

# Pension Fund Committee

## Agenda

Tuesday 19 September 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	

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Date Issued: 11 September 2023

# Pension Fund Committee Agenda

<u>Item</u>		<u>Pages</u>
<b>1. APOLOGIES FOR ABSENCE</b>		
<b>2. DECLARATIONS OF INTEREST</b>		
	<p>If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.</p> <p>At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.</p> <p>Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.</p> <p>Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Standards Committee.</p>	
<b>3. MINUTES OF THE PREVIOUS MEETING</b>		5 - 13
	<p>To approve as an accurate record the minutes of the meeting held on 13<sup>th</sup> June and 31<sup>st</sup> July 2023.</p> <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>	
<b>4. DRAFT MINUTES OF THE PREVIOUS PENSION BOARD MEETING</b>		14 - 24
	<p>Draft minutes of the Pensions Board meetings held on the, 8<sup>th</sup> February and 7<sup>th</sup> June 2023 (for information)</p>	

*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.*

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|------------|--|-----------|
| <b>5.</b>  | <b>KEY PERFORMANCE INDICATORS</b>  | 25 - 45   |
|            | 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.                                  |           |
| <b>6.</b>  | <b>PENSION ADMINISTRATION UPDATE</b>   | 46 - 50   |
|            | This paper provides a summary of activity in key areas of pension administration for the Hammersmith & Fulham Pension Fund.  |           |
| <b>7.</b>  | <b>COMMUNICATION POLICY</b>  | 51 - 60   |
|            | This report details why there is a requirement for a Communications policy for the Hammersmith & Fulham Pension Fund and Appendix 1 details the revised policy.  |           |
| <b>8.</b>  | <b>BUY AND MAINTAIN CREDIT MANAGER SELECTION</b>   | 61 - 62   |
|            | The committee is recommended to review the report in Appendix 1 and to appoint both the London CIV (Insight) and Allspring in facilitating the 15% allocation to Buy and Maintain Credit.                                |           |
|            | <i>This item includes an appendix that contains exempt information.<br/>Discussion of the appendix will require passing the proposed resolution at the end of the agenda to exclude members of the public and press.</i> |           |
| <b>9.</b>  | <b>NEXT STEPS ON INVESTMENTS GOVERNMENT CONSULTATION</b>   | 63 - 71   |
|            | This report presents a brief summary of the background to the consultation and an overview of the consultation response included in Appendix 1.  |           |
| <b>10.</b> | <b>DRAFT ANNUAL REPORT 2022/23</b>   | 72 - 214  |
|            | This report presents the draft Pension Fund Annual Report and Statement of Accounts for the year ended 31 March 2023.  |           |
| <b>11.</b> | <b>INTERNAL AUDIT RESULTS</b>  | 215 - 230 |
|            | As part of the internal audit plan for 2022/23, agreed by the Audit Committee, an internal audit was undertaken of Pension Investments, within the London Borough of Hammersmith and Fulham (LBHF)                       |           |
| <b>12.</b> | <b>PENSION FUND QUARTERLY UPDATE PACK</b>  | 231 - 248 |
|            | The Pension Fund Committee is recommended to note the update.  |           |
|            | <i>This item includes an appendix that contains exempt information.<br/>Discussion of the appendix will require passing the proposed resolution at the end of the agenda to exclude members of the public and press.</i> |           |

**13. DATES OF FUTURE MEETINGS**

To note the dates of future meetings:

- 15<sup>th</sup> November
- 20<sup>th</sup> February

**14. 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 13 June 2023

### **PRESENT**

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

**Co-opted members:** Michael Adam and Iain Cassidy

**Officers:** Eleanor Dennis (Head of Pensions), David Hughes (Director of Audit, Fraud, Risk and Insurance), Phil Triggs (Director of Treasury and Pensions), Mathew Dawson (Strategic Investment Manager, attended remotely), Sian Cogley (Pension Fund Manager) and Debbie Yau (Committee Coordinator)

**Advisors:** Kevin Humpherson (Isio Group) and Marian George (Independent Advisor)

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

Apologies for absence were received from Councillors Adam Peter Lang and Adrian Pascu-Tulbure.

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

There were no declarations of interest.

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

#### **RESOLVED**

The minutes and exempt minutes of the meeting held on 28 February 2023 were approved as accurate records of meeting.

#### **CHANGE OF AGENDA ORDER**

The Chair proposed, and it was unanimously agreed, to bring items 8 and 9 on the agenda forward, and swap items 6 and 7 towards the end.

### 4. **KEY PERFORMANCE INDICATORS**

Eleanor Dennis (Head of Pensions) provided a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Hammersmith & Fulham Pension Fund

(HFPF). She gave an update to the Key Performance Indicators (KPIs) further to those listed in the report, covering up to May 2023.

Councillor Laura Janes was pleased to note the encouraging improvements. She was concerned about follow-up actions taken to rectify the errors in reporting. Eleanor Dennis explained that they were errors in the system, with the clock started ticking, with the relevant information and documents for processing were yet to be received. On methodology to be adopted, David Hughes (Director of Audit, Fraud, Risk and Insurance) said he believed the data would be more accurate in future given the LPPA's Managing Director (MD) had reassured this going forward.

Councillor Florian Chevoppe-Verdier noted that LPPA had managed to clear the backlog inherited from the previous pension administrators. Eleanor Dennis said it took LPPA a while to deal with some of the cases hence all 740 cases were processed by 30th April 2023, a month later than the target completion date.

Noting that member surveys were conducted by sending emails 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, Councillor Chevoppe-Verdier was keen to know about the outcome of these surveys. The Head of Pensions confirmed only a handful were received from LBHF members so unfortunately there was no qualitative data to share from these as they were such a small sample.

On missed SLA cases, the Committee noted that the cases which missed on Retirements and Bereavements Team for Q4 (January to March 2023) were reviewed. Significant work had taken place around ensuring the system was 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 had not been corrected retrospectively meaning that performance was likely to be under reported in some instances. SLA performance in April and May had improved significantly.

Iain Cassidy observed the huge jump in the performance against SLA cases for the two months of April and May as compared to the three months in Q4, given the latter contained some cases in unallocated category.

Eleanor Dennis explained that to address the challenges facing the Retirements Team, a significant training programme was in place. This was showing positive results alongside improved checking and re-work and work allocation processes. The challenges on the Bereavement Team primarily related to checking processes. The team had now changed the way of checking and added additional controls. The work allocation had also been revised and the performance against the SLA was significantly improving into April and May.

The Chair expressed appreciation for the hard work of the Pension Administration Team in holding the LPPA into account. He considered it necessary to reiterate the Committee's frustrations to the LPPA's MD about the performance against SLA and the quality of data. He said he stood ready

to join any pre-meeting with the MD to express the concerns raised by members at several occasions in the past.

**ACTION: Eleanor Dennis**

## **RESOLVED**

That the Committee noted the contents of this report.

### **5. PENSION ADMINISTRATION UPDATE**

Eleanor Dennis (Head of Pensions) briefed members that the Hammersmith & Fulham Pension Fund (HFPPF) began its new partnership with the Local Pension Partnership Administration (LPPA) on 28 January 2022 and had completed a full 12 months of service. The service delivered by LPPA continued to face challenges that were monitored closely by the LBHF Head of Pensions. LPPA had acknowledged their unsatisfactory service and were 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.

Eleanor Dennis then updated the Committee on the key areas, including fund employers, backlog, communications, engagement, pensioners, regulatory, overpayments and log of recommendations. Members noted that the LPPA had increased their forecast for 2022/23 budget from £384,000 to £399,000 because of increased IT and resourcing costs. In addition, they had issued their 2023/24 budget which increased costs had been smoothed over 3 years that meant the cost per member for 2023/24 would increase from £23.03 to £26.56.

Councillor Florian Chevoppe-Verdier was pleased to see the LPPA was making signs of improvements at varying stages. However, this would come along with charging more. In this connection, the Chair advised that it was poor planning and short-sighted for the LPPA to pass the increases in IT cost and inflation onto the clients. On resources, he was concerned about the level of brain drain in the Pension Administration industry. Eleanor Dennis t she would clarify to the members the rational of the increased budget outside of the meeting.

**ACTION: Eleanor Dennis**

David Hughes (Director of Audit, Fraud, Risk and Insurance) said he expected regular senior engagement with LPPA was a helpful step to keep raising concerns and challenges to meet the needs of HFPPF.

Marian George questioned the Head of Pensions on the completion date for a paper on The Pension Regulators Code of Practice No 14 "Governance and administration of public service pension schemes".

Eleanor Dennis, noting that this code of practice contained 100 tasks and the Fund was focusing on establishing robust framework of processes, tasks and practices in line with the Code of Practice, the timescale was reasonable.

Councillor Chevoppe-Verdier asked if this was in line with the Pension Regulator's expectations. David Hughes said the work of LPPA would be prioritised to meet the service requirements. Eleanor Dennis confirmed the Pensions Regulator had a pragmatic approach and that where relevant would continue to consult any areas of concern with very experienced stakeholders like the legal adviser.

Responding to Councillor Laura Janes' concerns, Eleanor Dennis confirmed that the pensioners newsletter could be found online at the Fund's website, with tabs on tips against the rising cost of living.

## **RESOLVED**

That the Committee noted the contents of this report and agreed the revised LPPA budget.

## **6. DRAFT PENSION FUND STATEMENT OF ACCOUNTS**

Sian Cogley (Pension Fund Manager) presented the draft Pension Fund Statement of Accounts for the year ended 31 March 2023.

Michael Adam was concerned why a marginal reduction in asset value would attract a reduction of transaction costs by 30%. Sian Cogley said that the cost reduction was primarily due to fees being calculated from net asset value, and the net asset value had reduced from the previous year. There were also fewer transaction costs due to fewer redemptions and capital calls in the year.

Marian George (Independent Advisor) raised a correction needed to Note 18 of the Accounts document. Sian Cogley responded that this change had since been undertaken between the submission of documents and this meeting of the Pension Fund Committee. Phil Triggs (Director of Treasury and Pensions) explained the wider context in terms of the need for the change for the benefit of the committee. There was a delay to the Council's main statement of accounts due to changes to the accounting code of practice regarding valuation of the Council's highway infrastructure which needed subsequent further external audit fieldwork, which in turn resulted in the Pension Fund accounts publication also being delayed.

Because of these significant delays, this meant that the fund's 2022 Actuarial Valuation had concluded, hence, the IAS19 figures in the Council's accounts were out-of-date as they had been prepared based on the prior 2019 Actuarial Valuation. Officers therefore instructed the fund actuary to amend the IAS19 statement to facilitate a restatement in the Pension Fund Accounts for 21/22 closing (and 22/23 opening) balances.

Phil Triggs also undertook to provide the information requested after the meeting with respect to Councillor Florian Chevoppe-Verdier's enquiry about the pension's funds current assets.



## **RESOLVED**

That the Committee noted the 2022/23 draft Statement of Accounts.

### **7. PENSION FUND DRAFT INVESTMENT BELIEFS**

Kevin Humpherson (Isio) introduced the draft investment beliefs statement, which would assist in developing a set of core beliefs to be adopted by the Fund, namely, a) Investment Governance; b) Long Term Approach; c) Environmental, Social and Governance (ESG) factors; d) Asset Allocation; and e) Management Strategies. These beliefs would form the foundation of discussions, and assist decisions regarding the Fund's structure, its strategic asset allocation and selecting investment managers.

Marian George (Independent Advisor) gave detailed comments on the draft and exchanged views with Kevin Humpherson and Committee members on current best practice and guidance.

The Chair suggested holding a regular review of investment beliefs statement once every 12 months.

## **RESOLVED**

That the Committee commented on the draft investment beliefs statement.

### **8. PENSION FUND QUARTERLY UPDATE PACK**

Sian Cogley (Pension Fund Manager) provided the Committee with a summary of the Pension Fund's:

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

Responding to Michael Adam's question, Sian Cogley apologised that the deficit as recorded on page 52 should in fact be surplus.

## **RESOLVED**

That the Committee noted the update.

### **9. INVESTMENT STRATEGY UPDATE**

#### **Exclusion of the public and press**

The Committee resolved, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following item of business, on the grounds that it contains 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.

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 Alpha Real Capital commercial ground rents, funded from Ruffer.
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.

Sian Cogley (Pension Fund Manager) apologised for an error repeated throughout the appendices regarding the commercial ground rents funded from Ruffer. The materials referred to this as funded from Alpha Real.

Phil Triggs (Director of Treasury and Pensions) and Kevin Humpherson (Isio) took members through the four exempt Appendices to assist the committee in its decision making regarding the investment strategy of the Fund.

## **RESOLVED**

1. That the Committee agreed to maintain the current ratio of active and passive investment within the revised equity allocation.
2. That the Committee reviewed the issues with the LCIV Global Bond Fund outlined in Appendix 1 and agreed to begin a search for a new fixed income manager.
3. That the Committee reviewed the long list of Renewable Energy Infrastructure Managers provided by Isio and agreed a shortlist, inclusive of Quinbrook's Renewable Impact Fund, Alpha Real Capital's Diversified Renewables Infrastructure Fund and the London CIV Renewable Energy Fund, to invite to the next meeting of the committee with a view to appoint.
4. That the Committee agreed to engage with six fund managers at an Extraordinary meeting on a date in July.

## **10. DATES OF FUTURE MEETINGS**

The Committee noted the dates of future meetings:

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

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

See Item 6.

Meeting started: 7.04 pm  
Meeting ended: 9.54 pm

Chair .....

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# Pension Fund Committee Minutes



Monday 31 July 2023

## **PRESENT**

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

**Co-opted member:** Michael Adam

**Other Councillor:** Councillor Rowan Ree (Cabinet Member for Finance and Reform)

**Officers:** Phil Triggs (Director of Treasury and Pensions), Sian Cogley (Pension Fund Manager) and Debbie Yau (Committee Coordinator)

**Advisors:** Jonny Moore (Isio) and Marian George (Independent Advisor)

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

An apology for absence were received from Iain Cassidy.

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

Councillor Adrian Pascu-Tulbure declared a non-pecuniary interest in item 3, noting that one of the shortlisted fund manager representatives was a casual acquaintance. He participated in the discussion and voting on the item.

### **3. RENEWABLE INFRASTRUCTURE AND FIXED INCOME MANAGERS**

Phil Triggs (Director of Treasury and Pensions) introduced the report which provided an overview of the background to the decisions to be made following the Pension Fund committee meeting 13 June 2023. He referred to Isio's manager selection exercise and the meetings with shortlisted managers in the afternoon,

#### **Exclusion of the public and press**

The Committee resolved, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contained 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 outweighed the public interest in disclosing the information.

The Committee held further discussions in the private session that followed.

