
- Larger than anticipated distribution from Partner's group in February 2023

Pension Fund Custody Invested Cashflow Actuals and Forecast for period Jan - Mar-23

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	F'cast	F'cast
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	Annual	Monthly
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	Total	Total
Balance b/f	4,166	4,328	4,347	17,162	17,171	17,180	17,189	17,198	17,207	14,216	14,225	14,234	£000s	£000s
Sale of Assets														
Purchase of Assets	(3)	(3)	(1,111)										(1,118)	(373)
Net Capital Cashflows	(3)	(3)	(1,111)										(1,118)	(93)
Distributions	203		13,996										14,198	1,775
Interest	8	10	16	9	9	9	9	9	9	9	9	9	115	10
Management Expenses														
Foreign Exchange Gains/Losses	(45)	13	(85)										(118)	(39)
Class Actions														
Other Transactions														#DIV/0!
Net Revenue Cashflows	165	23	13,926	9	9	9	9	9	9	9	9	9	14,195	1,183
Net Cash Surplus/(Deficit) excluding withdrawals	162	19	12,815	9	9	9	9	9	9	9	9	9	13,077	1,090
Contributions to Custody Cash														
Withdrawals from Custody Cash									(3,000)				(3,000)	(250)
Balance c/f	4,328	4,347	17,162	17,171	17,180	17,189	17,198	17,207	14,216	14,225	14,234	14,243	10,077	840

London Borough of Hammersmith and Fulham Pension Fund Risk Register													Appendix 4		
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	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty. Within this consideration is given to Covid-19, Brexit, and the invasion of Ukraine.	5	4	1	10	4	40	40	↔	TREAT 1) Continued dialogue with investment managers regarding management of political risk in global developed markets. 2) Investment strategy integrates portfolio diversification and risk management. 3) The Fund alongside its investment consultant continually reviews its investment strategy in different asset classes.	3	30	31/03/2023	
Liability Risk	2	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	31/03/2023	
Asset and Investment Risk	3	The London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious.	4	3	3	10	2	20	20	↓	TOLERATE 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) Fund representation on key officer groups. 4) Ongoing Shareholder Issue remains a threat 5) LCIV new CEO Dean Bowden has now started as of January 2023.	2	20	31/03/2023	
Asset and Investment Risk	4	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 £1.25m.	5	3	2	10	4	40	40	↔	TREAT 1) The Investment Management Agreements (IMAs) clearly state LBHF's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. Outperformance for the year is 3% 3) The Pension Fund Committee is positioned to move quickly if it is felt that targets will not be achieved. 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.	2	20	31/03/2023	
Asset and Investment Risk	5	Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	5	3	2	10	3	30	30	↔	TREAT 1) Proportion of total asset allocation made up of equities, fixed income, property funds and other alternative asset funds, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Actuarial valuation and strategy review take place every three years post the actuarial valuation. 4) IAS19 data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data.	2	20	31/03/2023	
Asset and Investment Risk	6	Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales	3	2	1	6	3	18	18	↔	TOLERATE 1) Officers consult and engage with DLUHC, LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Uncertainty surrounding new DLUHC guidance	3	18	31/03/2023	

Asset and Investment Risk	7	London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	3	3	2	8	2	16	16	↔	TREAT 1) Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work carried out by the London CIV. 2) Officers continue to monitor the ongoing staffing issues and the quality of the performance reporting provided by the London CIV.	2	16	31/03/2023
Liability Risk	8	Impact of economic and political decisions on the Pension Fund's employer workforce.	5	2	1	8	2	16	16	↔	TOLERATE 1) The Fund Actuary uses prudent assumptions on future of employees within workforce. 2) Employer responsibility to flag up potential for major bulk transfers outside of the LBHF Fund. 3) Officers to monitor the potential for a significant reduction in the workforce as a result of the public sector financial pressures.	2	16	31/03/2023
Asset and Investment Risk	9	Failure to keep up with the pace of change regarding economic, policy, market and technology trends relating to climate change	3	2	1	6	3	18	18	↔	TREAT 1) Officers regularly receive updates on the latest ESG policy developments from the fund managers. 2) The Pensions Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which engages with companies on a variety of ESG issues including climate change.	2	12	31/03/2023
Asset and Investment Risk	10	Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in July 2019, the full impact of this decision is uncertain. TCFD regulations impact on LGPS schemes currently under consultation and expected to come into force during 2023. Reporting expected to come into effect from December 2024.	3	2	4	9	3	27	27	↔	TREAT 1) Review ISS in relation to published best practice (e.g. Stewardship Code, Responsible Investment Statement) 2) The Fund currently holds investments all it passive equities in a low carbon tracker fund, and is invested in renewable infrastructure. 3) The Fund's actively invests in companies that are contributing to global sustainability through its Global Core Equity investment 4) The Fund has updated its ESG Policy and continues to review its Responsible Investment Policy 5) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors. 6) Officers attend training sessions on ESG and TCFD requirements.	2	18	31/03/2023
Asset and Investment Risk	11	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	5	3	3	11	2	22	22	↔	TREAT 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Officers, alongside the Fund's advisor, set fund specific benchmarks relevant to the current position of fund liabilities. 3) Fund manager targets set and based on market benchmarks or absolute return measures.	1	11	31/03/2023
Asset and Investment Risk	12	Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	20	20	↔	TREAT 1) At time of appointment, the Fund ensures advisers have appropriate professional qualifications and quality assurance procedures in place. 2) Committee and officers scrutinise, and challenge advice provided routinely.	1	10	31/03/2023
Asset and Investment Risk	13	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	31/03/2023
Asset and Investment Risk	14	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	31/03/2023

Asset and Investment Risk	15	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	31/03/2023
Liability Risk	16	Failure to identify GMP liability leads to ongoing costs for the pension fund.	3	2	1	6	1	6	6	↔	TREAT 1) GMP to be identified as a Project as part of the Service Specification between the Fund and LPPA.	1	6	31/03/2023
Liability Risk	17	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	31/03/2023
Liability Risk	18	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	31/03/2023
Liability Risk	19	Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 1.7%. Inflation continues to rise in the UK and globally due to labour shortages, supply chain issues, and high energy prices.	5	3	2	10	5	50	50	↔	TREAT 1) The fund holds investments in index-linked bonds (RPI protection which is higher than CPI) and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection. 2) Officers continue to monitor the increases in CPI inflation on an ongoing basis. 3) Short term inflation is expected due to a number of reasons on current course.	3	30	31/03/2023
Liability Risk	20	Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	2	22	22	↔	TOLERATE 1)The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. 2)The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.	2	22	31/03/2023
Liability Risk	21	Employee pay increases are significantly more than anticipated for employers within the Fund. Persistently high inflation will potentially lead to unexpectedly high pay awards.	4	4	2	10	3	30	30	↔	TOLERATE 1) Fund employers continue to monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 3) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014). 4) Pay rises generally remain below inflation.	2	20	31/03/2023
Liability Risk	22	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	31/03/2023
Liability Risk	23	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 stabilise employer rates when valuation concludes March 2023.	1	13	31/03/2023

Regulatory and Compliance Risk	24	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	31/03/2023
Liability Risk	25	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	31/03/2023
Liability Risk	26	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	31/03/2023
Liability Risk	27	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	31/03/2023
Liability Risk	28	The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	4	2	1	7	4	28	28	↔	TREAT 1) Review at each triennial valuation and challenge actuary as required. 2) Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	2	14	31/03/2023
Regulatory and Compliance Risk	29	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	31/03/2023
Employer Risk	30	Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	5	3	1	9	3	27	27	↔	TREAT 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	2	18	31/03/2023
Employer Risk	31	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others. Current economic conditions will cause strain on smaller employers.	5	3	3	11	2	22	22	↔	TREAT 1) Transferee admission bodies required to have bonds in place at time of signing the admission agreement. 2) Regular monitoring of employers and follow up of expiring bonds.	1	11	31/03/2023
Resource and Skill Risk	32	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	1	3	3	7	2	14	14	↔	TREAT 1) Change to LPPA has increased resilience in the administration service 2) Ongoing monitoring of contract and KPIs	2	14	31/03/2023
Resource and Skill Risk	33	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	31/03/2023

Resource and Skill Risk	34	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	31/03/2023
Resource and Skill Risk	35	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	31/03/2023
Resource and Skill Risk	36	Unstructured training leads to under developed workforce resulting in inefficiency.	2	2	2	6	2	12	12	↔	TREAT 1) Implementation and monitoring of a Staff Training and Competency Plan as part of the Service Specification between the Fund and LPPA. 2) Officers regularly attend training seminars and conferences 3) Designated officer in place to record and organise training sessions for officers and members	1	6	31/03/2023
Resource and Skill Risk	37	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	31/03/2023
Resource and Skill Risk	38	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	31/03/2023
Resource and Skill Risk	39	Failure by the audit committee to perform its governance, assurance and risk management duties	3	2	1	6	3	18	18	↔	TREAT 1) Audit Committee performs a statutory requirement for the Pension Fund with the Pension Fund Committee being a sub-committee of the audit committee. 2) Audit Committee meets regularly where governance issues are regularly tabled.	2	12	31/03/2023
Resource and Skill Risk	40	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	31/03/2023
Resource and Skill Risk	41	Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	3	27	27	↔	TREAT 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval) 2) Comprehensive training packages will be offered to members. 3) Co-opted members boost resilience.	2	18	31/03/2023
Resource and Skill Risk	42	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. Two half day events have taken place in 22/23 and a third will take place before the end of March 2023. 3)Existing and new Officer appointments subject to requirements for professional qualifications and CPD.	1	8	31/03/2023

Resource and Skill Risk	43	Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding	2	2	1	5	4	20	20	↔	TREAT 1) Succession planning processes are in place. 2) Ongoing training of Pension Fund Committee members. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.	1	5	31/03/2023
Administrative and Communicative Risk	44	The Pension Fund is recruiting for a brand new retained HR and Pensions administration team, with finding candidates for all positions likely to be a challenge.	4	3	3	10	2	20	20	↔	TREAT 1) A task force of key stakeholders has been assembled. Officers to feed into the internal processes necessary for the setup of an effective retained pensions team 2) Recruitment is almost complete for the retained team 3) Officers have received handover pack from the departing RBKC retained pensions team. 4) Members have chosen the new service provider as the London Pensions Partnership, with a project team established to manage the transition, which has almost fully completed. 5) A number of staff have been recruited with few posts unfilled.	2	20	31/03/2023
Administrative and Communicative Risk	45	COVID-19 affecting the day to day functions of the Pensions Administration services including customer telephony service, payment of pensions, retirements, death benefits, transfers and refunds.	2	3	3	8	1	8	8	↔	TOLERATE 1) The Pensions Administration team have shifted to working from home 2) The administrators have prioritised death benefits, retirements including ill health and refunds. If there is any spare capacity the administrators will prioritise transfers and divorce cases. 3) Revision of processes to enable electronic signatures and configure the telephone helpdesk system to work from home. 4) Since the original outbreak the administrator has been able to return to business as usual	1	8	31/03/2023
Administrative and Communicative Risk	46	Failure of fund manager or other service provider without notice resulting in a period of time without the service being provided or an alternative needing to be quickly identified and put in place.	5	2	2	9	2	18	18	↔	TREAT 1) Contract monitoring in place with all providers. 2) Procurement team send alerts whenever credit scoring for any provider changes for follow up action. 3). Officers to take advice from the investment advisor on fund manager ratings and monitoring investment	2	18	31/03/2023
Administrative and Communicative Risk	47	Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	2	3	7	3	21	21	↔	TREAT 1) Process notes are in place. 2) Development of team members and succession planning improvements to be implemented. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs.	2	14	31/03/2023
Administrative and Communicative Risk	48	Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	4	4	3	11	2	22	22	↔	TREAT 1) Update and enforce admin strategy to assure employer reporting compliance. TOLERATE 1) Northern Trust provides 3rd party validation of performance and valuation data. Admin team and members can interrogate data to ensure accuracy.	1	11	31/03/2023

Administrative and Communicative Risk	49	Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	1	3	4	8	2	16	16	↔	TREAT 1) Contract in place with HCC to provide service, enabling smooth processing of supplier payments. 2) Process in place for LPPA to generate lump sum payments to members as they are due. 3) Officers undertaking additional testing and reconciliation work to verify accounting transactions.	1	8	31/03/2023
Administrative and Communicative Risk	50	Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	16	16	↔	TREAT 1) Disaster recovery plan in place as part of the service specification between the Fund and new provider LPPA 2) Ensure system security and data security is in place 3) Business continuity plans regularly reviewed, communicated and tested 4) Internal control mechanisms ensure safe custody and security of LGPS assets. 5) Gain assurance from the Fund's custodian, Northern Trust, regarding their cyber security compliance.	1	8	31/03/2023
Administrative and Communicative Risk	51	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	1	2	4	7	2	14	14	↔	TREAT 1) In the event of a pension payroll failure, we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers.	1	7	31/03/2023
Administrative and Communicative Risk	52	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	31/03/2023
Regulatory and Compliance Risk	53	Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation.	3	3	5	11	2	22	22	↔	TREAT 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2) LBHF IT data security policy adhered to. 3) Implementation of GDPR 4) Project team in place to ensure smooth transition	1	11	31/03/2023
Regulatory and Compliance Risk	54	Failure to comply with recommendations from the Local Pensions Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator	1	3	5	9	2	18	18	↔	TREAT 1) Ensure that a cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	9	31/03/2023
Reputational Risk	55	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	31/03/2023
Reputational Risk	56	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 firm up 3) Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	11	31/03/2023
Reputational Risk	57	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	31/03/2023
Reputational Risk	58	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	31/03/2023

Reputational Risk	59	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	31/03/2023
Regulatory and Compliance Risk	60	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	31/03/2023
Regulatory and Compliance Risk	61	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	31/03/2023

Agenda Item 8

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 13/06/2023

Subject: Key Performance indicators

Report author: Eleanor Dennis, Head of Pensions

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

This paper sets out a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Hammersmith & Fulham Fund. The Key Performance Indicators (KPIs) for the period January 2023 – March 2023, i.e., Quarter 4 (Q4), there is also a summary of LPPA's KPI performance over the last 12 months shown in the Appendices.

RECOMMENDATIONS

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

Wards Affected: None

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

Finance Impact

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

Sukvinder Kalsi, Director of Finance, 25th May 2023

Legal Implications

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

Angela Hogan, Chief Solicitor (Contracts and Procurement) 24th May 2023

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Analysis of Performance

1. The KPIs have been set out in the discharge agreement between the LPPA (Local Pension Partnership Administration) and the London Borough of Hammersmith & Fulham (LBHF). The Head of Pensions ensures performance measures are discussed and reviewed between both parties on a monthly basis in accordance with Code 14 of the Pension Regulator’s Code of Practice that states that the scheme manager should hold regular meetings with their service providers to monitor performance. It has been identified by LPPA that their KPI reporting was not correctly configured when measuring previous KPI performance however this has been corrected with effect from February and reflected in the Q4 KPI’s.
2. This report covers the performance of our administration partner LPPA Q4 of the pension fund scheme year 2022/23. The KPI’s detailed in Appendix 1 of the pension administration report cover the period 01 January 2022 to 31 March 2023 inclusive.
3. During the period January 2023 to March 2023, LPPA processed 1424 SLA cases, an increase of 466 cases from Q3 for the Hammersmith & Fulham Fund. The KPI performance target of 95% was only met for 4 case types in Q4. However overall quarterly KPI performance was 91.9%.
4. There is no KPI measure for the telephone Helpdesk, but the service provision continues has improved, in Q4 this fell to around 6 minutes.

Performance in key areas

5. Retirements – Performance on this task area has seen a much needed improvement. For active retirements despite an improved KPI of 73.3% in Q3 this fell disappointingly to 68.8% in Q4. The processing of deferred retirements in Q3 saw a KPI of 75.9% but an improved KPI of 96.1% in Q4.
6. Deaths – The processing of death cases was particularly poor in Q3 with only 44.3% of cases being completed on time, this improved slightly to 73% being processed within the 5 day SLA in Q4. The Head of Pensions continues to work with the LPPA team to improve this performance.
7. Transfers – There were 210 transfer cases in total (an increase of 56 cases from Q3), that were received by LPPA in Q4.
8. Refunds – Despite the number of cases processed in Q4 being nearly double that processed in Q3, there was a significant increase in cases processed within SLA from 79.4% of cases in Q3 versus the 91% of cases in Q4.
9. LPPA entered the final phase of migrating 9 clients (300,000 members) to their new pension administration platform UPM in Q3 and Q4, between October 2022 to January 2023 inclusive. This will have impacted on the Fund's KPI's particularly for Q3 and the first part of Q4 as LPPA resources were stretched and there were periods of system outage alongside reporting challenges that have impacted the accuracy of past reporting to 70%.
10. The Head of Pensions is continuing to challenge LPPA to meet their SLA targets in Q1 and to provide accurate reporting metrics to enable LPPA's progress to be monitored effectively.

Summary

11. We have seen a small improvement in the pension administration service provided between Quarter 3 and Quarter 4 by LPPA. However, there remains room for improvement from LPPA in particular in the processing of death cases that saw a very poor performance in Q3 and a small improvement in Q4. The Head of Pensions hopes to see continued improvement in the quality and accuracy of reporting and processing in the next quarter. As well as further progress towards reaching SLA targets after receiving assurances from the LPPA senior leadership team.
12. None

Risk Management Implications

13. None

Climate and Ecological Emergency Implications

14. None

Consultation

15. None

LIST OF APPENDICES

Appendix 1 – LPPA Pension Administration report (Q4) January – March 2023

Appendix 2 – LPPA supplementary pension administration KPI data

Appendix 3 – LPPA 12 month pension administration activity overview



LPP

Local Pensions Partnership
Administration

Hammersmith & Fulham Pension Fund

Quarterly Administration Report

1st January – 31st March 2023

lppapensions.co.uk

CONTENTS

Section	Page
Definitions	3
Our Core Values	4
Casework Performance Against SLA	5
Helpdesk Calls Performance	8



DEFINITIONS

Page 6

Casework Performance Against SLA

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

Page 7

Casework Performance Against SLA

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

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

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

Page 9 & 10

Helpdesk Performance

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

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

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

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

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

OUR CORE VALUES

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

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

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



Casework Performance Against SLA

In this section...