**RESOLVED**

The Committee agreed to

1. Select Quinbrook for a renewable energy infrastructure product; and
2. Make further deliberations reference one of the options presented for a Buy and Maintain bond product at the meeting on 19 September 2023.

**4. DATE OF THE NEXT MEETING**

The Committee noted the dates of future meetings:

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

**5. EXCLUSION OF THE PUBLIC AND PRESS**

Please see item 3.

Meeting started: 7.38 pm  
Meeting ended: 8.23 pm

Chair .....

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# Agenda Item 4

London Borough of Hammersmith & Fulham

## Pensions Board Minutes



Wednesday 8 February 2023

### PRESENT

**Committee members:** Councillors Nikos Souslous (Chair) and Rory Vaughan

**Co-opted members:** Neil Newton

**Officers:** Eleanor Dennis (Head of Pensions), Phil Triggs (Director of Treasury and Pensions) and Sian Cogley (Pension Fund Manager)

**Clerk:** Debbie Yau

#### 1. APOLOGIES FOR ABSENCE

An apology for absence was received from William O'Connell, a co-opted member.

#### 2. DECLARATIONS OF INTEREST

There were no declarations of interest.

#### 3. MINUTES OF THE PREVIOUS PENSIONS BOARD MEETING

The minutes of the meeting held on 8 June 2022 were agreed as an accurate record.

#### 4. MINUTES OF PREVIOUS PENSION FUND COMMITTEE MEETINGS

The minutes and exempt minutes of the Pension Fund Committee meetings held on 20 June, 7 September, 6 October and 15 November 2022 were noted.

#### 5. KEY PERFORMANCE INDICATORS

Eleanor Dennis (Head of Pensions) gave a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Hammersmith & Fulham Pension Fund (HFPP) in respect of the Key Performance Indicators (KPIs) for the period April 2022 – September 2022, i.e., Quarter 1 (Q1) and Quarter 2 (Q2) inclusive.

Councillor Rory Vaughan said he was pleased to see an improvement in LPPA's service between Q1 and Q2. Noting that the Pension Fund Committee (PFC) had scrutinised the performance of LPPA a few times and that some issues could be due

to teething problem, he asked about the expected timing for LPPA's quarterly Service Level Agreement (SLA) performance to meet the target of 95% having regard that it was on board for one year already.

Eleanor Dennis considered that the poor performance of LPPA in Q2 was mainly due to the lack of resources and priority to its planning and preparation of migrating to a new software platform for all LPPA clients. In fact, the KPIs for Q3 and Q4 were relaxed to take into account the transition to the new system. In terms of a recovery plan to meet the target, she noted that the LPPA would have presented their business plan to PFC and all clients by the end of the month. Councillor Vaughan believed that the PFC would keep LPPA "on-track" and asked Eleanor to convey this Board's concerns to the LPPA.

**ACTION: Eleanor Dennis**

In response to Neil Newton's enquiry, Eleanor Dennis confirmed that the internal migration had completed as planned in December 2022. The outgoing platform service provider had exited earlier than anticipated and this was why the migration had caused a bigger impact on the services that had been anticipated for all LPPA's clients.

On the question of complaints received from scheme members raised by Neil Newton, Eleanor Dennis noted that there was not anything in the portal advising people on the quality of services. The LPPA did ask callers to feedback on customers' level of satisfaction which was 66% for Q2. However, the statistics were not fund specific and hence did not represent scheme members of HFPF. As regard how could a caller who had abandoned a call after waiting for 9 minutes express dissatisfaction, Eleanor noted that a formal complaint process was highlighted on the Fund's external website through which individuals might lodge complaints with the LPPA or HFPF as well as via the in-house pensions team. The LPPA were reporting the helpdesk statistics on a fortnightly basis to the Head of Pensions. In fact, her team had received a higher number of complaints at the beginning of the migration. To minimise the negative experience of the scheme members during the migration, staff in her team did take on queries to resolve directly with LPPA on the members' or employers' behalf to help those members who wanted to get in touch or with issues to resolve during the poor performance period.

Neil Newton remarked that the helpdesk call statistics had noted the wait time range when the calls were received which however did not cover the number of people who had abandoned their calls after waiting for certain minutes. Eleanor Dennis noted that abandoned rate was shared with her, but she would ask if this could be made available. She understood that the Managing Director had sat on the helpdesk, trying to understand the issues involved and work out measures that could help alleviate the number of the calls and minimise the wait time. The Chair noted that in January 2022, 90% of calls were answered. He asked whether the 10% unanswered calls were abandoned calls. Eleanor advised that the calls referred to those answered within 4 minutes. Councillor Vaughan considered that the "Calls Answered" statistics would have a higher reference value if it also counted unanswered calls abandoned, say, after 5 mins. Eleanor undertook to ask LPPA for more information on abandonment rate.

**ACTION: Eleanor Dennis**

Councillor Vaughan considered a call-back service would be helpful in saving people hanging up. Eleanor Dennis said this had been raised by the PFC also and that call-back service was among the options the LPPA would look at in the future.

Noting that the number of calls had fallen during summer 2022 but it took longer for the calls to be answered, the Chair asked for the reasons. Eleanor Dennis said that less calls might be due to summer holiday and more people engaged online with the portal. For calls taking longer to answer, Eleanor highlighted that resources were stretched in planning for system migration during the summer months, taking away resources from the core service however noting that bereavement calls were triaged so that they went straight through to the bereavement team and did not sit on a queue. She said that there had been an improvement in service between Q1 and Q2 of LPPA providing an administration service to the Fund, however, there remained room for improvement from LPPA in terms of both the KPIs and on the Helpdesk calls.

**RESOLVED**

That the Board noted the report, in particular the complaint handling mechanism.

**6. PENSION ADMINISTRATION UPDATE**

Eleanor Dennis (Head of Pensions) introduced the key areas of the Pension Administration Update report.

In reply to the concerns of Councillor Vaughan and Neil Newton on log recommendation #24 which was yet to start, Eleanor Dennis advised that the Communication Policy was a statement which detailed how information on the Fund would be made available ie via the LPPA portal and external website for reference of members and other stakeholders. She said that the Policy would be updated in line with the LPPA and Fund communication methods in the scheme year 2023/24. She confirmed once the policy was drafted it would be presented to the Pension Fund Committee and the log would be updated. Neil recalled that such information used to be included in the Fund's newsletter which was, in his opinion, a good channel to communicate with scheme members. Eleanor agreed that there should be a pensioners' newsletter issued by the LPPA and said she would find out the timeline of its issue with the LPPA.

**ACTION: Eleanor Dennis**

Neil Newton referred to log recommendation #5 which sought to actively seek to co-opt a non-voting Employee representative. As he understood, the Pensions Board had been set up by legislation to hold the PFC to account in terms of compliance, and to ensure effective and efficient administration of the HFPPF. He noted from the minutes of previous PFC meetings that the agenda of the Board meeting duplicated what the PFC had already considered. As the recommendation was to co-opt a non-voting member onto the PFC, he questioned the need for the two bodies to co-exist and duplicate work.



Councillor Vaughan noted that the Pensions Board was set up by statute. He understood that it was not possible to co-opt voting scheme members onto the PFC.

Phil Triggs (Director of Treasury and Pensions) noted that according to the Council's Constitution, the PFC could co-opt non-voting independent members. Currently, the two co-opted members of PFC were ex-councillors who could share their knowledge and experience with other members. He suggested it was possible to amend the Constitution and give co-opted members voting rights.

Members exchanged views on the way forward and considered it necessary to seek the views of the Governance and Legal in this regard.

**ACTION: Governance**

### **RESOLVED**

That the Board noted the content of the report and looked forward to the issuing of the pensioners' newsletter.

## **7. PENSION FUND QUARTERLY UPDATE PACK**

Phil Triggs (Director of Treasury and Pensions) provided a summary of the Pension Fund's overall performance for the quarter ended 30 September 2022, its cashflow update and forecast, and assessment of risks and actions taken to mitigate these.

Members noted that the valuation of HFPF and the best funded scheme of Kensington & Chelsea stood at 105% and 154% respectively, based on the prevailing assumptions of valuation. Phil Triggs added that there would be an exercise by the Government's Actuary Department whereby all the client-based assumptions would be placed on a level-playing field to enable a meaningful comparison, probably from this April onward once all the processes being finalised. He said that the full report for the third quarter ending 31 December 2022 would be presented to the PFC at its meeting on 28 February 2023.

The Chair asked about the purpose of the ESG dashboard. Phil Triggs noted that it was a product developed by the LBHF to provide further accountability and allow members of the Fund to explore the impact of its investments. Being well received at the LGC Conference in Leeds in September 2022, the dashboard was anticipated to become a marketable item to generate some income for the Fund.

### **RESOLVED**

That the Board noted the update.

## **8. DATE OF THE FUTURE MEETINGS**

Members noted the dates of future meetings:

- 7 June 2023
- 6 February 202

Meeting started: 7.00 pm  
Meeting ended: 7.50 pm

**Chair** .....

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# Pensions Board

## Minutes



Wednesday 7 June 2023

### PRESENT

**Committee members:** Councillors Ashok Patel (Chair) and Nikos Souslous

**Co-opted members:** William O'Connell (attended remotely)

**Officers:** Eleanor Dennis (Head of Pensions), David Hughes (Director of Audit, Fraud, Risk and Insurance), Patrick Rowe (Strategic Finance Manager, Treasury and Pensions), Sian Cogley (Pension Fund Manager) and Debbie Yau (Committee Coordinator)

#### 1. APOLOGIES FOR ABSENCE

An apology for absence was received from Neil Newton who had also resigned his position on the Board. Members noted that a replacement would be identified shortly.

#### 2. DECLARATIONS OF INTEREST

There were no declarations of interest.

#### 3. MINUTES OF THE PREVIOUS MEETING

Responding to the members' enquiries, Eleanor Dennis (Head of Pensions) noted that the rates of abandoned helpdesk calls would be covered in her later report on the agenda. She also advised that according to the Local Pension Partnership Administration (LPPA), they did not intend to explore call-back service at the moment but it would be something to look at in the future if required.

### **RESOLVED**

The minutes of meeting held on 8 February 2023 were agreed as an accurate record.

#### 4. MINUTES OF PREVIOUS PENSION FUND COMMITTEE MEETINGS

Referring to the meeting of the Pension Fund Committee (PFC) on 28 February 2023, the Chair asked about the progress of the formal letter agreed to be sent out to LPPA for better performance. Eleanor Dennis noted that the formal letter might be

sent pending an improvement of the key performance data for the period between April to June (Quarter 1) 2023.

As regards the promised interim reports, Eleanor Dennis said that LPPA had provided some regular reports including key performance updates for the period April and May 2023, which had been circulated to members of the PFC.

## **RESOLVED**

The minutes and exempt minutes of the PFC meetings held on 24 January and 28 February 2023 were noted.

## **5. PENSION ADMINISTRATION UPDATE**

Eleanor Dennis (Head of Pensions) presented the report which provided a summary of activity in key areas of pension administration for the Hammersmith and Fulham Pension Fund (HFPP). She confirmed that the rate of abandoned helpdesk calls was 3%.

Councillor Nikos Souslous expressed concern that the LPPA no longer recorded call data in respect of the London Borough of Hammersmith and Fulham (LBHF). Echoing his disappointment, Eleanor Dennis noted that after sharing this concern to the LPPA's Managing Director (MD), they had hoped to re-introduce the feature and make available data on calls per client in the future.

In reply to Councillor Souslous' question about the monthly submission process, Eleanor Dennis noted that about 78% of LBHF's employers had attended the relevant online training sessions offered by LPPA. The Fund employers would be engaged in submitting monthly returns following the "end of year" process due by 28<sup>th</sup> of April. On the Chair's further enquiry about the number of outstanding submissions after the deadline, Eleanor Dennis explained that the switch from annual to monthly returns would help enhance data quality. David Hughes (Director of Audit, Fraud, Risk and Insurance) added that the Pension Administration team was working together with the Fund employers to push forward this monthly submission initiative with a view to improving data quality.

William O'Connell noted from his portal account that his Annual Benefit Statement for the year 2020/21 which should have been issued by the previous administrator was missing. Eleanor Dennis agreed to follow up.

### **ACTION: Eleanor Dennis**

Noting from the report that the LPPA had acknowledged their unsatisfactory service but were 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, the Chair asked about the progress of these initiatives. Eleanor Dennis noted that the initiatives did not work out as expected, for example, the client relationship function was not effective and the centralised mailbox framework was pre-mature. Her team needed to process some issues/cases directly with the respective teams rather than via the client management forum such as those related

to transfers. David Hughes added that feedback had been made during the meetings with the LPPA's MD.

With reference to the frustration expressed by PFC members about increasing the budget for the pension administration service despite its poor performance, the Chair was concerned whether the LBHF could challenge the LPPA's proposed increase of 2022/23 budget from £384,000 to £399,000. Eleanor Dennis responded that PFC members had also raised concerns about the significant rising cost per member. However, LPPA was a non-profit making organisation which had lost 32% resources due to staff turnover and had difficulties in recruiting experienced staff, and the costs were increasing due to increased IT costs and costs for additional resources as well as to retain staff. While striving to meet the increased IT/system costs. She stressed that in paying the additional fee for LPPA's service, the LBHF had sought to challenge its under-performance and express dissatisfaction through the formal letter highlighting the areas that needed improvement.

David Hughes remarked that LBHF was one of the partners among all the LPPA clients who were sharing the increased costs. He stressed that service feedback would be made through the regular meetings with the LPPA's MD to ensure service improvements.

Councillor Soulous asked how did the LPPA's increased budget compare with that of other service providers in the sector. Eleanor Dennis undertook to provide the information.

**ACTION: Eleanor Dennis**

Noting from the report that there was no outstanding backlog with LPPA of LBHF cases, William O'Connell referred to his enquiry which was outstanding for about 10 weeks. Eleanor Dennis noted that both the inherited backlogs as well as those created in the past two quarters had been cleared. Nevertheless, she undertook to follow up his enquiry case to see how her team could give the necessary support.

**ACTION: Eleanor Dennis**

William O'Connell asked whether LPAA would take new clients in the coming year as it had in 2022/23. Eleanor Dennis clarified that LPPA had not taken on new clients but migrating clients to the new system. All phases of the project had now been completed, with all clients using the same system which allowed more cohesion and became a better place to deliver the Key Performance Indicators (KPIs).

William O'Connell noted that a friend who got an account on the online portal did not receive the pensioners' newsletter. Eleanor Dennis understood that the pensioners' newsletter was either sent to the direct email address or uploaded to the accounts of the portal which should contain all historical information for individual members. She added that the newsletter was despatched electronically except individual requests for hardcopies.

## **RESOLVED**

The Board noted the contents of the report.

## 6. KEY PERFORMANCE INDICATORS

Eleanor Dennis (Head of Pensions) presented the report which summarised the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the HFPF during the period between October 2022 and March 2023, i.e, from Q2 to Q4 of 2022/23.

Addressing Councillor Nikos Souslous' concern of including helpdesk performance as one of the KPIs, Eleanor Dennis noted that although the set of KPIs remained the same since LPPA coming on board, its MD agreed to consider including helpdesk data as one of the performance indicators in the future.

Councillor Souslous referred to concerns on the difference between the average wait time and the longest wait time range from over 2 minutes for helpdesk calls and its fluctuating trend of more than 15 minutes and asked how this had been taken care of. Eleanor Dennis said she had consulted the LPPA's Strategic Director on the big gap between the two extremes and undertook to relay any feedback received to the Board. She further noted that Dec 22 had the lowest number of calls but a big increase in average wait time which was due to Christmas break/annual leave.

### **ACTION: Eleanor Dennis**

Replying to Councillor Souslous' further question on recording and processing the cases received before the Christmas gap/annual leave, Eleanor Dennis recalled her challenge on LPPA's performance in last December that while understanding the stretch of resources during system migration, the LBHF, as a client, would expect LPPA to be resilient and still able to deliver in line with the Service Level Agreement (SLA) targets.

The Chair sought the reason why the processing of death cases was particularly poor in Q3 of 2022/23. Eleanor Dennis advised that there was an incorrect trigger of recording the cases before the department had got the relevant information for processing. As the system clock had already started ticking before the processing, these cases hence failed to meet the SLA target of 5 working days. David Hughes (Director of Audit, Fraud, Risk and Insurance) appreciated that the LPPA had acknowledged the impact on reporting and taken steps to rectify the situation.

The Chair referred to page 58 of the agenda pack and asked how the SLA targets in respect of the performance standard had been set. Eleanor Dennis noted that the service levels for individual case types were set out in the discharge agreement drawn up by LPPA, with SLA targets ranging 5, 10 or 15 days. She added that during the report period from January to March 2023, the KPI target of 95% was met by 4 case types.

The Chair reiterated the PFC's request to review the discharge agreement. He also requested for a copy of the discharge agreement to enhance members' understanding of the SLA and KPI targets. David Hughes clarified that PFC had not asked to review the discharge agreement but rather asked if there was a clause for

financial recompense for poor performance, which there was not. The Committee had accepted the proposed increase in budget plus sending the LPPA a strong worded letter for performance improvement. Eleanor Dennis added that as agreed with the Chair of PFC, the draft formal letter was being held back pending the performance data for Q1 of 2023/24 (April to June 2023).

**RESOLVED**

The Board noted the contents of the report.

**7. PENSION FUND QUARTERLY UPDATE PACK**

**Exclusion of the public and press**

The Committee resolved, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following item of business, on the grounds that it contains 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.

Siân Cogley (Pension Fund Manager) provided the Board with a summary of the Pension Fund's overall performance for the quarter ended 31 December 2022, the cashflow update and forecast, and an assessment of risks and actions taken to mitigate the above.

She also shared the updates made available for PFC meeting on 13 June 2023 that over the quarter to 31 March 2023:

- the market value of the assets had increased by £27.4m to £1,280.8m;
- the Fund had underperformed its benchmark net of fees by 1.1%, delivering a return of 2.5% over the quarter; and
- over the year to 31 March 2023, the fund had underperformed its benchmark by 0.3%, returning -1.7% overall.

Officers and members discussed the exempt appendices in private session.

**RESOLVED**

The Board noted the update.

**8. DATE OF THE NEXT MEETING**

Members noted the next meeting would be held on 6 February 2024.

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

See item 7.

Meeting started: 7.00 pm

Meeting ended: 7.46 pm

**Chair** .....

**Contact officer** Debbie Yau  
Committee Co-ordinator  
Corporate Services  
E-mail: [debbie.yau@lbhf.gov.uk](mailto:debbie.yau@lbhf.gov.uk)



**Report to:** Pension Fund Committee

**Date:** 19/09/2023

**Subject:** Key Performance indicators

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

**Responsible Director:** Sukvinder Kalsi, Director of Finance

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### 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 April 2023 – June 2023, i.e., Quarter 1 (Q1) for the scheme year 2023/24.

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### RECOMMENDATIONS

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

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**Wards Affected:** None

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

### 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, 1<sup>st</sup> September 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 26<sup>th</sup> 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) 1<sup>st</sup> September 2023

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## Background Papers Used in Preparing This Report

None

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## DETAILED ANALYSIS

### Analysis of Performance

1. The KPIs have been set out in the discharge agreement between the LPPA (Local Pension Partnership Administration) and the London Borough of Hammersmith & Fulham (LBHF). The Head of Pensions ensures performance measures are discussed and reviewed between both parties on a monthly basis in accordance with Code 14 of the Pension Regulator’s Code of Practice that states that the scheme manager should hold regular meetings with their service providers to monitor performance.
2. This report covers the performance of our administration partner LPPA Q1 of the pension fund scheme year 2023/24. The KPI’s detailed in Appendix 1 of the pension administration report cover the period 01 April 2023 to 30 June 2023 inclusive.
3. During the period April 2023 to June 2023, LPPA processed 1478 SLA cases, an increase of 54 cases from Q4 for the Hammersmith & Fulham Fund. The KPI performance target of 95% was met for 8 case types in Q1, compared to the 4 met in Q4. However overall quarterly KPI performance improved to 96.5% from 91.9% in Q4.
4. There is no KPI measure for the telephone Helpdesk, but the service provision continues has improved, in Q1 this fell to around 3.16 minutes compared to 6 minutes in quarter 4.

## **Performance in key areas**

5. Retirements – Performance on this task area has seen a much needed improvement. Despite still not meeting the target of 95%, active retirements saw an improved KPI of 84.1% in Q1, an improvement on both Q3 and Q4 performance. The processing of deferred retirements in Q1 saw a KPI of 89.7% a fall in performance from KPI of 96.1% in Q4. Retirement satisfaction scores were 58% in Q1 down from the 69% achieved in Q4.
6. Deaths – The processing of death cases has seen a continued upward trend with performance in Q1 of 85.7% of cases being completed on time, this has improved from the 73% 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 a decrease in the number of cases processed of 175 transfer cases in total (an decrease of 35 cases from Q4), that were received by LPPA in Q1. 96.8% of transfer ins were processed on time and 96.3% transfer outs.
8. Refunds – Performance on this case type continues to improve with 99.2% (and above target) of cases processed on time in Q1 versus 91% of cases in Q4.
9. 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**

10. We have seen a more significant improvement in the performance of the pension administration service provided in Quarter 1 by LPPA. The Head of Pensions hopes that by Q2 LPPA delivers on its promise to meet SLA targets on all task areas. As well as further progress towards improving the quality and ensuring that cases are processed accurately as well as efficiently.
11. None

## **Risk Management Implications**

12. None

## **Climate and Ecological Emergency Implications**

13. None

## **Consultation**

14. None

**LIST OF APPENDICES**

**Appendix 1 – LPPA Pension Administration report (Q1) April – June 2023**

**Appendix 2 – LPPA supplementary pension administration KPI data for Q1**

**LPP**

Local Pensions Partnership  
Administration

**Hammersmith & Fulham Pension Fund**

# **Quarterly Administration Report**

**1st April – 30th June 2023**

# CONTENTS

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



# DEFINITIONS

## Page 6

### Casework Performance - all cases

Performance is measured once all information is made available to LPPA to enable them to complete the Process. Relevant processes are assigned a target timescale for completion, and the performance is measured as the percentage of processes that have been completed within that timescale.

## Page 7

### Casework Performance - standard

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

- APC/AVC Queries
- Additional Conts Cessation
- Change of Hours
- Change of Personal Details
- Under Three Month Opt-Out
- Main to 50:50 Scheme Changes
- Divorce Quotes
- Divorce Settlement
- Ill Health Reviews

## 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.

# 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

## In this section...

- Performance - all cases
- Performance - standard

# CASEWORK PERFORMANCE

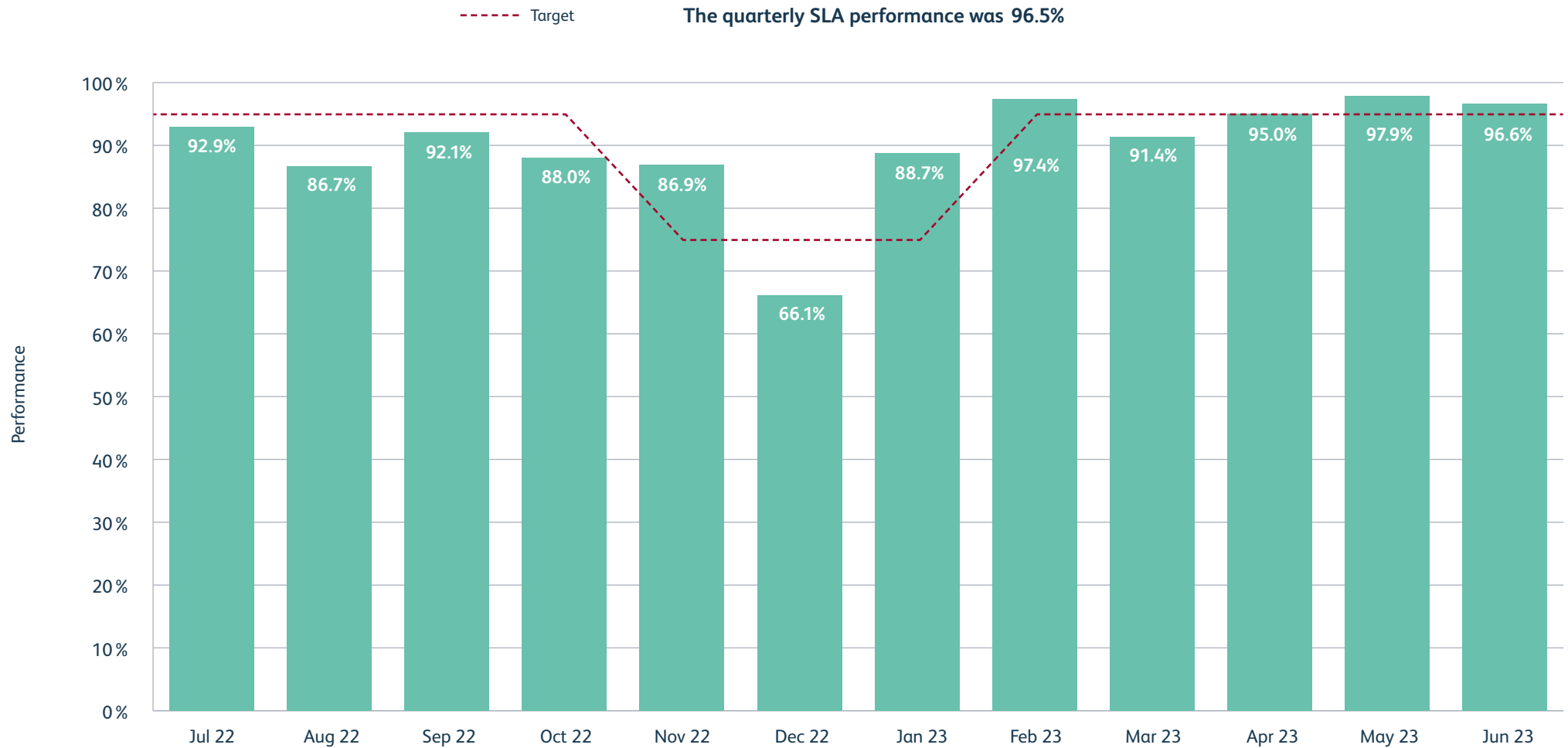
**Please note:**

Agreed with clients that LPPA's monthly operational targets would be relaxed from Nov 22 to Jan 23, in line with UPM migration timings (22/23).