- Performance – All cases
- Performance Standard

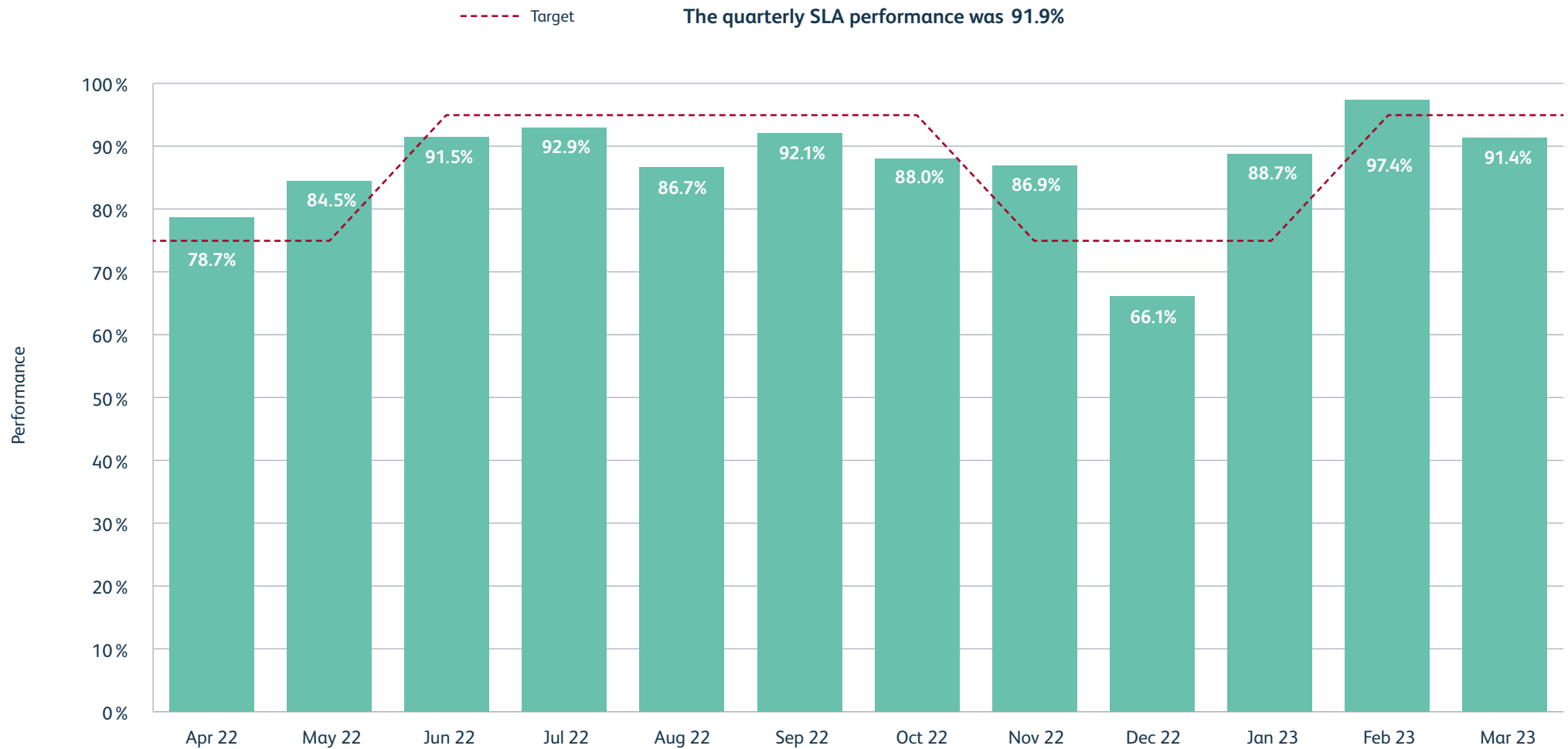
CASEWORK PERFORMANCE AGAINST SLA

For annual data, please see the **Annual Appendix – page 4**



PERFORMANCE – ALL CASES

CLIENT SPECIFIC



CASEWORK PERFORMANCE AGAINST SLA

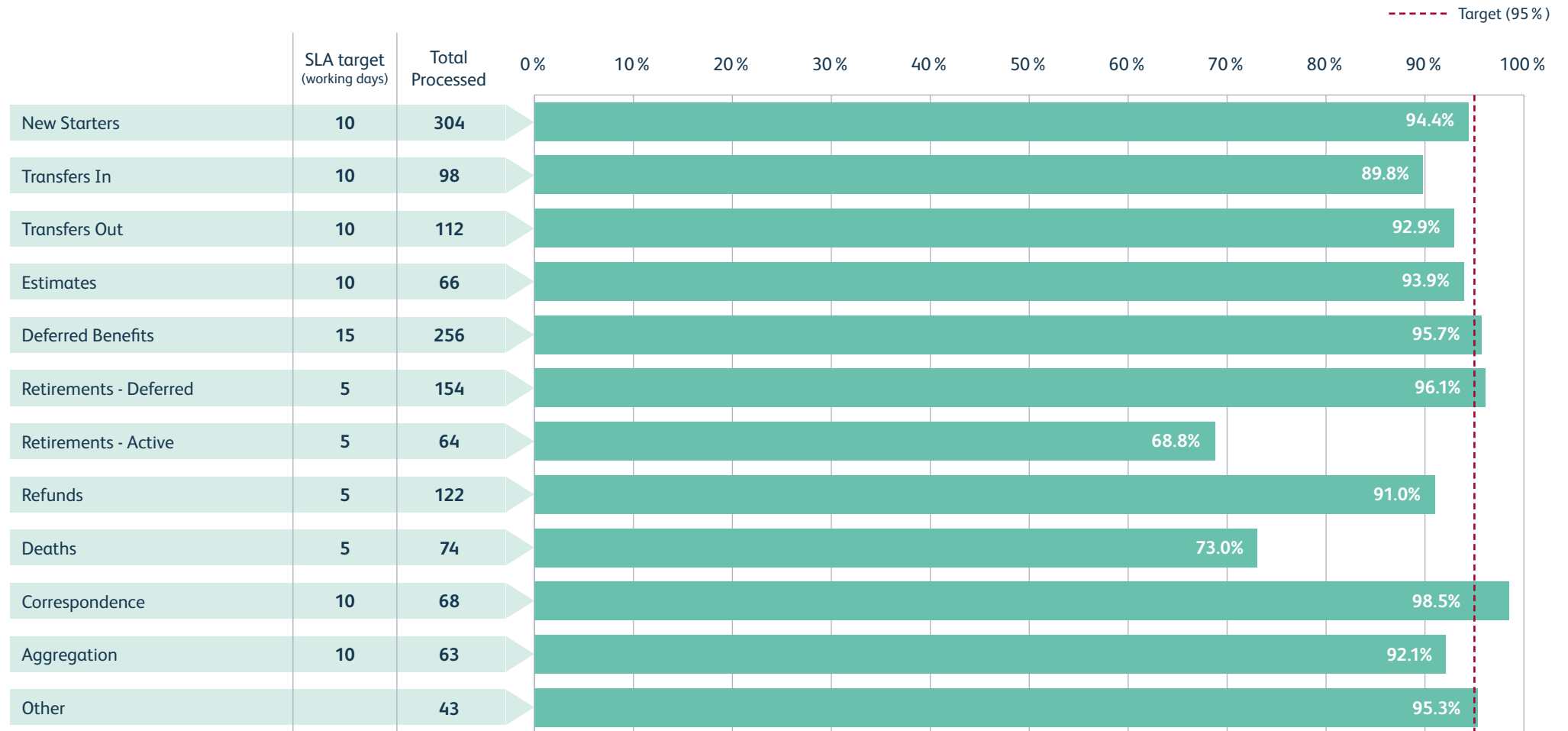
For annual data, please see the **Annual Appendix – page 5**



PERFORMANCE STANDARD

CLIENT SPECIFIC

Page 72



Helpdesk Calls Performance

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

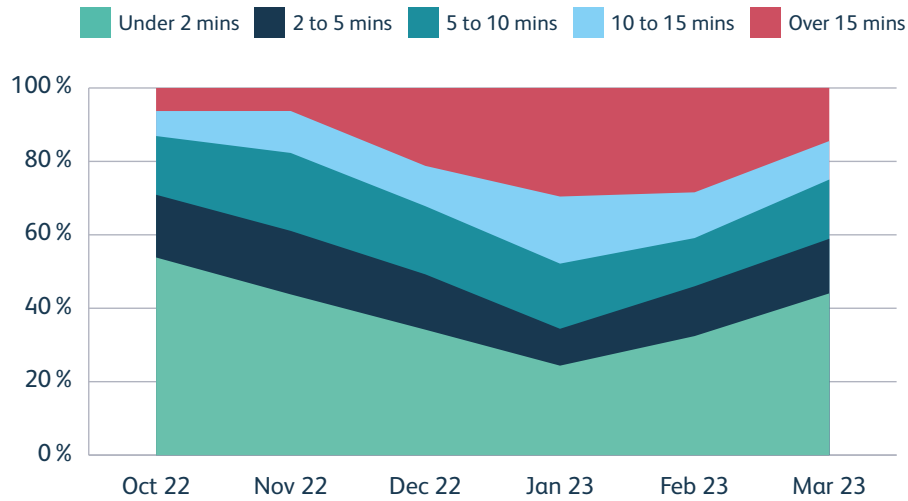
In this section...