## PERFORMANCE – ALL CASES

CLIENT SPECIFIC



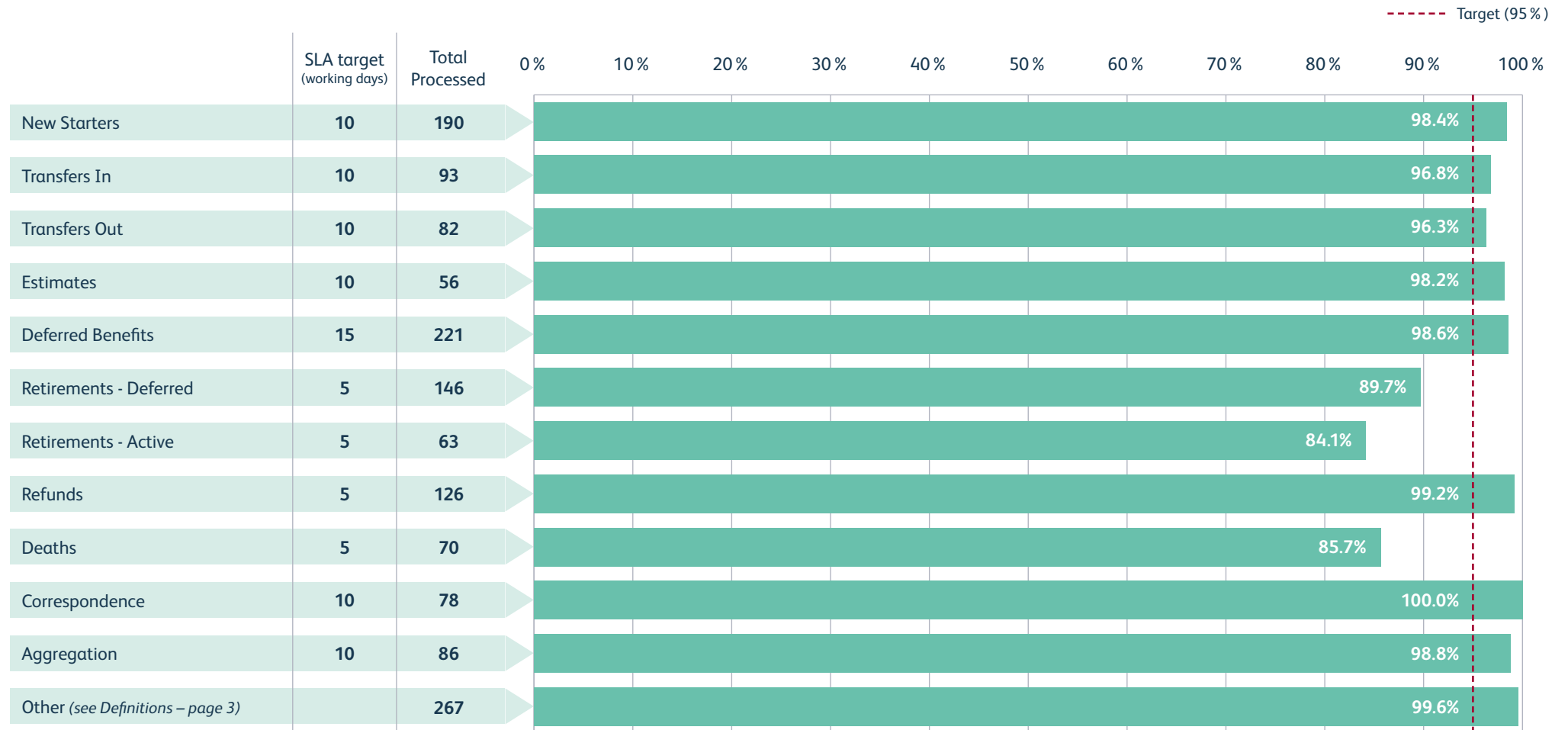
# CASEWORK PERFORMANCE



## PERFORMANCE STANDARD

CLIENT SPECIFIC

Page 35



# Helpdesk Calls Performance

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

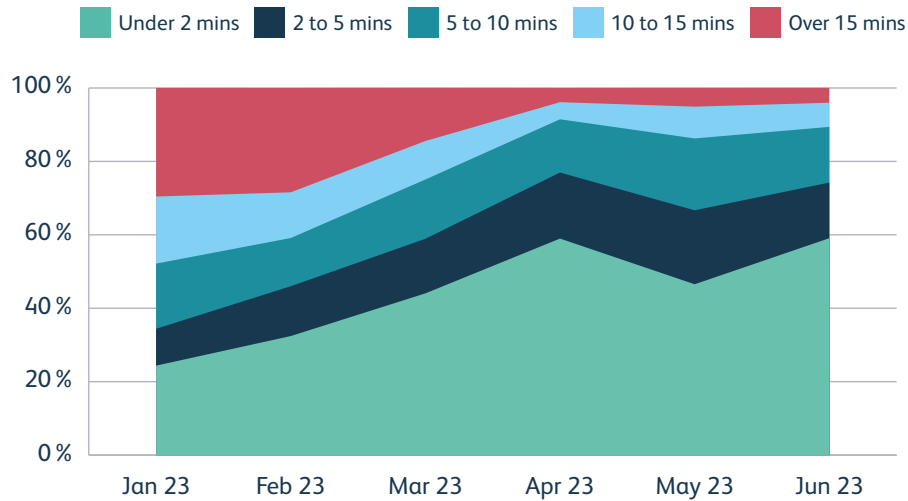
## **In this section...**

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

# HELPDESK CALLS PERFORMANCE

## WAIT TIME RANGE

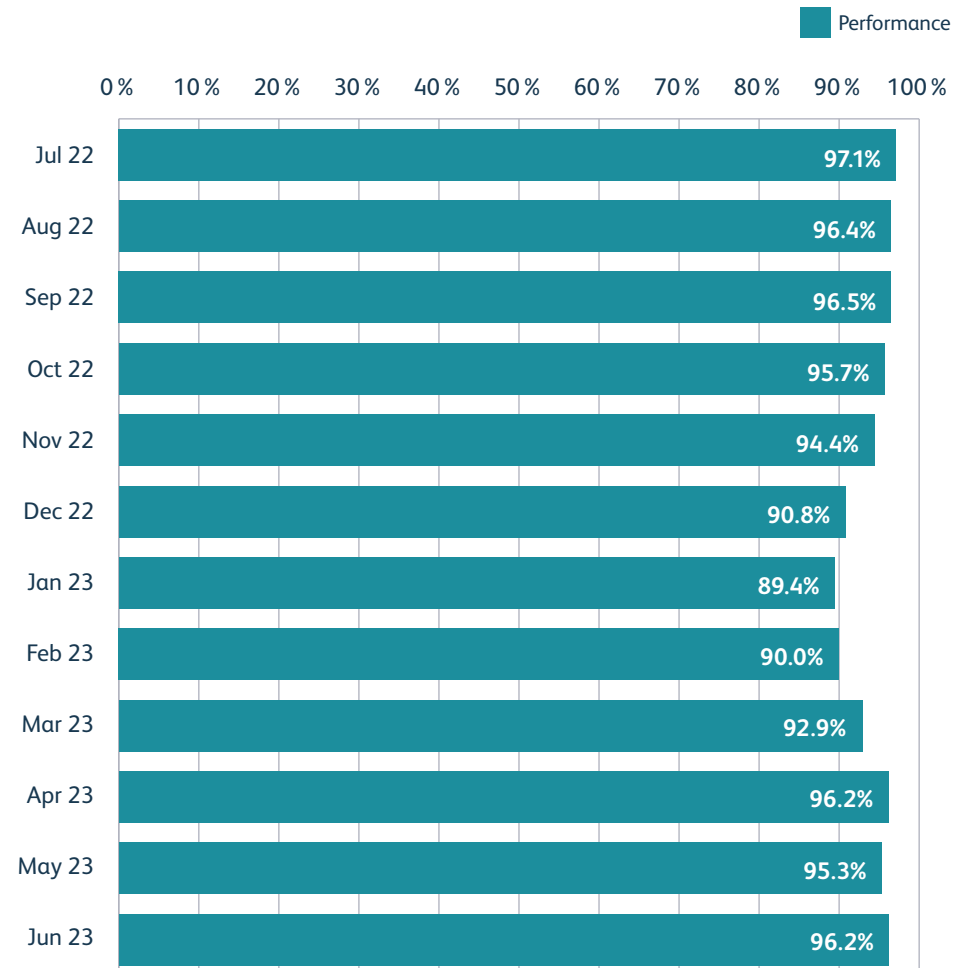
ALL LPPA



	Under 2 mins	2 to 5 mins	5 to 10 mins	10 to 15 mins	Over 15 mins
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%
Apr 23	59.0%	18.0%	14.5%	4.7%	3.9%
May 23	46.5%	20.2%	19.6%	8.7%	5.1%
Jun 23	59.1%	15.2%	15.2%	6.6%	4.1%

## CALLS ANSWERED (%)

ALL LPPA

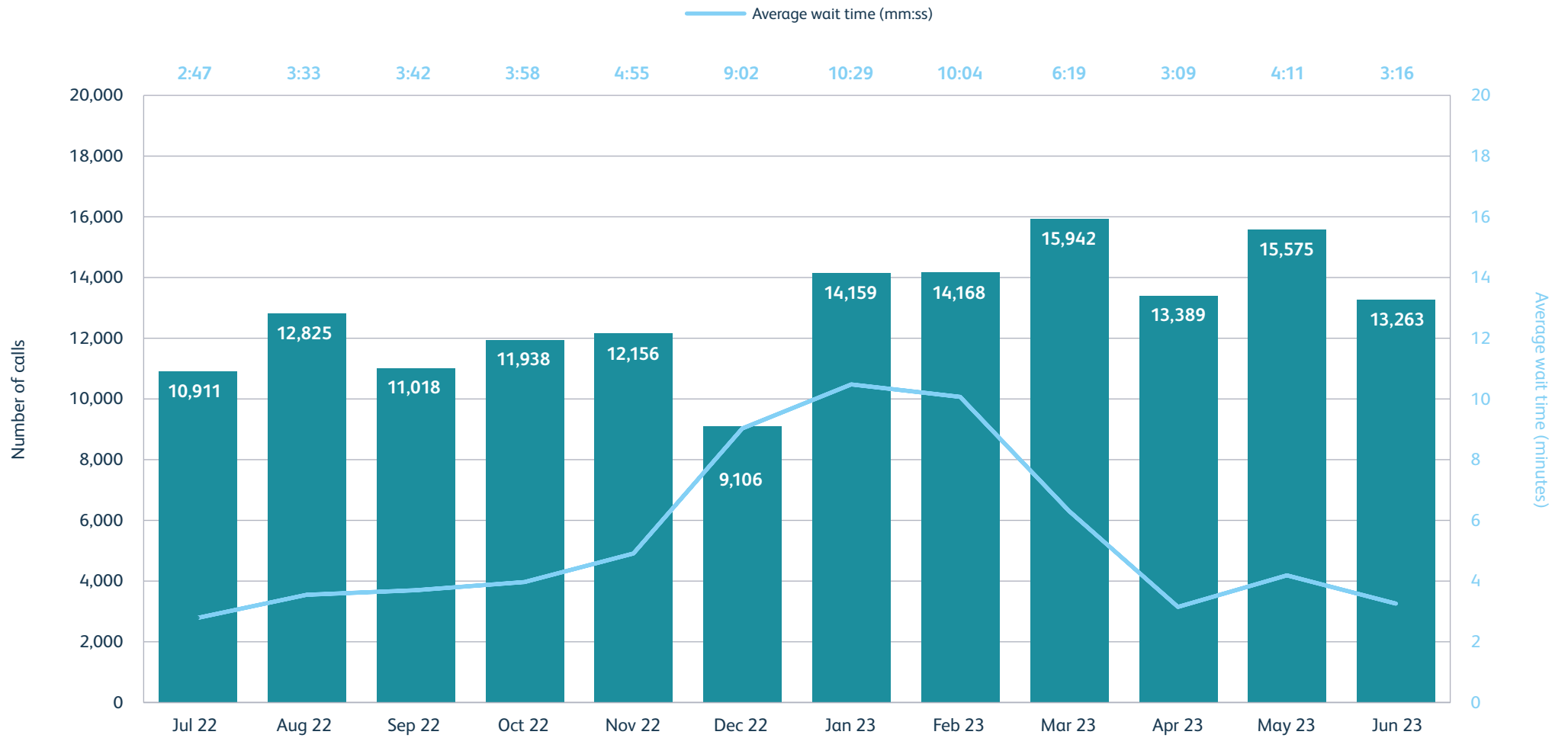


# HELPDESK CALLS PERFORMANCE



TOTAL CALLS

ALL LPPA



# LPP

Local Pensions Partnership  
Administration



Local Pensions Partnership  
Administration

# Hammersmith & Fulham Pension Fund Committee Quarter 1 2023-24 Additional KPI Data



**WORKING  
TOGETHER**



**COMMITTED TO  
EXCELLENCE**



**FORWARD  
THINKING**



**DOING THE  
RIGHT THING**



# April 2023

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

April-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
Admissions							3
Correspondence							
Deaths			1				3
Deferred Benefits							2
Estimates							
Refunds							
Retirements - Deferred	1	1				1	2
Retirements - Immediate		3		1			2
Transfers In				2			
Transfers Out							2
<b>Total</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>14</b>

# May 2023

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

May-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	1						
Deaths							
Deferred Benefits							1
Estimates							
Refunds							
Retirements - Deferred							4
Retirements - Immediate	1					1	
Transfers In							1
Transfers Out							1
Unallocated							1
<b>Total</b>	<b>2</b>					<b>1</b>	<b>8</b>

# June 2023

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

June-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					5
Deferred Benefits							
Estimates	1						
Refunds							1
Retirements - Deferred			3				3
Retirements - Immediate							2
Transfers In							
Transfers Out							
Unallocated							
<b>Total</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>

# Additional Information

## Missed SLA cases for Deaths

10 cases missed the SLA in Q1, and all of these were payments to next of kin. Significant work has taken place around ensuring the system is triggering the SLA start date at the correct point. Some of these cases the SLA trigger point was under the old methodology and triggered in the earlier point in the process. This has not been corrected retrospectively meaning that performance is likely to be under reported in some instances. The team have made considerable process and are working towards one day triage of cases.

ProcessID	Process Name	Completed When	Days Missed
6091267	Bereavement	Completed Late	3
5773898	Bereavement	Completed Late	23
5614302	Bereavement	Completed Late	22
5975147	Bereavement	Completed Late	35
5830148	Bereavement	Completed Late	50
6107156	Bereavement	Completed Late	34
6014785	Bereavement	Completed Late	27
5793805	Bereavement	Completed Late	83
6500045	Bereavement	Completed Late	2
6097400	Bereavement	Completed Late	39

# Additional Information

## Retirements

25 retirement cases missed their SLA in Q1 . 15 of them relate to Deferred Members and the remaining relate to Retirement from Active Status. Those that were payments impacting are detailed below; The delays were mainly due to delays in checking and poor accuracy. Changes have been implemented on the team to address the accuracy and additional senior resource appointed on the Retirements Team who is focused on the training and development of the newer staff.

ProcessID	Process Name	SLA	Target Date	Completed When	Days Missed
6172721	LG Deferred Retirement	19/04/2023	20/04/2023	Completed Late	1
5960526	LG Deferred Retirement	19/04/2023	21/04/2023	Completed Late	2
6074761	LG Deferred Retirement	13/04/2023	20/04/2023	Completed Late	7
6375607	LG Retirement	24/05/2023	31/05/2023	Completed Late	7
6362870	LG Deferred Retirement	22/05/2023	05/06/2023	Completed Late	14
6016608	LG Retirement	21/03/2023	11/04/2023	Completed Late	21
5867417	LG Deferred Retirement	27/03/2023	25/04/2023	Completed Late	29

# Agenda Item 6

LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 19/09/2023

**Subject:** Pension Administration Update

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

**Responsible Director:** Sukvinder Kalsi, Director of Finance

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## 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.

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## RECOMMENDATIONS

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

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**Wards Affected: None**

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

## **Finance Impact**

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

Sukvinder Kalsi, Director of Finance 4th September 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.

Angela Hogan, Chief Solicitor (Contracts and Procurement) 4th September 2023

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

**None**

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## **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.

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 a client relationship manager, more robust training, more recruitment, a centralised mailbox and client forums.

### **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 83.5% of these and the pensions team continue to work with employers to obtain and have in place the remaining policies. LPPA continue

to offer online training sessions for employers regarding the monthly submission process and to date 55% have been submitted.

3. Communications – The number of calls to the LPPA Helpdesk fell slightly in Q1 but also saw a welcome reduction in the average wait time of 3 minutes 45 seconds. The newsletter for active and deferred members was issued and a small number of attendees engaged with the member training session on the LGPS and retirement.
4. Engagement – There continues to be a positive trend from all membership groups engaging with the online portal. Q1 saw 72% of the membership now being registered with the online portal. This is up 30% from the number registered 12 months ago.
5. Pensioners – It has been identified that there were still a small number of pension increases that have not been applied from 2022. As a result of paying arrears due, one pensioner received an overpayment of over £3,000 in error, which has since been recovered. LPPA have apologised for this error and continue to investigate why some individuals did not receive their 2022 pension increase, as well ensure controls are in place to mitigate against such an overpayment occurring in these circumstances again.
6. Regulatory – The pension regulator over the next 2 years will require pension schemes to start issuing McCloud statements alongside members benefits statements and LPPA will be working with the Fund and our employers to ensure they have the data to comply with this requirement. HMRC will be providing tools and resources for members affected by the remedy.
7. Annual Benefit statements – These are required to be sent to all eligible members by the 31 August each year, less system challenges, clearer communication and collaborative approach meant the Fund has been able to send out 92% to active members and 99% to deferred members ahead of the regulatory deadline.
8. Overpayments – The pensions team are working with LPPA to look at legacy pension bereavement overpayments. Overpayments totalling over £4500 have been written off however the team have been able to recover £810.69. The pension team continue to work with LPPA and the LBHF debt recovery teams to try to recover further outstanding overpayment funds.
9. Log of recommendations – There is a separate paper detailing the revised communications policy, which was an outstanding action.

## **Conclusion**

The pension administration service delivered by LPPA despite the challenges continue to show some 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**

10. None

## **Risk Management Implications**

11. None

## **Climate and Ecological Emergency Implications**

12. None

## **Consultation**

13. None

## **Appendices**

### **Appendix 1**

Log of recommendations

Recommendations Log					
Recommendation number	Recommendation	Timeline Immediacy	Timeline date	Status	Comments
1	The Council give consideration to the removal of all reference to the Pensions function from the Terms of Reference of the Audit and Pensions Committee and that this Committee be renamed the Audit Committee.	Immediate	03-Mar-21	Complete	Agreed at Annual Council on 28 April 2021
2	The Council give consideration to revising the Constitution to place all responsibility for the LGPS pensions function that this 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 actioned 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. The recruitment of an employer representative has commenced for 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.		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	Complete	This policy has updated in the scheme year 2023/24 to bring this up to date with LPPA and Fund communication methods. This updated policy will be brought to the September 2023 PFC meeting.
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 has been reviewed and updated after the Fund completed its transfer of pension administration service to LPPA, as this is a priority for both the Fund and the employers. It allowed 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	Complete	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. However this has now been superseded by the single code which was due to be released in October 2023 and now postponed to April 2024. Relevant action will be taken once it is published.
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 apprised of the situation relating to the state and quality of the data/records of LBHF Pension Fund members as held by the Pensions Administration service provided by Surrey County Council and be asked for their comments, observations and suggestions with regard to this issue.	Not Immediate	31-Mar-24	Complete	Since this recommendation was made the Fund has since changed actuary and the 2022 valuation is complete. Therefore this recommendation has been superseded by the change of administrator and implementation of monthly data files for employers. 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 2018).	Immediate		Complete	The Director of Audit, Fraud, Risk and Insurance, as chair of the Pensions Taskforce, confirms that appropriate internal and external specialist advice and support have been engaged to support the implementation of a delegation agreement for the service to be provided by Local Pensions Partnership (LPP), an experienced LGPS pensions administration provider
30	The LBHF Pension Fund carefully and seriously consider combining all activity of the Fund under a single senior officer.	Closed and not to be progressed.		Complete	This recommendation has implications for the structure of the whole Tri-borough pension arrangement and is not a decision that can be taken forward at this point or a decision for the Pension Fund committee.
31	Should the scope of the role of an existing officer be expanded to cover all the activity of the Pension Fund proper consideration be given to reviewing and consequently enhancing their terms and conditions of service including remuneration.	Closed and not to be progressed.		Complete	This recommendation has implications for the structure of the whole Tri-borough pension arrangement and is not a decision that can be taken forward at this point nor is it a decision for the Pension Fund committee.
32	The Pension Fund Sub-Committee consider the appointment of an Independent Advisor with a remit across the Governance, Investment, Funding, Pensions Administration and Training activity of the LBHF Pension Fund.	Unassigned		Complete	Recruitment complete. Appointed advisor will attend meeting on 28 Feb 22.

**Report to:** Pension Fund Committee

**Date:** 19/09/2023

**Subject:** Communication Policy

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

**Responsible Director:** Sukvinder Kalsi, Director of Finance

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### SUMMARY

This report details why there is a requirement for a Communications policy for the Hammersmith & Fulham Pension Fund and Appendix 1 details the revised policy.

The report recommends that the Pension Fund Committee approves the revised communications policy, as set out in the Appendix 1 to this report, for the Hammersmith & Fulham Pension Fund. Approval and implementation fulfils the Council's obligations under the Local Government Pension Scheme Regulations 2013.

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### RECOMMENDATIONS

To approve the revised 2023 Communications policy for the Hammersmith & Fulham Pension Fund.

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**Wards Affected:** None

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

### Financial Impact

There are no financial implications to the revision of this policy.

Sukvinder Kalsi, Director of Finance 4th September 2023

## **Legal Implications**

This report recommends that the Pension Fund Committee approves the revised Communication policy, as set out in the Appendix 1 to this report, for the Pension Fund. Approval and implementation fulfils the Council's obligations under the Local Government Pension Scheme Regulations 2013

Angela Hogan, Chief Solicitor (Contracts and Procurement) 4<sup>th</sup> September 2023

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

**None**

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## **DETAILED ANALYSIS**

### **Proposal**

1. The Local Government Pension Scheme regulations 2013 require administering authorities who participate in the Local Government Pension Scheme (LGPS) to prepare, maintain and publish a statement setting out its communications policy.
2. The London borough of Hammersmith & Fulham is the administering authority responsible for the administering of the Hammersmith & Fulham Pension Fund. Which is part of the LGPS, the Fund has over 90 active fund employers and a membership of over 18,000 scheme members.
3. The policy has been prepared to meet objectives on how the Fund communicates with it's membership and their representatives, perspective membership and employers. It will be reviewed bi annually and updated if there are any material changes.
4. The policy is required to set out information on the Scheme, the frequency, format and method of the communications.

### **Reasons for Decision**

5. The recommendation is that the Committee accept this revised Communications policy which will replace the previous policy dated August 2016 with immediate effect and published on the Fund website.
6. Approval and implementation of the policy fulfils the Pension Fund's obligation under regulation 61 of the Local Government Pension Scheme Regulations 2013.

## **Equality Implications**

None

## **Risk Management Implications**

None

## **Climate and Ecological Emergency Implications**

None

## **Procurement implications**

None

## **LIST OF APPENDICES**

**Appendix 1 - Hammersmith & Fulham Pension Fund Communications Policy 2023**



## **Hammersmith & Fulham Pension Fund Communications Policy**

DRAFT

Version 5  
Last updated September 2023

## **Introduction**

This Communications Policy is a statement of how we deliver and manage the flow of communications within and outside the London borough of Hammersmith & Fulham Pension Fund.

Every Local Government Pension Scheme (LGPS) administering authority must prepare, publish and maintain a new policy statement on communication strategy. The details of this legal requirement are contained in Regulation 61 of the Local Government Pension Scheme Regulations 2013.

The LGPS Regulations require us to prepare, maintain and publish a statement setting out our policies on communications. We have prepared this document in line with these requirements.

The policy statement must set out (a) the policies on the provision of information and publicity about the Scheme to members, representatives of members, and scheme employers; (b) the format, frequency and method of distributing such information or publicity; and (c) the promotion of the Scheme to prospective members and their employing authorities. All interested parties other than those detailed in section (a), may also include advisors to the Fund, Government departments, The Pensions Regulator and Pension Board members.

## **Purpose**

The responsibility for communication material for the Scheme rests with the Administering Authority working in partnership with its Pension Administration provider, LPPA. This document reflects the LGPS Regulatory requirement for the administering authority to maintain a Statement concerning communications with members, representatives of members, prospective members; and Scheme employers and sets out how the Fund complies with Disclosure of Information Regulations, the Public Sector Pensions Act, the Local Government Pension Scheme Regulations and the Pension Regulators Code of Practice.

The Communication Policy Statement should be read in conjunction with the Pension Administration Strategy and the Fund's Business Plan.

This Statement will be published on the Pension Fund's website. It will be reviewed every three years and updated sooner if the communications arrangements or other matters included within require updating.

## **Aims and objectives**

Through the Fund's Communication we aims to:

- To ensure that information is provided which highlight the benefits of the Scheme, improve the understanding of how the Schemes works, the costs / funding relating to benefits and inform scheme members of their pension rights.

- Comply with our statutory obligations and relevant guidance.
- Keep stakeholders updated on latest developments
- Support informed decision making about investment, administration and governance of the Scheme
- Maintain the provision of timely and accurate data and associated reporting
- Reduce the number of queries and complaints received by the Fund.

The fund informs members and Scheme Employers of material changes to the Scheme via the website, email alerts or the appropriate newsletter.

### **Considerations**

When considering how to communicate with our stakeholders we consider the intended audience to ensure that our messages are delivered in a useful and easy to follow manner. This may involve using more than one method of communication based on the intended audience, albeit the Fund will aim to use digital communications where appropriate to do so given the efficiencies and ease of access it provides, as well as it being more environmentally friendly.

We will continue to develop our digital platforms to encourage greater accessibility to our service for all stakeholders. However Scheme members are able to elect not to receive electronic communications. Where this has occurred and the Fund is still required to provide information, which will be provided in paper form and sent by post.

The fund informs members and Scheme Employers of material changes to the Scheme via the website, email alerts or the appropriate newsletter.

The Fund have a legal obligation to process members data under the Local Government Pension Scheme 2013 regulations. The Fund also adheres to other legislative requirements, including the General Data Protection Regulations, Freedom of Information Act and pension disclosure legislation with the data we hold.

### **Actions**

The Fund strives to continually improve member and employer engagement.

The Fund informs members and Scheme Employers of material changes to the Scheme via the website, email alerts or the appropriate newsletter.

The Fund aims to produce communications which are factual, easy to understand and accessible. The Fund strives for efficiency in delivering communications through better use of technology, whilst ensuring that the needs of all stakeholders are taken into account.



## **Accessibility**

All of the Fund's information is produced in English in an electronic form however provision is made for those who require Braille or large print on request.

The Administering Authority is committed to using technology to enhance services, improve accessibility and broaden inclusion. All public sector websites are required to meet regulatory accessibility standards. Both LPPA and Hammersmith & Fulham Council have an accessibility statement setting out how documents held on their website on behalf of the Fund meet those standards.

The Fund's website is regularly updated to meet WCAG 2.1 accessibility requirements. As defined in the link below;

[WCAG 2 Overview | Web Accessibility Initiative \(WAI\) | W3C](#)

The Administering Authority recognises that individuals may have specific needs in relation to the format or language of our communication and we are happy to provide alternative material on request. Meeting accessibility requirements is an area of continual update and improvement for your funds website. We are always looking at ways to improve the accessibility of our information, so if you do encounter any problems, please let us know via emailing [pensions@lbhf.gov.uk](mailto:pensions@lbhf.gov.uk) or contacting LPPA on 0300 323 0260. Further information can be found at the websites below;

[Accessibility • Local Pensions Partnership Administration \(lppapensions.co.uk\)](#)

[Accessibility statement | LBHF](#)

## **Social Media**

The Fund does not have a profile on any social media such as Twitter or Facebook; no requests for such access have been received and there is no current added benefit for these to be created.

## **Review of Policy**

This document will be revised and republished whenever there is a material change to the way we communicate or engage with any of these groups.

## Summary of Hammersmith & Fulham Pension Fund communications

Communication	Format	Frequency	Audience
Statutory notification of joining the scheme	Letter, email	On the event	Members
LGPS Scheme guide	Electronic via LGPS member and regulation and via opsi site	Always available	All
Annual Benefit statements	Members are notified via email. All previous statements are held on the portal for the member to access at anytime	Annually before 31 August, Always available	Deferred and active members
Members' (active /deferred) newsletter	Via the LPPA website or sent electronically by email hard copy on request	Annually, Always available	Members
Pensioners newsletter	Electronically via LPPA website and or Pension Point	Annually, Always available	Pensioners
Employers newsletter	Electronically via LPPA website and or Pension Point	Annually, always available	Fund Employers
Guide for new pensioners	Email, letter	Always available	Pensioners
Pensions increase letter	Email, letter	On the event thereafter always available	Pensioners
Planning for retirement guidance	Electronic on LPPA website	Always available	n/a
Fund website	Electronically	Always available	All interested parties
Pension Point	Always available	Always available	All registered members
Additional pension contribution	Electronically	Always available	All interested parties

Guide to the Internal Disputes Resolution procedure	Always available online on Fund website	Always available	All interested parties
One to one meetings	Virtually, via phone or in person	Virtual and phone meetings are always available. Face to face meeting are available by appt at council offices	All interested parties
Forms and guides for employer	Electronically held on LPPA or HFPP website	Always available online from recorded session and you tube tutorials	All interested parties
Employer training	Virtually or via request	Always available online from recorded session and You Tube tutorials	All interested parties
Pension Board meeting minutes	Electronic via LBHF website	Always available from the meetings held biannually	All interested parties
Pension Fund Committee meeting minutes	Electronic via LBHF website	Always available from the meetings held quarterly	All interested parties
Pension fund report and account	Electronic via Fund and LBHF website	Always available	All interested parties
Investment Strategy Statement	Electronic via Fund and LBHF website	Always available	All interested parties
Investment Policy	Electronic via Fund and LBHF website	Always available	All interested parties
Governance Policy	Electronic via website	Always available	All interested parties
Funding Strategy Statement	Electronic via Fund and LBHF website	Always available	All interested parties
Pension Fund valuation report	Electronic via website	Always available, reviewed triennially	All interested parties

Annual benefit statement	Electronic via Pensionpoint or paper on request	Always available	Eligible active and deferred members
Pensioners pay Advice (P60)	Electronic via Pensionpoint or paper on request	Always available, produced annually	All pensioners

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**Report to:** Pension Fund Committee

**Date:** 19 September 2023

**Subject:** Buy and Maintain Credit Manager Selection

**Report author:** Siân Cogley, Pension Fund Manager

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

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### SUMMARY

This report presents an overview of the background to the decisions to be made following the extraordinary meeting of the Pension Fund committee on 31 July 2023.

### RECOMMENDATIONS

1. The committee is recommended to review the report in Appendix 1 and to appoint both the London CIV (Insight) and Allspring in facilitating the 15% allocation to Buy and Maintain Credit.

**Wards Affected:** None

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<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Being ruthlessly financially efficient	Manager selection 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**

Following the review of the London Borough of Hammersmith and Fulham's investment strategy at the Pension Fund Committee meeting of the 28 February 2023, the Committee agreed to make a 15% strategic allocation to fixed income which is to be implemented with an investment grade buy and maintain credit strategy.

At the Pension Fund Committee meeting of the 13 June 2023, the Committee reviewed a list of managers provided by Isio and invited three candidates to present with a view to making an appointment.

To facilitate this decision in a timely manner, an extraordinary meeting of the Pension Fund Committee took place on 31 July 2023 and, at this meeting, the Committee considered two potential products for a 15% (circa £195m) allocation to Buy and Maintain credit.