- Wait time range
- Calls answered (%)
- Total calls

HELPDESK CALLS PERFORMANCE

WAIT TIME RANGE

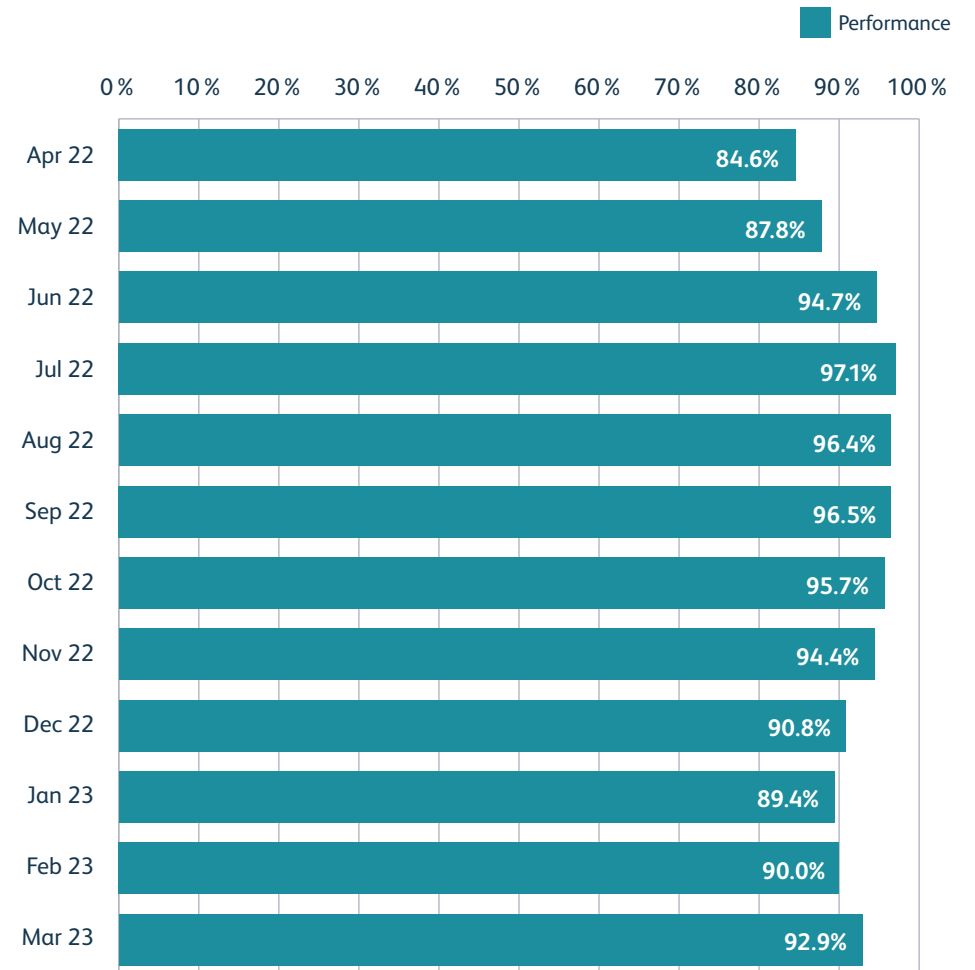
ALL LPPA



	Under 2 mins	2 to 5 mins	5 to 10 mins	10 to 15 mins	Over 15 mins
Oct 22	53.8%	17.1%	16.0%	6.8%	6.3%
Nov 22	43.8%	17.3%	21.2%	11.4%	6.3%
Dec 22	34.2%	15.1%	18.6%	11.0%	21.2%
Jan 23	24.4%	10.0%	17.8%	18.3%	29.6%
Feb 23	32.4%	13.6%	13.1%	12.5%	28.4%
Mar 23	44.1%	14.9%	16.1%	10.5%	14.5%

CALLS ANSWERED (%)

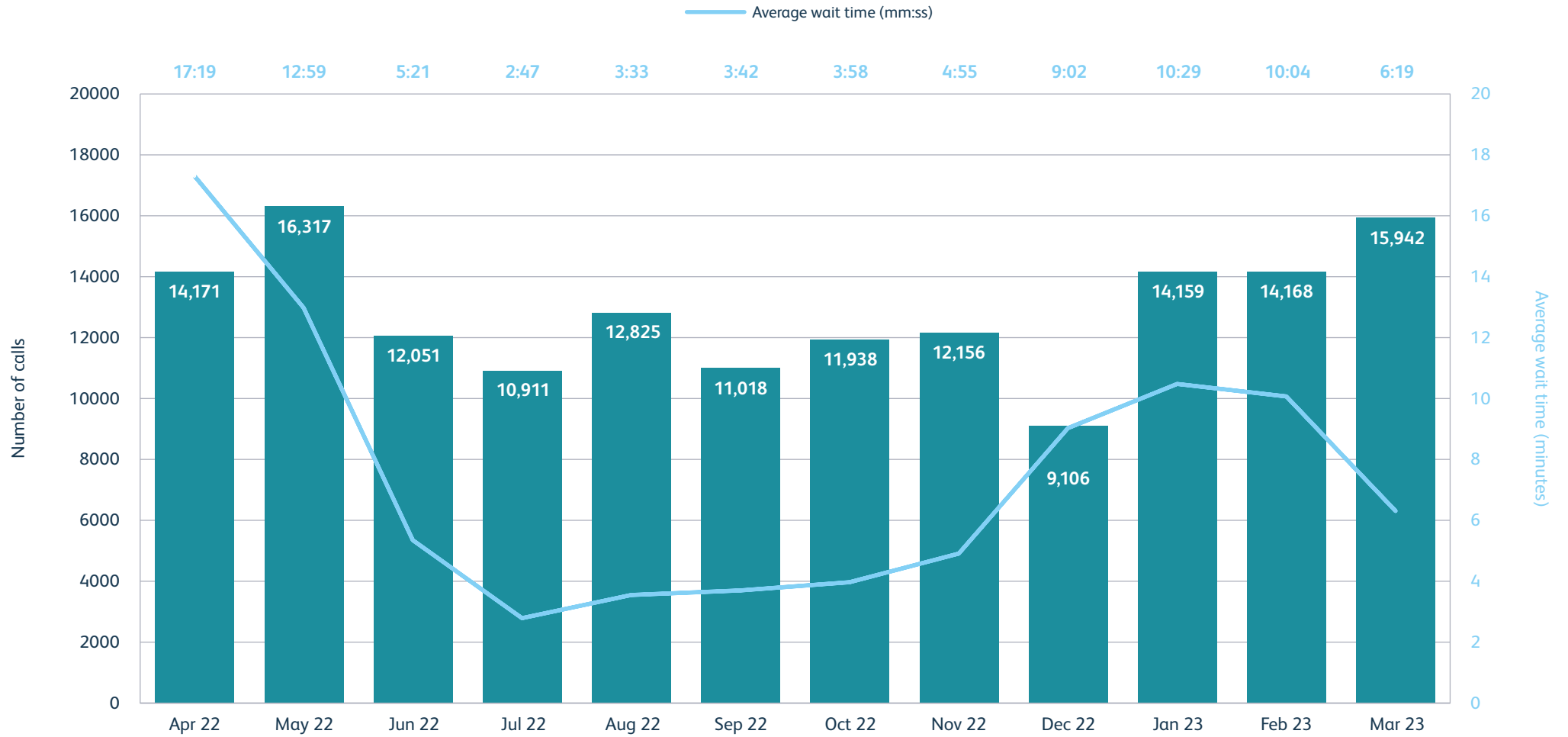
ALL LPPA



HELPDESK CALLS PERFORMANCE

▾ TOTAL CALLS

ALL LPPA



LPP

Local Pensions Partnership
Administration

LPP

Local Pensions Partnership
Administration

HFPF Pension administration Q4 January – March 23 Additional Data



**WORKING
TOGETHER**



**COMMITTED TO
EXCELLENCE**



**FORWARD
THINKING**



**DOING THE
RIGHT THING**

January 2023

Further detail on the reporting of the SLAs that allows the Pension Fund Committee to understand of the cases missed , what timescales such outstanding cases were completed by.

Jan-23							
Days Missed	1 Day	2 Days	3 Days	4 Days	5 Days	6 - 10 Days	11 Days+
Category	Count of Days Missed By	Count of Days Missed By	Count of Days Missed By	Count of Days Missed By	Count of Days Missed By	Count of Days Missed By	Count of Days Missed By
Aggregation	2						3
Correspondence							1
Deaths	1		2	2			3
Deferred Benefits							11
Estimates		1			1	1	1
Refunds	1	1			1	2	1
Retirements - Deferred	1					1	
Retirements - Immediate		2				2	12
Transfers In							6
Transfers Out	1					2	2
Total	6	4	2	2	2	8	40

February 2023

Further detail on the reporting of the SLAs that allows the Pension Fund Committee to understand of the cases missed , what timescales such outstanding cases were completed by.

Feb-23							
Days Missed	1 Day	2 Days	3 Days	4 Days	5 Days	6 - 10 Days	11 Days+
Category	Count of Days Missed By	Count of Days Missed By	Count of Days Missed By	Count of Days Missed By	Count of Days Missed By	Count of Days Missed By	Count of Days Missed By
Correspondence							
Deaths			1		1	1	2
Deferred Benefits							
Estimates							
Refunds							1
Retirements - Deferred							
Retirements - Immediate							
Transfers In		1	1				1
Transfers Out							
Unallocated					1		
Total		1	2		2	1	4

March 2023

Further detail on the reporting of the SLAs that allows the Pension Fund Committee to understand of the cases missed , what timescales such outstanding cases were completed by.

March-23							
Days Missed	1 Day	2 Days	3 Days	4 Days	5 Days	6 - 10 Days	11 Days+
Category	Count of Days Missed By	Count of Days Missed By	Count of Days Missed By	Count of Days Missed By	Count of Days Missed By	Count of Days Missed By	Count of Days Missed By
Deaths	1	1		1	1	1	2
Deferred Benefits							
Estimates							
Refunds	1					3	
Retirements - Deferred					1	1	2
Retirements - Immediate			1	1			2
Transfers In			1				
Transfers Out	1	1				1	
Unallocated		1	1		2	8	6
Total	3	3	3	2	4	14	12

Additional Information

Missed SLA cases for Deaths and Bereavements

We have reviewed the cases which missed on Retirements and Bereavements Team for Q4 (January to March 2023). Significant work has taken place around ensuring the system is triggering the SLA start date at the correct point. For some of these cases the SLA trigger point was under the old methodology and was triggered at an earlier point in the process. This has not been corrected retrospectively meaning that performance is likely to be under reported in some instances. SLA performance in April and May has improved significantly.

Retirements

In total 26 cases missed their SLA. 6 of them relate to Deferred Members and the remaining 20 relate to Retirement from Active Status. Having reviewed the 26 cases, 4 were payment stage. For the cases that were payments implications further detail is provided below :

Process Name	SLA Target Date	Days Missed
Deferred Retirement	20/01/2023	7 days
Active Retirement	30/03/2023	23 days
Active Retirement	20/03/2023	4 days
Active Retirement	23/03/2023	3 days

Some of the challenges on the retirements team are they have had sickness, a high turnover of staff and difficulty recruiting and training new staff. To address this a significant training programme is in place. The Retirements Team now have 2 principles in post who are responsible for the training and development of the team and new staff. This is showing positive results alongside improved checking and re-work and work allocation processes.

Additional Information

Bereavements

In total 20 bereavement cases missed their SLA in Q4. All of those cases were payment related either via a Death Grant or Final Pay (Spouses benefits).

Further SLA's on the cases with payment implications that were processed over 11 days are as below;

1 case 33 days

1 case 32 days

1 case 18 days

1 case 16 days

1 case 13 days

1 case 12 days

The challenges on the bereavement team primarily relate to checking processes. The team have now changed the way they check and added additional controls. The work allocation has also been revised and the performance against the SLA is significantly improving into April and May



LPP

Local Pensions Partnership
Administration

Hammersmith & Fulham Pension Fund

Administration Report – Annual Appendix

1st April 2022 – 31st March 2023

lppapensions.co.uk

CONTENTS

Section	Page
Annual summary	3
Casework Performance Against SLA	4
Employer Engagement & Communication Activity	7



ANNUAL SUMMARY

During 2022-23 LPPA completed a significant change programme to implement a new pension administration system. This also involved rationalising other historic systems and moving to a new operating platform.

The reason for this decision was to partner with a supplier who had a technology roadmap aligned to our own. This was the most transformational activity LPPA had undertaken and understandably resulted in challenges. The transition from the old system to the new platform was carried out over a phased basis.

Some of the challenges were pre-empted and resulted in relaxing SLAs with partners during the implementation periods as is shown in this document.

Pensions in payment continued to be paid on a monthly basis, thus meeting the expectations of members and employers.

Forward thinking...
Working together...
Doing the right thing...
Committed to excellence...

Digital Transformation



Casework Performance Against SLA

In this section...

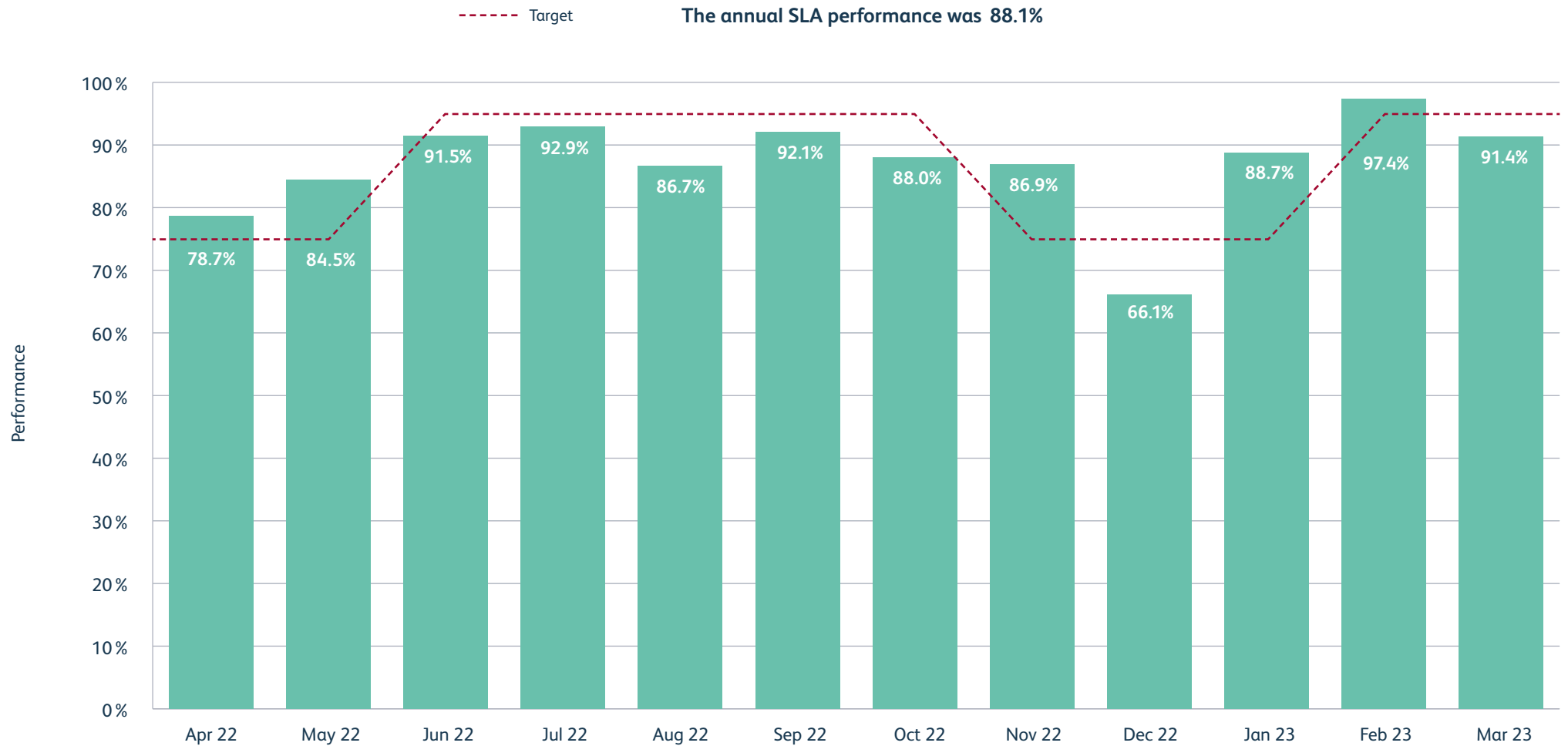
- Performance – All cases
- Performance Standard

CASEWORK PERFORMANCE AGAINST SLA



PERFORMANCE – ALL CASES

CLIENT SPECIFIC



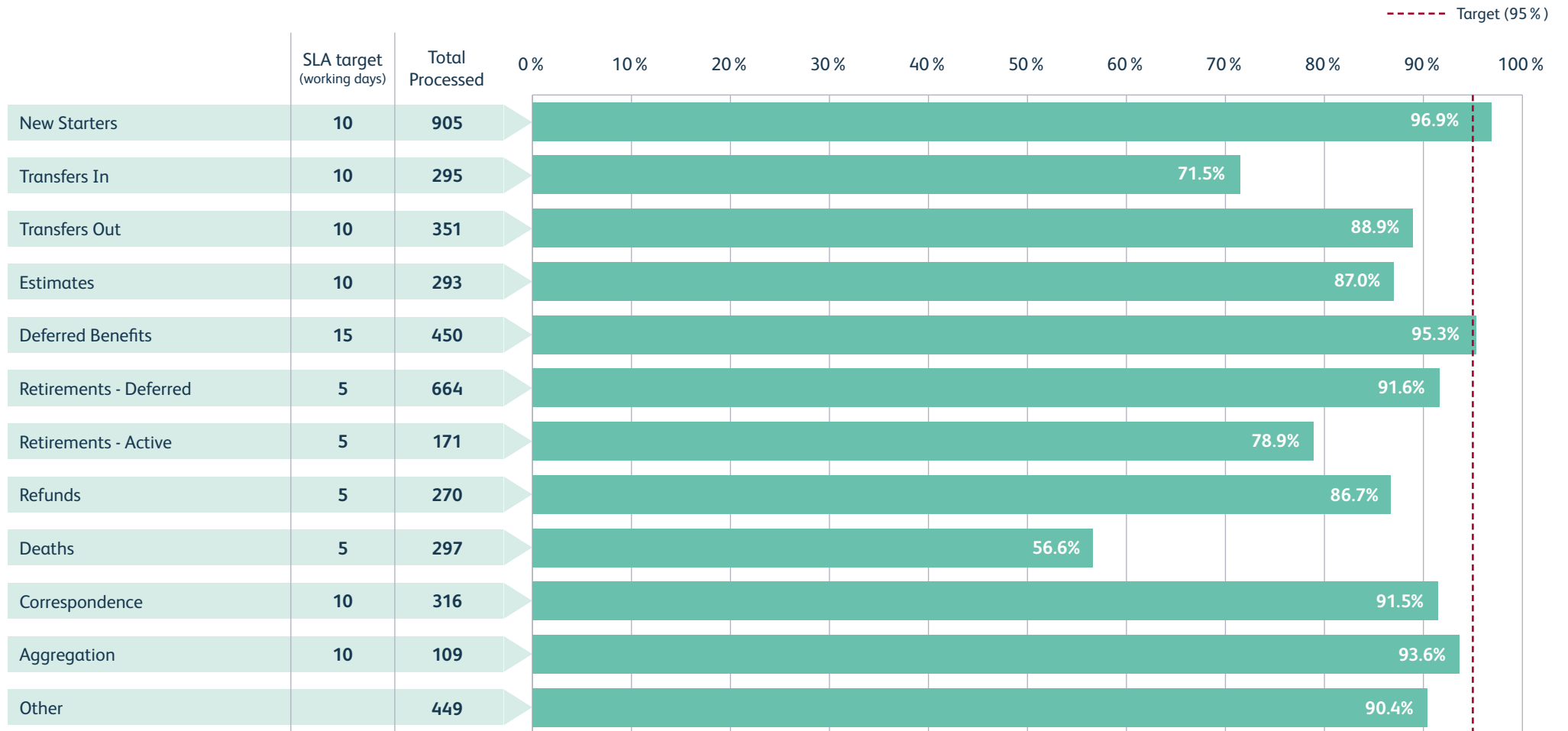
CASEWORK PERFORMANCE AGAINST SLA



PERFORMANCE STANDARD

CLIENT SPECIFIC

Page 88



Employer Engagement & Communication Activity

In this section...