The Committee was unable to arrive at a decision due to insufficient information being available on one of the manager's strategies, particularly the model portfolio and fee information.

It was therefore decided that a number of follow up officer/manager meetings would be held, with each provider requested to expand on their proposed strategies and model portfolios. Meetings were attended by Phil Triggs (Director of Treasury and Pensions), Mike Adam (co-opted member) and Kevin Humpherson (investment adviser, Isio).

Appendix 1 to this report provides the committee with information on the model portfolios proposed by each manager, a breakdown of views on both organisations from Isio's manager research team, and a recommendation on the proposed Buy and Maintain allocation for the Fund.

### **LIST OF APPENDICES**

Appendix 1: LBHF Buy and Maintain Report September 2023 (exempt)

**Report to:** Pension Fund Committee

**Date:** 19 September 2023

**Subject:** Next Steps on Investments Government Consultation

**Report author:** Siân Cogley, Pension Fund Manager

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

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### SUMMARY

This report presents a brief summary of the background to the consultation and an overview of the consultation response included in Appendix 1.

### RECOMMENDATIONS

The committee is invited to review and comment on the draft consultation response.

**Wards Affected:** None

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<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Being ruthlessly financially efficient	The consultation gives the Pension Fund the opportunity to feed into the regulatory environment it operates within.

### Financial Impact

None.

### Legal Implications

None.

### DETAILED ANALYSIS

## **Background**

The consultation is asking for opinions on suggestions relating to the investments of the Local Government Pension Scheme (LGPS). It comprises the topics of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

The full consultation can be found here [Local Government Pension Scheme \(England and Wales\): Next steps on investments - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments)

## **Consultation Response**

### **1. Pooling**

The LBHF agrees that pooling is an appropriate strategy to realise economies of scale and value for money. There is also further scope for increased pooling of assets, collaboration between pools and sharing of skills and knowledge.

However, the Fund also notes within its response that there are challenges within pooling that impact the LGPS's ability to fully transition assets into the pool companies. LGPS Funds invest in a large range of assets, some of which are extremely specialised, and others are particularly long term focused.

Thus, pool companies may not always be able to offer appropriate investment solutions and so degrees of flexibility need to be considered when setting deadlines to transition.

### **2. Reporting**

The LBHF Fund disagrees with the proposals regarding reporting. LGPS Pension Funds are already under significant pressure with existing reporting requirements, and it is anticipated this will increase further due to the introduction of climate risk reporting in 2024/25. Current reporting requirements within the pension fund annual reports include a section on pool companies which incorporates performance, returns, costs and net savings.

It should be recognised that there are already substantial time constraints in this area and additional reporting requirements could delay the sign off of the pension fund annual pension fund report and accounts by external auditors.

However, if this reporting requirement were to be implemented, an accompanying guidance note from the SAB would be necessary.

### **3. Investments**

The LBHF Fund disagrees with the government's ambitions for a 10% allocation to private equity, 5% to infrastructure and 5% in levelling up investments because the proposal contradicts the LGPS schemes' autonomy to make their own investment decisions.



While a 10% allocation to private equity may be suitable for some funds, it will not fit all investment strategies, future funding profiles and pensions outflow obligations.

It is critical to stress that the LGPS's principal duty is to pay pensions in full and on time, and no action that could jeopardise the Fund's ability to do so should be taken.

## **LIST OF APPENDICES**

Appendix 1: LBHF Next Steps on Investment Consultation Response

## **Local Government Pension Scheme (England and Wales): Next Steps on Investments Consultation**

### **London Borough of Hammersmith and Fulham Pension Fund Response**

Further guidance from central government on next steps on investment within the public sector is valued by The London Borough of Hammersmith and Fulham. The London Borough of Hammersmith and Fulham Pension Fund is a key supporter of the London CIV asset pool, with 70% of assets pooled. Greater clarity on the relationship between clients and asset pools would therefore be of significant importance to the fund. The London Borough of Hammersmith and Fulham Pension Fund supports the government's move toward to levelling up investments, with more than 5% already committed to various initiatives. However, The Fund would urge caution with regard to being too prescriptive on asset allocation and has concerns over the 10% target to private equity, alongside the government's ambition for 5% within infrastructure and 5% to levelling up.

**Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?**

The London Borough of Hammersmith and Fulham Pension Fund agrees that pooling is a suitable strategy to achieve economies of scale and value for money. There is also further scope for increased pooling of assets, collaboration between pools and sharing of skills and knowledge.

It is important to note that there are challenges within pooling that impact LGPS's ability to fully transition assets into the pool companies. LGPS Funds invest in a large range of assets, some of which are extremely specialised, and others are particularly long term focused. Thus, pool companies may not always be able to offer appropriate investment solutions.

While it is noted that the government is keen to focus on fee reduction, the Fund believes that the focus should be on investment outperformance against a relevant benchmark net of fees. The Government proposals in questions 5,9, and 10 will themselves incur further costs and degradation of the fee/return ratio. The Fund wishes to emphasise that there is an optimal point in the cost/benefit analysis of achieving the trust of the public regarding transparency and net zero goals and reporting which ultimately is a finely tuned Committee decision. The priority for all LGPS Funds is maximising the return on investment to pay pensions in full and on time. Focusing on the absolute fees may provide some assistance in selecting products, but the overall value added to Funds should be considered as more relevant and useful information.

In some cases, the costs of an asset class/manager may be greater, but these may be justified by the higher returns or safely consistent returns. Therefore, it would

seem counterintuitive to transition, or possibly have to liquidate, those existing assets into pools at the expense of long-term performance.

**Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?**

The Fund does not disagree with a deadline to transition listed assets to their LGPS pool. However, there should be a degree of flexibility, recognising that this may not be possible for all funds. 31 March 2026 seems more sensible.

**Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?**

The London Borough of Hammersmith and Fulham Pension Fund does not believe that the interaction between funds and pools should be fully prescribed. Funds are responsible for setting their own strategic asset allocation and what works for one fund does not necessarily work for another. As with asset allocation, investment advisers are selected on their suitability for each fund. There is potential for conflict between the advice received from a pool and the advice received by the investment advisor for individual scheme Funds. The strengthening of relationships between pool companies and clients is vital to the success of pooling, so to insist upon a certain style of interaction between pools and funds would not be conducive to this result. In summary, effective collaboration between a fund and a pool companies should be possible without the need for guidance on how interactions should take place.

Additionally, pool companies may not always have suitable strategies/sub-funds on offer on their platforms, or the ability to adequately resource these strategies. There is concern that the increased demand on the pool companies may be significant, especially those with a large number of clients.

**Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?**

The London Borough of Hammersmith and Fulham Pension Fund agrees that it is of utmost importance that Committee members have the required skills and knowledge to make informed investment decisions.

While pension fund committee members are not currently mandated by legislation to undertake training, London Borough of Hammersmith and Fulham Pension Fund would support new legislation that provides a framework for enforcement that would improve the level of expertise and knowledge across LGPS committees.

**Question 5: Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each**

**asset class against a consistent benchmark, and if so how should this requirement operate?**

The London Borough of Hammersmith and Fulham Pension Fund disagrees with the proposals regarding reporting.

LGPS Pension Funds are already under significant pressure with existing reporting requirements, and it is anticipated this will increase further due to the introduction of climate risk reporting in 2024/25. Current reporting requirements within the pension fund annual reports include a section on pool companies which incorporates performance, returns, costs and net savings.

It should be recognized that there are already substantial time constraints in this area and additional reporting requirements could delay the sign off of the pension fund annual pension fund report and accounts by external auditors.

If this reporting requirement were to be implemented, an accompanying guidance note from the SAB would be desirable.

**Question 6: Do you agree with the proposals for the Scheme Annual Report?**

In the event that the changes to reporting in question five are implemented, then the Fund would agree that a uniform set of statistics to achieve comparability between funds is reasonable.

**Question 7: Do you agree with the proposed definition of levelling up investments?**

The London Borough of Hammersmith and Fulham Pension Fund broadly agrees with the definition but would seek that it is clarified further regarding two areas of ambiguity.

Firstly, the examples given alongside the definition would suggest that the investments made must be directed to a particular cause.

Secondly, the current definition is unclear on what is classed as 'local', for example, whether a local investment would encompass all of the UK or would be more specific to a regional investment.

It would be the Fund's position that all of the UK should be classed as local and the investments made can be indirect, i.e. through a pooled fund with an investment manager rather than directly into a specific project.

It is vital that the size of individual pension funds and their scope to access various types of investment are considered.

**Question 8: Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?**

The London Borough of Hammersmith and Fulham Pension Fund agrees. It makes sense that pools should collaborate with other asset pools to offer broader asset ranges to clients, especially for pools which do not have either the size or expertise to invest within all asset classes.

It should be noted, however, as pool owners, it is the responsibility of individual funds to direct their own asset pools if this is an avenue that they wish to pursue. All client assets should be unitised and held within their respective asset pools.

**Question 9: Do you agree with the proposed requirements for the levelling up plan to be published by funds?**

The London Borough of Hammersmith and Fulham Pension Fund disagrees. LGPS Pension Funds are already under substantial pressure with current reporting requirements and any additional reporting requirements may not be realistic for all Funds.

**Question 10: Do you agree with the proposed reporting requirements on levelling up investments?**

As with the answer to question 9, The Fund disagrees.

**Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?**

The London Borough of Hammersmith and Fulham Pension Fund disagrees with this notion. The government's ambitions for a 10% allocation to private equity, 5% to infrastructure and 5% in levelling up investments, contradicts the LGPS schemes autonomy to make their own investment decisions according to the Fund's liability profile. While a 10% allocation to private equity may be suitable, in terms of risk/return appetite, for some funds, it will not fit all LGPS investment strategies and future funding and pensions outflow obligations.

It is critical to stress that the LGPS's principal duty is to pay pensions in full and on time, and no action that could jeopardise the Fund's ability to do so should be taken.

The Fund believes there are several challenges to investment within the private equity asset class, including, but not limited to, the following:

- Liquidity: private equity assets are illiquid and if funds lock too much of their portfolio into these asset classes, liquidity issues may arise in the future.
- Complexity and specialism: private equity investments, particularly venture capital, is an asset class where the Pension Fund may not have specialism. LGPS funds may incur considerable external advice costs.
- Cost: typically, the cost of managing private asset classes is more than listed asset classes, and there would need to be appropriate returns to justify it.

- Risk/returns: The majority of LGPS schemes are now fully funded and many are taking the decision to de-risk their strategic asset allocations.
- Private equity assets hold considerably more risk than traditional asset classes, and thus the return must warrant the additional level of risk taken.

It is also important to note that, in regard to all the government ambitions (10% allocation to private equity, 5% to infrastructure and 5% in levelling up investments), some LGPS funds may already be undertaking these actions under other titled allocations and should not have to be part of a brand new allocation awarded.

**Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?**

The opportunity to collaborate with the British Business Bank would be assessed equally alongside all other investment opportunities presented to the London Borough of Hammersmith and Fulham Pension fund.

However, the Fund believes this would be a more appropriate discussion for the pool companies because collaboration is unlikely to be feasible on an individual fund level.

**Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?**

The Fund agrees. As per the requirements of the Competition and Markets Authority (CMA), Funds should already be setting these objectives,

**Question 14: Do you agree with the proposed amendment to the definition of investments?**

The Fund agrees.

**Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.**

The recipients of the LGPS cover a wide range of individuals and by its very nature could disadvantage several groups if this a ring-fenced reserve of deferred pay is jeopardised by taking a level of risk beyond that which is necessary to generate returns. As an industry we should be conscious that any new initiatives are designed in such a way that they are not prescribing exclusion of any individuals or groups.

In addition, any additional reporting resulting from this consultation should be designed in such a way in that they will be accessible for all users: this follows accessibility regulations in Public Sector Bodies (Websites and Mobile Applications) (No. 2) which came into force during September 2018. Furthermore, many studies have found that the average reading age of an adult in the United Kingdom is age 9 and the implementation of any further reporting requirements should consider this factor in their design.



# Agenda Item 10

## London Borough of Hammersmith & Fulham

**Report to:** Pension Fund Committee

**Date:** 19 September 2023

**Subject:** Draft Annual Report 2022/23

**Report author:** Siân Cogley, Pension Fund Manager

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

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### Summary

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

### Recommendations

1. That the Pension Fund Committee approve the draft Pension Fund Annual Report for 2022/23 and delegate the approval of the final version to the Director of Treasury and Pensions in consultation with the Chair.

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**Wards Affected:** None

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### LBHF Priorities

Please state how the outcome will contribute to our priorities

Our Priorities	Summary of how this report aligns to the LBHF priorities
<ul style="list-style-type: none"><li>• Building shared prosperity</li></ul>	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the council and the council tax payer.

### Financial Impact

The report is an annual permanent record of the financial state of the pension fund with the intention that the Fund will be continually monitored to ensure that scheme members' future pensions are safeguarded.



## **Legal Implications**

None.

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## **DETAILED ANALYSIS**

### **1. Annual Report**

1. The Pension Fund Annual Report 2022/23, which includes the draft Pension Fund Accounts 2022/23, is a regulatory requirement and is required to be approved by the Pension Fund Committee. The draft Pension Fund Annual Report for 2022/23 is attached as Appendix 1.
2. Members are asked to comment on any matters in the draft Pension Fund Annual Report and delegate approval of the final document to the Director of Treasury and Pensions in consultation with the Chair.
3. The deadline for submitting the Annual Report is 30 September 2023. The statement of accounts was completed and presented to the Committee in June 2023. The audit is yet to commence.
4. A draft Annual Report will be shared with the external auditors following approval at this Pension Fund Committee meeting.

### **List of Appendices:**

**Appendix 1:** London Borough of Hammersmith and Fulham Pension Fund Draft Annual Report 2022-23



# Annual Report

Hammersmith & Fulham Pension Fund **2022/23**





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# 1.

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# Preface

# Report from Chair of the Pension Fund Committee

## WELCOME TO THE ANNUAL REPORT OF HAMMERSMITH AND FULHAM PENSION FUND

The Pension Fund Committee is responsible for overseeing the governance and management of the London Borough of Hammersmith and Fulham Pension Fund, including investment management and pension administration responsibilities. As the current Chair of this Committee, I am pleased to introduce the Pension Fund's Annual Report for the year 2022/23.

Since the Covid-19 pandemic struck in early 2020, people across the world are still suffering and our thoughts are with those affected. The Pension Fund has experienced a considerable recovery since the March 2020 lows that occurred during the early stages of the pandemic, with asset values continuing to show strong recovery to March 2023. The Committee continues to monitor the Fund closely at each quarterly committee meeting and challenges the investment advisors and officers as necessary to ensure the Fund's investments are being managed effectively.