- Delivered
- Engagement communications

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



DELIVERED – QUARTER 1

ALL LPPA

1. Getting ready for retirement - an email is sent once we have received a member's intention to retire. It advises them of the process and gives them the option to download a retirement checklist and to watch LPPA's [retirement video](#)
2. Member surveys - emails are sent after retirement, helpdesk interactions, bereavements, and joining the scheme, to allow LPPA to gather feedback and continue to improve the experience across the processing teams
3. P60 emails have been issued to retired members, explaining that their P60s are available to view through their online portal (paper copies have been issued to members who requested them)
 - [Pension Point P60 email](#)
 - [My Pension Online email](#)
4. ABS emails for deferred members started to be issued in Q1, before active members are scheduled to receive them in Q2. The email explained that their Annual Benefit Statements is available to view in their online portal ([My Pension Online example](#))
5. Spring newsletter – this was made available in a new online format for retired members, and emailed to contactable retired members.
[View spring newsletter \(retirees\)](#)
6. [Additional member video guides](#) (LPPA website) – these have been added to the LPPA YouTube channel including 'How to use the PensionPoint Retirement calculators' (videos have been important in supporting the launch of PensionPoint, the new online member portal)
7. Welcome to the Engagement Team email – this was issued and introduced some new LPPA team members and how they can offer employer support.
[View Engagement Team email](#)
8. Pension Pulse employer newsletters sent out in April and May
 - [April Pension Pulse](#)
 - [May Pension Pulse](#)

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



DELIVERED – QUARTER 1 CONTINUED

ALL LPPA

9. A new employer training page has been created and included on the LPPA website (making it easier for employers to book ongoing training sessions).

[View new training page](#)

The Employer Engagement team has continued to deliver employer support sessions including:

10. Scheme Leavers Essentials training – for any employers in need of support with submitting leaver details to LPPA, this session cover what to do and how to do it
11. LGPS Scheme Essentials – for any employer that wants more knowledge of the LGPS pension scheme and support with calculating final pay, CARE pay and Absence and Pensionable Pay
12. Year-end file submission training and support for UPM employers

There have also been training sessions delivered to members (all bookable via the LPPA website member training page) including:

13. Making Sense of your Pension (online sessions) - these are aimed at members to help improve their knowledge of their LGPS pension, whether they have recently joined the scheme, or have been in the scheme a while
14. Making Sense of Retirement (online sessions) – these are aimed at Members who are reaching retirement age (age 55 and over) to help improve their knowledge of the retirement process and claiming their LGPS pension

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



DELIVERED – QUARTER 2

ALL LPPA

1. [Getting ready for retirement email](#) – issued when LPPA have received a member’s intention to retire. It advises them of the process and gives them the option to download a retirement checklist and watch LPPA’s retirement video.
2. Member survey emails – issued following completion of several processes including retirement, helpdesk interactions, bereavements, and joining the scheme, to allow LPPA to gather feedback and continue to improve the member experience across the business.
3. ABS activity (active and deferred members) – ABS communications activity with active and deferred members receiving email notification that their ABS was available via their online member portal. Those who chose to receive their ABS in the post, received them by the end of August 22 (statutory deadline).
4. [Active/deferred member newsletter](#) – in a new online format, which allows members to view and share articles in an easy-to-read, mobile-friendly format.
5. Member Sessions – all bookable via the LPPA Member Training page, including:

Making Sense of your Pension

These online sessions are aimed at members to help improve their knowledge of their pension, whether they have recently joined the scheme, or have been in the scheme a while.

Making Sense of Retirement

These sessions are aimed at Members who are reaching retirement age (55 and over) to help improve their knowledge of the retirement process and claim their pension.

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



DELIVERED – QUARTER 2 CONTINUED

ALL LPPA

6. Employer Communications - various emails have been sent to employers including:
 - [Teams training dates email](#) – promoting training sessions to help employers and members get a better understanding of pension processes
 - [Address reminder email](#) – reminder emails issued to employers (address to return member documents to LPPA, link to example is for Lancashire employers)
 - Various PACE planning emails, including [Road map](#) (Lancashire fund example) and [training dates](#) communications
 - Pension Pulse employer bulletin sent out in [July](#) and [September](#)
7. During Q2 the Engagement team supported several LG Fund clients in their valuation activities, as well as delivering training to employers in readiness for the Phase 2 launch of UPM and the new employer portal (from October through to December). This included:
 - UPM employer portal system navigation
 - Submitting monthly returns (process and new template)
8. The Employer Engagement Team launched an online Employer Panel, with employers registering to be part of the panel. The first panel meeting included discussions around the employer training requirements, and how the LPPA website can be used to support their activities.
9. Ongoing Website Development – updates to the LPPA website are ongoing, additional content in Q2 included:
 - [New PACE page created \(with timeline included\)](#)
 - [New submitting employer information page](#)

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY

DELIVERED – QUARTER 3

ALL LPPA

1. An [email](#) was issued to members of the LPPA member panel to share results of a survey focusing on the new online newsletter (active and deferred members), whilst also asking for feedback on the FAQ (Frequently Asked Questions) section of the LPPA website.
2. [Help Hub](#) was launched on the LPPA website, a new member help and support section that consolidates all resources (FAQ's, videos, forms and documents, training) into one easily accessible area. The 'search' function has also been improved so that members can access the information they need quicker and easier.
3. [News Hub](#) was launched at the same time, a website page that enables quick and simple access to all LPPA new articles, blogs and research stories. It also includes links to all the latest LPPA newsletters.
4. The [LPPA employer toolkit page](#) was made available to help all employers communicate the benefits of PensionPoint to their members in the workplace. This includes access to content for internal emails, posters and intranet articles.
5. Member Sessions were delivered, all bookable via the LPPA Member Training page, including:

Making Sense of your Pension

These online sessions are aimed at members to help improve their knowledge of their pension, whether they have recently joined the scheme, or have been in the scheme a while.

Making Sense of Retirement

These sessions are aimed at Members who are reaching retirement age (age 55 and over) to help improve their knowledge of the retirement process and claim their pension.

6. [Emails](#) were issued to clients and employers to highlight planned maintenance days and details of system downtime (w/c 31 Oct, with reminders issued w/c 14 and 21 Nov).



EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



DELIVERED – QUARTER 3 CONTINUED

ALL LPPA

7. [Pension Pulse](#) (employer newsletter) was issued in Q3, with features on UPM employer portal training, industry news and links to LGA bulletins.
8. [Training invites](#) were issued both to employers who are currently providing monthly data returns, as well as those which will be submitting from May 23 (training is scheduled every two weeks throughout 2023). The communication also provided employers with access to the monthly returns [online support page](#).
9. Details of the LPPA Christmas opening hours were provided to clients ([email](#)) and employers / members on the LPPA website.

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



DELIVERED – QUARTER 4

ALL LPPA

Page 96

1. A [member panel email](#) was issued, asking for feedback on the new LPPA Help Hub, which was launched in December on the LPPA website.
2. Emails, to a cross-section of members from all clients, inviting them to [join the member panel](#) were sent out in January.
3. A pension increases web page was created to update members on the latest pension increases.
4. Further website developments (additional pages) went live in Q4 including:
 - [New Joiners](#)
 - [Member contribution rates \(23/24\)](#)
 - [Additional Pension Contributions \(APC\)](#)
 - [Pension pay dates \(23/24\)](#)
 - [Updating Your Bank Details](#)
 - [Retirement Guide for Leavers](#) (updated)
 - [Tier 3 Ill Health Retirement](#) (updated)
5. In preparation for McCloud remedy, [further communications](#) were issued to fund employers to ensure that historic data submissions have been accurately supplied (specifically hours worked and service break data).
6. A [McCloud roadmap webpage](#) was also created for our clients.
7. [Several bite-sized video FAQs](#) were developed to help answer some of the more popular member questions, including opting out, and information on the 50:50 option.
8. New Frequently Asked Questions (FAQs) were added to the LPPA website, following the Spring Budget, [including updates on Lifetime Allowance \(LTA\) and annual allowance](#). A news story was also added to the [website](#).
9. The automated Helpdesk (recorded) message was updated to include details of how to access P60 documents for retired members (from April).
10. [A joint press release was issued with Civica](#), following the completed switch to the UPM administration platform.
11. LinkedIn posts were issued in Q1 covering a wide range of topics including:
 - Pension health checks
 - LPPA's Cyber Essentials Plus certification
 - Pension increases
 - Safer internet day
 - PensionPoint ('register to enjoy the benefits')
 - Employer Monthly Return training
 - LGBT history month
 - Chinese New Year
 - '100,000' members registered on PensionPoint
 - International Women's Day
 - LPPA Client forum
 - Spring Budget (2023)
 - Monthly Returns