The Fund completed a triennial actuarial valuation as at 31 March 2022, with the funding level improving significantly from 97% in 2016, to 105%. This is primarily as a result of strong investment returns over the period. The 2022 Triennial Valuation completed in year, with the London Borough of Hammersmith and Fulham Pension Fund being 105% funded as at 31 March 2022.

The Pension Fund remains conscious of its role in ensuring good environmental, social and governance behaviours from the companies in which it invests. In line with good governance practice, the Fund continues to closely monitor the underlying carbon emissions of its investments through the use of a bespoke ESG Dashboard, which can now be found on the Pension Fund website - [Investment Performance & ESG | Hammersmith and Fulham Pension Fund \(lbhfpensionfund.org\)](https://www.lbhfpensionfund.org)

The Pension Fund has shown leadership in managing the environmental social and governance (ESG) impacts of its investments. The London CIV showcased the Pension Fund's ESG dashboard as an exemplar, when it was first introduced in 2019, of reporting ESG concerns to members. The Fund has since further improved its ESG reporting creating an interactive dashboard that members can interrogate, with the aim of improving transparency and accountability.

I would like to thank all those involved in the governance and management of the Pension Fund during the year, especially those who served on the Pension Fund Committee during this time.



**Councillor Ross Melton**  
**Chair of the Pension Fund Committee**

# Introduction

The London Borough of Hammersmith and Fulham Pension Fund (the Fund) is part of the national Local Government Pension Scheme (LGPS) and is administered locally by Hammersmith and Fulham Council. It is a contributory defined benefit pension scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the 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 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 rates for employees set in accordance with the Local Government Pension Scheme Regulations 2013. Employer contributions are set based on the triennial actuarial funding valuation. The latest valuation for the fund was carried out as at 31 March 2019, and the new contributions came into effect from 1 April 2020.

The benefits payable from the Fund in respect of service from 1 April 2014 are set out in the Local Government Pension Scheme Regulations 2013, as amended, and in summary consist of:

- Career average revalued earnings (CARE), revalued in line with the Consumer Prices Index.
- Pensionable pay to include non-contractual overtime and additional hours.
- Flexibility for member to pay 50% contributions for 50% of the pension benefit
- Normal pension age to equal the individual member's State Pension Age.
- Option to trade £1 of pension for a £12 tax-free lump sum at retirement.
- Death in service lump sum of three times pensionable pay and survivor benefits
- Early payment of pensions in the event of ill health.

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. Benefits accrued in the Scheme before 1<sup>st</sup> April 2014 are protected up to that dated based on the scheme member's final year's pay.

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 content and format of this annual report is prescribed by the LGPS Regulations 2013.

Publication of this report gives the Council the opportunity to demonstrate the high standard of governance and financial management applied to the Fund. It brings together several separate reporting strands into one comprehensive document that enables both the public and employees to see how the Fund is managed and how well it is performing.

It is in the interest of both employees and the public that the Fund is well managed and continues to provide high returns and excellent value for money.

## Introduction (continued)

### THIS ANNUAL REPORT COMPRISES THE FOLLOWING SECTIONS:

- **Management and Financial Performance** which explains the governance and management arrangements for the Fund, as well as summarising the financial position and the approach to risk management.
- **Investment Policy and Performance** which details the Fund's investment strategy, arrangements and performance.
- **Scheme Administration** which sets out how the Scheme's benefits and membership are administered.
- **Actuarial Information** which includes the funding position of the Fund with a statement from the Fund's actuary.

**The Fund's Annual Accounts** for the year ended 31 March 2023.

- **List of contacts** and a glossary of some of the more technical terms
- **Appendices** setting out the various regulatory policy statements of the Fund:
  - Governance Compliance Statement
  - Statement of Investment Principles
  - Communication Policy
  - Funding Strategy Statement
  - Pension Administration Strategy
  - Report of the Pensions Board

Further information about the Local Government Pension Scheme can be found at:

<https://www.lbhfpensionfund.org/>

This annual report and the statement of accounts within have been prepared taking careful account of relevant Statutory Guidance.



## 2.

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# Management and Financial Information

# Governance Arrangements

## PENSION FUND COMMITTEE

The London Borough of Hammersmith & Fulham Council has delegated responsibility for pension matters to the Audit, Pensions and Standards Committee.

The Committee is comprised of five elected representatives of the council – four from the administration and one opposition party representative. Members of the admitted bodies and representatives of the Trade Unions may attend the committee meetings but have no voting rights. In order to manage the workload of the committee, it has delegated decisions in relation to all pension matters to the Pension Fund Committee.

The Committee obtains and considers advice from the Tri-Borough Director of Treasury and Pensions, the Section 151 Officer and, as necessary, from the Fund's appointed actuary, advisors and investment managers.

### Terms of reference for the Committee are:

- To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the investment consultant.
- To monitor performance of the Pension Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable.

- To determine the Fund's management arrangements, including the appointment and termination of fund managers, actuary, custodians and fund advisors.
- To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
- To approve the final Statement of Accounts of the Pension Fund and to approve the Annual Report.
- To receive actuarial valuations of the Pension Fund regarding the level of employers' contributions necessary to balance the Pension Fund.
- To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.
- To make and review an admission policy relating to admission agreements generally with any admission body.
- To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.

- To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
- To receive and consider the Auditor's report on the governance of the Pension Fund.
- To determine any other investment or Pension Fund policies that may be required from time to time to comply with Government regulations and to make any decisions in accordance with those policies.

The membership throughout 2022/23 of the Pension Fund Committee is set out below.

Councillor	Committee Attendance 2022/23
Ross Melton (Chair)	6/6
Adrian Pascu-Tulbure (Vice Chair)	5/6
Lauren Janes	5/6
Adam Peter Lang	5/6
Florian Chevoppe-Verdier	6/6

Councillors may be contacted at Hammersmith Town Hall, King Street, London, W6 9JU.

## PENSIONS BOARD

The Council has also established a Pensions Board (the Board) to assist the Pension Fund Committee as required by the Public Services Pensions 2013. The purpose of the Pensions Board is to provide oversight of the Pension Fund Committee.

The Board does not have a decision-making power in relation to management of the Fund but is able to make recommendations to the Pension Fund Committee. It meets at least twice a year.

### Terms of reference for the Pensions Board are:

- To secure compliance with the LGPS Governance regulations and any other legislation relating to the governance and administration of the Fund.
- To secure compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme
- To ensure effective and efficient governance and administration of the Scheme

### The membership of the Board is as follows:

- Two employer representatives comprising one from an admitted or scheduled body and two nominated by the Council;
- Three scheme member representatives from the Council or an admitted or scheduled body.

The membership of the Pensions Board throughout 2022/23 is set out below.

Board Member	Employer/Employee	Attendance 2022/23
ClIr Nikos Souslous (Chair)	Employer	2/2
ClIr Rory Vaughan	Employer	2/2
William O'Connell	Employee	1/2
Khadija Sekhon	Employee	0/2
Neil Newton	Employee	2/2

## MEMBER AND OFFICER TRAINING

The LGPS Governance regulations and other related legislation requires Pensions Board members to have knowledge and understanding of relevant pension laws, and to have a working knowledge.

During 2022/23 knowledge was gained at various meetings with investment managers in addition to individual attendance at conferences and seminars.

Further relevant training is planned for 2023/24 based on self-assessments completed by Committee and board members in accordance with the policy.

## CONFLICTS OF INTEREST

The Pension Fund is governed by elected members acting as trustees and the Code of Conduct for elected members' sets out how any conflicts of interests should be addressed. The Members Code of Conduct is in Part 5 of the Council Constitution which can be found online at [www.lbhf.gov.uk](http://www.lbhf.gov.uk)

The Code includes general provisions on ethics and standards of behaviour which require elected members to treat others with respect and not to bully, intimidate or do anything to compromise the impartiality of those who work for or on behalf of the Council.

The Code also contains rules about "disclosable pecuniary interests" and sets out the action an elected member must take when they have such an interest in Council business, for instance withdrawing from the room or chamber when the matter is discussed and decided in committee, unless dispensation has been obtained from the Council's Monitoring Officer.

## GOVERNANCE COMPLIANCE STATEMENT

The LGPS Regulations 2013 require Pension Funds to prepare, publish and maintain a governance compliance statement; and to measure the governance arrangements in place against a set of best practice principles. This measurement should result in a statement of full, partial or non-compliance with a further explanation provided for any non- or partial-compliance.

The key issues covered by the best practice principles are:

- Formal committee structure;
- Committee membership and representation;
- Selection and role of lay members;
- Voting rights;
- Training, facility time and expenses.

The Fund's Governance Compliance statement was updated in June 2015 can be found at Appendix 1.

# Scheme Management and Advisors during 22-23

## EXTERNAL PARTIES

Investment Advisor	Deloitte		
Investment Managers	<b>Global Equities (Passive)</b> Legal & General Investment Management Morgan Stanley Investment Management <b>Private Multi-Asset Credit</b> Partners Group Aberdeen Standard <b>Infrastructure</b> Aviva Investors Partners Group	<b>Absolute Return</b> Ruffer <b>Fixed Income</b> Oakhill Advisors <b>Long Lease Property</b> Aberdeen Standard <b>Private Equity</b> Unigestion	<b>Ground Rents</b> Alpha Real <b>Illiquid Alternatives</b> Darwin <b>Affordable Housing</b> Man Group
Custodian	Northern Trust		
Banker	NatWest Bank		
Actuary	Hymans Robertson LLP		
Auditor	Grant Thornton LLP		
Legal adviser	Eversheds Sutherland		
Scheme Administrators	LPPA		
AVC Providers	Scottish Widows Workplace Pensions	Utmost Life and Pensions	

## OFFICERS

Strategic Director of Finance and Governance (S151 Officer)	Emily Hill (Until July 2022) Sukvinder Kalsi		
Tri-Borough Pensions Team	Phil Triggs Matt Hopson (Until September 2022) Mat Dawson	Patrick Rowe Julia Stevens Billie Emery	Alastair Paton Ruby Vuong Siân Cogley
Pensions Manager	Eleanor Dennis		

Contact details are provided in Section 7 of this report

# Risk Management

The Fund’s primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay promised benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members’ pensions and other benefits will be fulfilled.

The responsibility for the Fund’s risk management strategy rests with the Pension Fund Committee. In order to manage the risks a Pension Fund Risk Register is maintained, focusing on investment risks and on administration risk. This document is reviewed quarterly. For the key risks which have been identified, appropriate planned actions have been introduced to minimise their impact. The risk register is managed by the Tri-Borough Director of Treasury and Pensions and risks have been assigned to the appropriate “risk owners”.

The key risks identified within the Pension Fund risk register are:

Objective Area at Risk	Risk	Risk Rating	Responsible Officer	Mitigating Actions
Investment	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty, including with Russia and Ukraine.	High	Tri-Borough Director of Pensions and Treasury	The Fund’s officers are in regular dialogue with investment managers with regards to their management of political risk.  The Fund holds a well-diversified portfolio and the investment strategy is reviewed regularly.
Administration	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	Medium	Director of Finance	The Fund’s officers continue to monitor the staffing changes, contract and KPIs of third-party provider.

## Risk Management (continued)

Risks arising from financial instruments are outlined in the notes to the Pension Fund Accounts (Note 16).

The Funding Strategy Statement (Appendix 3) sets out the key risks, including demographic, regulatory, governance, to not achieving full funding in line with the strategy. The actuary reports on these risks at each triennial valuation or more frequently as and when required.

Objective Area at Risk	Risk	Risk Rating	Responsible Officer	Mitigating Actions
Funding	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.	Medium	Director of Finance	The Fund's officers maintain a regularly monitored cashflow forecast. The Fund's cash position is reported to Committee quarterly. The Fund continually reviews the income it receives from underlying investments
Governance	The asset pool disbands, or the partnership fails to produce proposals/solutions deemed sufficiently ambitious.	Medium	Tri-Borough Director of Pensions and Treasury	The Fund's officers frequently engage with the pool and partner funds Ongoing fund and pool proposals are monitored regularly
Funding	Scheme members live longer than expected leading to higher than expected liabilities.	Medium	Tri-Borough Director of Pensions and Treasury	The scheme's pension liabilities are reviewed on a quarterly basis and revalued every three years.
Investment	Volatility caused by Brexit factors, including ongoing supply chain issues and reduced trade and economic activity, as well as diminished UK financial and investment market activity.	Medium	Tri-Borough Director of Pensions and Treasury	Officers regularly consult and engage with advisors and independent managers.

## Risk Management (continued)

### THIRD PARTY RISKS

The Council has outsourced the following functions of the Fund:

- Investment management;
- Custodianship of assets;
- Pensions administration.

As these functions are outsourced, the Council is exposed to third party risk. A range of investment managers are used to diversify manager risk.

To mitigate the risks regarding investment management and custodianship of assets, the Council obtains independent internal controls assurance reports from the reporting accountants to the relevant service providers. These independent reports are prepared in accordance with international standards. Any weaknesses in internal controls highlighted by the control's assurance reports are reviewed and reported as necessary to the Pension Committee.

The Council's internal audit service undertakes planned programmes of audits of all the Councils' financial systems on a phased basis, all payments and income/contributions are covered by this process as and when the audits take place.

The results of these reviews are summarised below and cover 99.5% of investment holdings at 31 March 2023.

Fund Manager	Type of Assurance	Control Framework	Compliance with Controls	Reporting Accountant
Aberdeen Standard	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Aviva Investors	ISAE 3402	Reasonable assurance	Reasonable assurance	PWC LLP
Legal & General	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Morgan Stanley	ISAE 3402	Reasonable assurance	Reasonable assurance	Deloitte
Oak Hill Advisors	SOC10	Reasonable assurance	Reasonable assurance	RSM US LLP
Partners Group	ISAE 3402	Reasonable assurance	Reasonable assurance	PWC LLP
Ruffer LLP	ISAE 3402	Reasonable assurance	Reasonable assurance	Ernst Young LLP
Unigestion	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP
PIMCO	ISAE 3402	Reasonable assurance	Reasonable assurance	PWC LLP
Darwin	ISAE 3402	Reasonable assurance	Reasonable assurance	BDO Limited
Alpha Real Capital	AAF 01/20	Reasonable assurance	Reasonable assurance	BDO Limited
Man Group	ISAE 3402	Reasonable assurance	Reasonable assurance	Ernst Young LLP
<b>Custodian</b>				
Northern Trust	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP

# Financial Performance

The Fund asset value decreased by £34m during 2022/23, to £1,290m as at 31 March 2023, this was largely as a result of negative performance within the global equity mandate, fixed income portfolios and long lease property, much of which relates to negative sentiments in global markets.

A triennial revaluation was completed in 2019/20 showing an improvement in the overall funding level to 97% compared to 88% in 2017. However, funding levels for different employers vary significantly. To improve funding levels, the Council's medium-term financial plan already assumes an increase in employer contributions, which in combination with other employers, will improve the overall funding level over the medium term.