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



DELIVERED – QUARTER 4 CONTINUED

ALL LPPA

Page 97

- Happy Easter
 - Happy Ramadan
12. [Pension Pulse bulletin](#) – a UPM special was issued to employers in January, followed by a [‘financial year end’](#) special in March.
13. Employer training sessions were delivered with a focus on monthly returns and navigating the UPM employer portal, including:
- UPM employer portal training (sessions to support with general navigation and submitting the monthly return data file)
 - Monthly Return Training – regular training sessions available for employers to attend, with a demonstration of the upload of Monthly Return file via UPM employer portal.
 - Remote employer visits conducted to support with navigating the UPM employer portal.
 - Employer visits (training sessions and support meetings) continue to be delivered remotely.
14. Member Sessions were delivered, all bookable via the LPPA Member Training page, including:
- Making Sense of your Pension (online sessions are aimed at members to help improve their knowledge of their pension, whether they have recently joined the scheme, or have been in the scheme a while).
 - Making Sense of Retirement (sessions are aimed at Members who are reaching retirement age (age 55 and over) to help improve their knowledge of the retirement process and claim their pension).

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



ENGAGEMENT COMMUNICATIONS

CLIENT SPECIFIC

- 4 employers in the Hammersmith & Fulham Pension Fund attended LGPS Scheme Essentials training for employers
- 4 virtual visit were held with a Hammersmith and Fulham payroll provider
- Monthly return training was delivered and 6 Hammersmith and Fulham employers were in attendance
- 1 employer attended UPM Employer Portal Training
- Monthly member sessions were delivered, with 6 Hammersmith and Fulham Pension Fund members attending the Making Sense of your Retirement session and 3 members attending the making sense of your pension session
- Scheme Leavers Training was delivered and 1 Hammersmith and Fulham Pension Fund employer attended

Page 98



EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



EMAILS – EMPLOYERS

CLIENT SPECIFIC

2022

April

- Update on your end of year submissions EOY
- Year end bulletin
- EOY data returns template
- Pension Pulse
- Submitting your end of year data (Follow Up) EOY

May

- Final Reminder / Submitting your EOY return
- Pension Pulse
- Tips to avoid further delays to your end of year return EOY
- Scheme leavers training invite
- Have your say with LPPA

June

- Urgent: submitting your end of year data (follow up)
- PensionPoint promotional email
- Update on end of year queries
- Employer Panel email
- LPPA address reminder

July

- End of year data returns
- Pension Pulse

September

- Pension Pulse
- UPM worktrays

November

- Planned maintenance days
- Planned maintenance days (update)
- Planned maintenance reminder
- Essential system maintenance reminder
- November Pension Pulse
- Monthly return (update)

December

- Invite: book on monthly returns training
- December opening hours

2023

January

- Pension Pulse (UPM Special)
- Monthly data returns training

March

- Annual returns / Important information on 2022 / 23 submissions (Reminder)
- Pension Pulse
- McCloud Data Collection (first)
- McCloud data file collection (follow up)

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



EMAILS – MEMBERS

CLIENT SPECIFIC

2022

April

- Pension Estimate: PensionPoint
- Helpdesk / 8x8

May

- Member panel email and survey
- Your PensionPoint account
- Don't miss out - register for PensionPoint today

July

- PensionPoint (live now - follow up)

August

- Summer newsletter (Active members)
- ABS: ready to view

September

- Help us improve PensionPoint

2023

January

- Member training - Making Sense of Your Pension / Retirement

February

- Member panel / News Hub (small selection across multiple funds)

March

- Member panel / invitation (small selection across multiple funds)

LPP

Local Pensions Partnership
Administration

Agenda Item 9

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 13/06/2023

Subject: Pension Administration Update

Report author: Eleanor Dennis, Head of Pensions

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

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

RECOMMENDATIONS

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

Wards Affected: None

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

Finance Impact

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

Sukvinder Kalsi, Director of Finance 25th May 2023

Legal Implications

Under Regulation 53 of the Local Government Pension Scheme Regulations 2013, the Council, as the administering authority of the Pension Fund “is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate administering authority under these Regulations”. Therefore, it is responsible for ensuring that the Pension Fund is administered in accordance with the Regulations and wider pensions law and other legislation. It discharges this obligation under the terms of a contract with Lancashire County Council dated 26th January 2022 which, in turn, sub-contracts its obligations to the Local Pensions Partnership Limited under a separate contract of the same date. This report seeks approval for an increase in the budget to be paid to LCC for 22/23 from £384,084 plus VAT to £399,000 plus VAT because of increased IT and resourcing costs and to £399,000 in 23/24 for the additional work anticipated for regulatory change for the pensions dashboard and Mc Cloud judgement, as well as further investment in the training and development of staff. Clause 5.1 of the Discharge Agreement with LCC deals with how the budget is set annually – by LCC sending a proposed budget for the next financial year to be agreed by the Council. This report finalises the process and recommends that the budget proposed by LCC is agreed.

Angela Hogan, Chief Solicitor (Contracts and Procurement) 23rd May 2023

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Analysis of Pension Administration

The Hammersmith & Fulham Pension Fund began its new partnership with the Local Pension Partnership Administration (LPPA) on 28 January 2022 and has completed a full 12 months of service.

1. The service delivered by LPPA continues have challenges that are monitored closely by the LBHF Head of Pensions. LPPA have acknowledged their unsatisfactory service and are committed to improving the service going

forward with initiatives such as the introduction of a client relationship manager, a centralised mailbox and client forums in 2023.

Update on key areas

2. Employers – The LBHF in house team are working with Fund employers to ensure they have a discretions policy in place and provide a copy to the Fund. We have received 74% of these and the pensions team continue to work with employers to obtain and have in place the remaining policies. LPPA have offered online training sessions for employers regarding the monthly submission process which was introduced in April 2023, attendance is around 78%. The end of year process is underway and although the official deadline of 28th April has passed, the inhouse team are working closing with our fund employers and LPPA to ensure as many of these are received in order for the prompt issuing of the annual benefit statements.
3. Backlog – The processing of the backlog of over 740 cases inherited from the previous pension administrators commenced on 9th January 2023 with completion due by the end of March 2023. All 740 cases were processed by 30th April 2023. There is no outstanding backlog with LPPA of HFPF cases.
4. Communications – The average wait times to the Helpdesk have remained around 6 minutes, unfortunately the Head of Pensions is unable to report how many calls were received in respect of the LBHF as LPPA state they no longer record this information. Though the number of calls to the Helpdesk for all clients has increased significantly over quarter 4. Whilst LPPA have recruited more call handlers it is disappointing that this is taking some time to follow through to a lower average wait time.
5. Engagement – There continues to be a positive trend from all membership groups engaging with the online portal. As this has increased again to 4043 in Q4 (from Q1 by 2379, 3502 in Q2 and Q3 3761) for the period December to March 2023.
6. Pensioners - Pension increases were paid at the end of April at 10.1% and P60's issued. The pensioner newsletter has been delayed from April and was issued at the end of May 2023.
7. Regulatory – The pensions dashboard has been paused until further notice by Department of Work and Pensions to allow a more achievable timeline for the platform to be established. LPPA has issued emails to employers who are still outstanding legacy data required for the McCloud exercise.
8. Overpayments – The pensions team are working with LPPA to look at legacy pension overpayments and to date have written off £4,187.35 from the Fund due to cases where we have been unable to make contact with the recipient and or where the period lapsed since the payment is over 8 years. The pension team continue to work with LPPA and the LBHF debt recovery teams to try to recover further outstanding overpayment funds.
9. Pension Administration services budget – LPPA have increased their forecast for 2022/23 budget from £384,000 to £399,000 because of increased IT and

resourcing costs as detailed in appendix 1. In addition, they have issued their 23/24 budget which increased costs have been smoothed over 3 years that mean the cost per member for 23/24 will increase from £23.03 to £26.56. This increase is due to increased resources costs in particular for the additional work anticipated for regulatory change for the pensions dashboard and Mc Cloud judgement, as well as further investment in the training and development of LPPA staff.

10. Log of recommendations – There are no updates for this paper as the pension team focus on service delivery and legislative changes.

Conclusion

The pension administration service delivered by LPPA despite the challenges continue to show signs of improvement, although this needs to be achieved in a faster timeframe and be maintained for consecutive periods. LPPA continue to work collaboratively with the Head of Pensions. The Head of Pensions continues to work with LPPA to improve the service and quality experienced by our stakeholders including members and beneficiaries.

Equality Implications

11. None

Risk Management Implications

12. None

Climate and Ecological Emergency Implications

13. None

Consultation

14. None

Appendices

Appendix 1

LPPA Revised Budget Proposal

Appendix 2

Log of recommendations

LOCAL PENSIONS PARTNERSHIP ADMINISTRATION

2023/24 Annual Budget

London Borough of Hammersmith & Fulham

MARCH 2023

LPP
Local Pensions Partnership
Administration

Budget Considerations

- The latest published UK inflation rate puts CPI as 10.4% at February 2023, a significant increase from 5.1% in November 2021
- The increase in inflation has impacted our cost base which is mainly fixed costs and is driving the budget proposal for 2023/24
- LPPA have deferred some costs from the 2022/23 budget and the 2023/24 budget to the following years to 'smooth out' the cost
- A number of our third party IT costs including systems and licenses have increased by 12.5% inflation going into the new financial year
- Full benefits of system migration will be realised from 2024/25 onwards, with initial productivity benefits from 1 Jan 2024 as we deliver system enhancements during 2023/24 and deliver training to our administration staff
- We are currently undertaking a review of Transfer Pricing and early conclusion is that we will need to apply a transfer pricing mark up to our pricing at the end of the financial year to comply with UK tax legislation. We will provide more information on this throughout the course of the year

Revised 2023/24 Budget Proposal

Hammersmith & Fulham	2022/23 Budget	Prior Year Plan for 23/24	Proposed 23/24 Budget	Budget 23/24 v Budget 22/23		Budget 23/24 v Prior Year Plan		Provisional 2024/25	Provisional 2025/26
				£	%	£	%		
Budgeted Fee £'000	£384	£386	£468	£84	22%	£82	21%	£502	£494
Total Membership	16,676	16,676	17,626	950	6%	950	6%	17,890	18,159
Cost per Member	£23.03	£23.16	£26.56	£3.53	15%	£3.40	15%	£28.05	£27.23
*CPM in real terms (exc inflation)			£24.00					£25.47	£24.85

*CPI real terms base line is Nov21 when the 22/23 Budget was set and looks to show CPM movement excluding inflation 22/23 Membership as at August 2021. 23/24 Membership as at August 2022 with 1.5% year on year increase thereafter.

Cost per member (CPM) under the previous 2023/24 budget proposal provided in January 2023 was £27.98. The revised provisional CPM for both 24/25 and 25/26 includes £0.15 which relates to the true-up carried forward from 2022/23 and £0.45 which is the 'smoothing cost' to reduce the 2023/24 budget figure.

Regulatory changes for estimated costs of McCloud and Pensions Dashboard included within the proposed CPM account for £1.59 increase in 23/24. This is 5.7% of recoverable costs.

Resilience roles which we brought in to support with PACE in the 22/23 budget and originally assumed would drop out after December 2022 have been retained to support the business in improving productivity whilst UPM continues to be embedded in order to bring us back into agreed service levels. Additional resources have also been included in the 2023/24 proposal to support with this and ensure we are improving both quality as well as productivity. Impact of this on the proposal is £1.65 CPM. These roles we will look to drop out of the costs from Jan 2024 as we see the UPM benefits of further automation. Resilience roles account for 5.9% of recoverable costs.

Inflation is significantly higher with an average 11.1% supplier inflation reflected in the proposal compared to this time last which assumed 2.5% cost inflation which results in a CPM increase of £0.30. We are not proposing pay increases in line with current cost inflation, however, with the current cost of living increase this is proposed at 4% higher than we'd originally planned for 12 months ago which is an increase of £0.67 CPM

Key Budget Assumptions

- 2023/24 Budget cost breakdown: Staff costs 78%, IT/Systems costs 12% and other third-party costs 10%
- Service demand (pension administration casework volumes) remaining consistent with current year
- In line with October 2022 ONS CPI figure of 11.1% on unknown renewal costs, or supplier advised rates where advised which range from 10.7% to 12.5%.
- Resilience roles retained to support returning to agreed service levels and improved quality
- Pay uplift of an average of 7% with consideration of impact on pension contributions following triennial review
- Investment in training and staff to support retention, improve understanding and quality as well as and attraction of experienced staff
- Productivity savings from January 2024
- Estimated headcount and system costs for McCloud and Dashboard regulatory changes (excluding McCloud system development costs)
- No costs have been included for regulator change outside of McCloud and Dashboard i.e. Exit Cap
- In 2023/24, if there is an underspend against the budget, a refund will be paid. If there is an overspend, we will recover this via a true-up at the end of the financial year. We propose to handle under or overspend against the budget at the end of the financial year.

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.	not Immediate	2023/2024	Progress Started	The Pensions Manager has already achieved the appointment of employee representative, Peter Parkin. However it should be noted that it is notoriously difficult to get any employer representatives and therefore the Committee should be mindful that the exercise might not result in an appointment. It is hoped to commence the recruitment of an employer representative in the scheme year 23/24.
5	The Pension Fund Sub-Committee (The Pension Fund Committee) actively seek to co-opt a non-voting Employee representative.	closed and not to be progressed.	2022/2023	Complete	This is a task that require extensive work representation for scrutiny at Pension Board has visibility. In the future if the pfc require a greater numbers this option may be considered but is not a necessity given the committee representation numbers and attendance.
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.
10	A report and procedure relating to reporting Breaches of the Law, which is in accordance with the relevant guidance in The Pension Regulator's Code of Practice No 14, is urgently prepared for consideration and approval by the Pension Fund Sub-Committee.	Not Immediate	31-Mar-22	Complete	Approved by committee on 21 July 2021
11	Training on reporting Breaches of the Law is provided jointly for both Members of the Pension Fund Sub-Committee and the Local Pension Board as a matter of urgency.	Not Immediate	31-Mar-22	Complete	This will be provided by Clifford Sims of Squire Patton Bogg prior to 23 November 2021 committee meeting.
12	A Breaches of the Law Log be maintained and is presented on a quarterly basis to the Pension Fund Sub-Committee and to each meeting of the Pension Board.	Immediate		Complete	Part of the quarterly update pack
13	The LBHF Knowledge and Skills Self-Assessment form (for Sub-Committee and Pension Board Members) be expanded to include a specific new section on Pensions Administration.	Not Immediate	31-Mar-22	Complete	Now included on the assessment form.
14	Appropriate training in respect of Pensions Administration be provided to both Sub-Committee and Local Pension Board Members as soon as practical.	Not Immediate	31-Mar-22	Complete	Training provided at 21 October 2021 session. Admin included as a category on knowledge assessment form. Admin to be provided as a regular training category.
15	That consideration is given to scheduling regular training sessions, immediately before Pension Fund Sub-Committee meetings.			Complete	Training prior to meetings is ongoing
16	A comprehensive LBHF Pension Fund Medium Term Business Plan incorporating an Annual Plan and a detailed Annual Budget, is developed and approved annually by the Pension Fund Sub-Committee and formally monitored on a quarterly basis.	Immediate	03-Mar-21	Complete	Business plan and budget for 21/22 approved
17	The LBHF Pension Fund annual budget should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and Employers.	Immediate	03-Mar-21	Complete	Budget conforms to required standards
18	That a Pensions risk policy be prepared for approval by the Pension Fund Sub-Committee which sets out the Pension Funds approach to risk. This should include a clear statement on the responsibilities of Officers in relation to Risk Management.	Not Immediate	31-Mar-22	Complete	Taken to February 2022 meeting
19	Officers review the Risk Management process to seek to ensure that any revised process results in the effective implementation and utilisation of a Risk Management Cycle.	Not Immediate	31-Mar-22	Complete	A risk register is provided to meeting packs
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.	closed and not to be progressed.		Complete	LBHF Council already have in place an audit programme which includes external auditors Grant Thornton reviewing pension administration, there is also an Audit Committee that considers the external auditors findings.
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.	closed and not to be progressed.		Complete	As above, there is a 3 year audit plan that includes will include focus on the new pension administrator. The Internal Audit carries out a cyclical audit on the management of the pension administration with assurances sought from the pension administrator on their risks and controls.
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.	closed and not to be progressed.		Complete	There has been no new regulations on admitted bodies, the Committee have received training in November 2021 on Fund employers and a robust monitoring process is in place since the onboarding of a Pension Specialist to the inhouse LBHF pension team. This appointment supersedes the situation for the Fund at the time this recommendation was made.
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	2023/2024	Progress Started	This policy will be updated in the scheme year 2023/24 to bring this up to date with LPPA and Fund communication methods.
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	Complete	This Strategy will be reviewed and updated after the Fund has completed its transfer of pension administration service to LPPA, as this is a priority for both the Fund and the employers. It will also allow full consideration to be given to the inhouse team function in its monitoring of employers compliance.
26	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	2024/2025	Not Started	The Fund continually works with all of its stakeholders to ensure the Fund is compliance and follows good practice. This code of practice contains 100 tasks so will be a significant task for Officers to complete and compile for the Committee. The Fund is focusing on establishing robust framework of processes and tasks and practices prior to commencing work on this in the 23/24 Scheme year. The embedding of the service has in mind the requirements of the Code and after this is complete the Committee will then be presented with such a report at the earliest in 2024/25 noting that the Pension Regulator recognises each scheme may have alternative and justifiable actions and approaches.
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.	closed and not to be progressed.	31-Mar-22	Complete	This recommendation are one and the same as recommendation 23 and assumes there are areas of non compliance which will be shared with the Committee individually with any required actions once the report is completed.
28	That the Fund Actuary should be fully appraised of the situation relating to the state and quality of the data/records of LBHF Pension Fund members as held by the Pensions Administration service provided by Surrey County Council and be asked for their comments, observations and suggestions with regard to this issue.	Not Immediate	31-Mar-24	Complete	Since this recommendation was made the Fund has since changed actuary and the valuation is in progress. Once the valuation results are delivered by the actuary. It will be assessed whether there is any relevance in the need for such an exercise. Nevertheless the administrators are focused on working with the Fund to improve data quality as part of the Business as usual activity.
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 2016).	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.