The latest triennial revaluation took place in 2022 and set employer contribution rates from 1 April 2023 onwards and shows a further funding level of 105%.

## ANALYTICAL REVIEW – FUND ACCOUNT

	2018/19	2019/20	2020/21	2021/22	2022/23
Fund account	£'000	£'000	£'000	£'000	£'000
Dealings with members					
Contributions	(36,386)	(37,869)	(41,534)	(42,920)	(43,807)
Pensions	48,846	52,660	52,088	54,096	54,869
<b>Net (additions)/withdrawals from dealings with members</b>	<b>12,460</b>	<b>14,791</b>	<b>10,554</b>	<b>11,176</b>	<b>11,062</b>
Management expenses	6,199	5,866	8,903	9,915	8,283
Investment Income	(11,967)	(14,642)	(12,327)	(11,170)	(24,673)
Change in market value	(49,142)	36,172	(215,444)	(115,585)	39,819
<b>Net (increase)/decrease in the Fund</b>	<b>(42,450)</b>	<b>41,187</b>	<b>(208,337)</b>	<b>(105,690)</b>	<b>34,470</b>

Over the five-year period, pensions paid have exceeded contributions received by £60m in total. This reflects the maturity of the Fund membership in that there are fewer contributors than beneficiaries.

Both officers and the Pension Fund Committee monitor investment performance closely and refer to independent investment advisers as necessary to ensure the Fund's investments are being managed effectively.

Due to greater improvements and uptake in the cost transparency initiative, the Fund was able to better ascertain its transaction costs.



## Financial Performance (continued)

### ANALYTICAL REVIEW – NET ASSET STATEMENT

	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Net Asset Statement</b>	£'000	£'000	£'000	£'000	£'000
Bonds	-	-	-	-	-
Equities	150	150	150	150	150
Pooled investment vehicles	1,034,851	946,792	1,214,810	1,287,378	1,260,391
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Cash deposits	12,843	59,524	8	32,104	20,245
Other	34	26	13	7	39
<b>Total Investment Assets</b>	<b>1,047,878</b>	<b>1,006,492</b>	<b>1,214,981</b>	<b>1,319,639</b>	<b>1,280,675</b>
Current assets	5,396	5,572	3,664	4,525	3,911
Current Liabilities	(1,201)	(1,178)	(1,100)	(2,118)	(1,979)
<b>Net (increase)/decrease in the Fund</b>	<b>1,052,073</b>	<b>1,010,886</b>	<b>1,219,223</b>	<b>1,324,913</b>	<b>1,290,443</b>

The points to note are:

- 94% of pooled investment vehicles comprise equity shareholdings both domestic and overseas, while the remaining 6% is in property pooled funds.
- The overall value of pooled investment vehicles decreased by £27m (3%) during the year.

Further details are given in the Investment Policy and Performance Section.

## Financial Performance (continued)

### ANALYSIS OF DEALINGS WITH SCHEME MEMBERS

	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Contributions Receivable</b>	£'000	£'000	£'000	£'000	£'000
- Members	(7,157)	(7,408)	(8,004)	(8,735)	(9,539)
- Employers	(25,074)	(26,135)	(24,180)	(25,568)	(27,421)
- Transfers in	(2,934)	(4,326)	(9,350)	(8,617)	(6,847)
- Other	(1,221)	-	-	-	-
<b>Total Income</b>	<b>(36,386)</b>	<b>(37,869)</b>	<b>(41,534)</b>	<b>(42,920)</b>	<b>(43,807)</b>

	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Benefits Payable</b>	£'000	£'000	£'000	£'000	£'000
- Pensions	32,912	34,916	36,363	37,839	40,045
- Lump sum retirements and death benefits	8,167	9,400	8,672	10,368	8,002
- Transfers out	7,726	7,225	7,013	5,737	6,738
- Refunds	41	119	40	152	84
<b>Total Expenditure</b>	<b>48,846</b>	<b>51,660</b>	<b>52,088</b>	<b>54,096</b>	<b>54,869</b>
<b>Net Dealings with Members</b>	<b>12,460</b>	<b>13,791</b>	<b>10,514</b>	<b>11,176</b>	<b>11,062</b>

The key variances were due to the following:

- Lump sums decreased due to less members retiring than in the prior year.
- Transfers in were lower, reflecting less new starters joining the scheme and choosing to transfer in benefits on commencement of employment, than last year.
- Transfers out were higher, reflecting more people leaving the scheme and choosing to transfer out their benefits than the last year.

## Financial Performance (continued)

### ANALYSIS OF OPERATIONAL EXPENSES

The costs of running the pension fund are shown below.

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
<b>Administration</b>					
Employees	214	223	279	230	236
Supplies and services	132	139	254	354	314
Other Costs	2	3	3	2	2
<b>Total Administration Costs</b>	<b>348</b>	<b>365</b>	<b>536</b>	<b>587</b>	<b>552</b>
<b>Governance and Oversight</b>					
Employees	337	447	550	637	409
Investment advisory services	93	81	109	59	97
Governance and compliance	56	134	125	151	126
External audit	16	25	-4	40	45
Actuarial fees	50	79	54	35	40
<b>Total Governance and Oversight Costs</b>	<b>552</b>	<b>766</b>	<b>834</b>	<b>922</b>	<b>717</b>
<b>Investment Management</b>					
Management fees	4,763	4,250	5,446	6,431	5,428
Performance fees	244	36	257	79	107
Transaction costs	185	421	1,764	1,845	1,377
Custodian fees	107	28	66	51	102
<b>Total Investment Management Fees</b>	<b>5,299</b>	<b>4,735</b>	<b>7,553</b>	<b>8,406</b>	<b>7,014</b>
<b>Total Operational Expenses</b>	<b>6,199</b>	<b>5,866</b>	<b>8,903</b>	<b>9,915</b>	<b>8,283</b>

In 2021/22, the Fund completed an extensive work programme to bring its administrative function back in-house alongside its new administration platform provider, LPPA. To ensure effective administration for fund members this process was carried out whilst maintaining Surrey as the Funds admin team through part of 2021/22, whilst bringing on board LPPA. The onboarding process is now complete, so for 2022/23 the supplies and services costs have reduced from the previous year.

The Fund's investment management expenses decreased by 16% during the year. The main driver of this decrease in cost was the result of the Fund's managers achieving lower returns than in the previous year, with fees being based on the value of assets under management and performance fees in some instances.

# Administration Management Performance

The administration of the Fund is managed by Hammersmith and Fulham Council but undertaken by LPPA under a not-for-profit contractual arrangement operational from 26 January 2022.

## PERFORMANCE INDICATORS

The contract with LPPA includes several performance indicators included to ensure that service to members of the pension fund is effective. The key targets are set out below, along with actual performance.

Performance Indicators (LPPA)	Target	2020/21 Performance	2021/22 Performance	2022/23 Performance
Letter to new members	10 days	74%	100%	99%
Calculate transfer in calculations	10 days	90%	91%	90%
Calculate and pay transfer out calculations	10 days	79%	84%	93%
Calculate deferred benefit entitlement	15 days	73%	77%	96%
Calculate and pay retirement benefits	5 days	77%	58%	69%
Process refunds on contributions	5 days	75%	75%	91%
Letter acknowledging death of member and letter to next of kin	5 days	87%	83%	73%

The performance indicators continue to be monitored with the pension administrator LPPA, however, unfortunately challenges with the new software platform and unprecedented calls to its helpdesk have impacted on performance.

## PensionPoint

The PensionPoint on-line pension system is a secure portal which enables members to:

- Update personal details
- Check membership records and calculate pension projections
- View payslips and P60s
- Nominate beneficiaries

Scheme employers can use the system to:

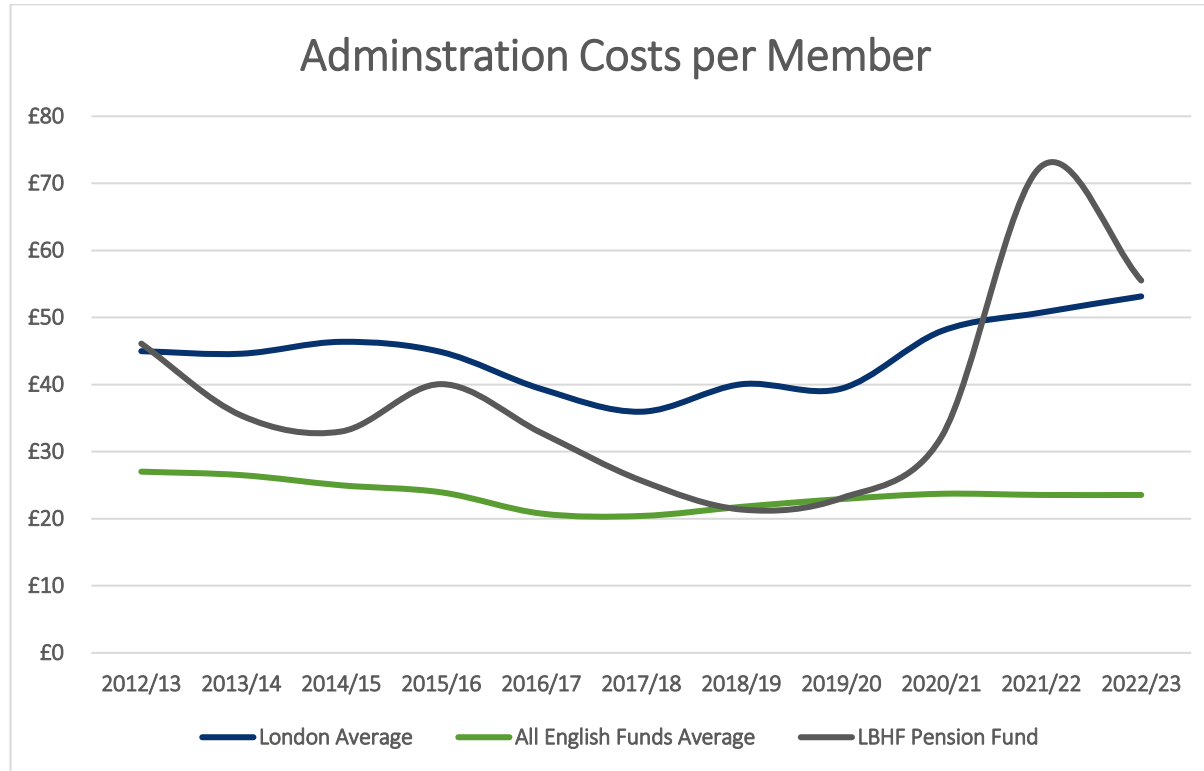
- Submit starter and leaver details and other changes online
- View and update employee details
- Run benefit calculations e.g. early retirements

## COMPLAINTS RECEIVED

The pension administrators occasionally deal with members of the fund who dispute an aspect of their pension benefits. These cases are dealt with by the Internal Dispute Resolution Procedure (see section 4).

Two new complaints were lodged with the Ombudsman in 2022/23

## Administration Management Performance (continued)



## STAFFING INDICATORS

The Pension Fund’s cost of administration per member remains above average for the London borough pension funds as shown in the chart but has decreased from 2021-22, which saw a significant increase due to changing administrative platform providers and bringing the admin team back in-house which resulted in several one-off costs during the year.

The administration of the Fund comprises of:

- 6 FTE Hammersmith and Fulham HR staff to oversee administration, operations, fund employers and compliance.
- 1.93 FTE Westminster Finance staff assigned to the oversight and governance of the Pension Fund.

## Administration Management Performance (continued)

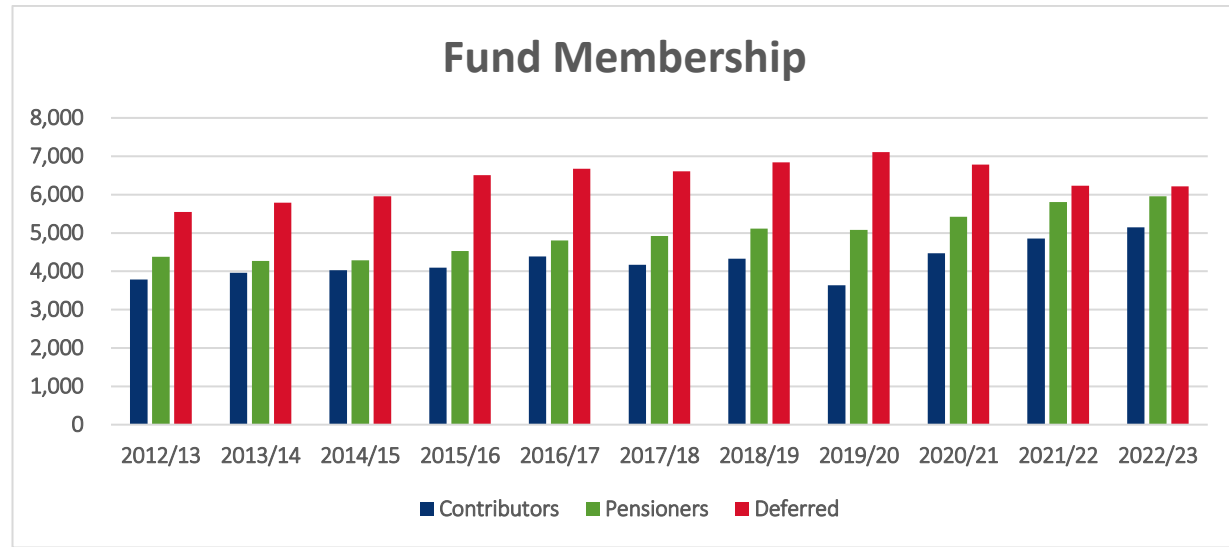
### MEMBERSHIP NUMBERS AND TRENDS

Overall membership has increased by about 6% over the past 5 years from 16,283 to 17,328.

The introduction of auto-enrolment in 2013 and the increase in admitted employers has led to an increase in members contributing towards the Scheme. Nonetheless, the number of pensioners has been stable over the last several years in common with other local government pension funds, reflecting the maturity of the Fund.

### ENHANCED BENEFITS

The total number of pensioners in receipt of enhanced benefits due to ill health or early retirement on the grounds of redundancy or efficiency of the service is given in the table across as at each year on 31 March.



Reason for leaving	2018/19	2019/20	2020/21	2021/22	2022/23
Ill health retirement	4	3	6	9	7
Early retirement	20	21	29	37	10
	<b>24</b>	<b>24</b>	<b>35</b>	<b>46</b>	<b>17</b>

## Administration Management Performance (continued)

### CONTRIBUTING EMPLOYERS AND CONTRIBUTIONS RECEIVED

The list below contains a list of the current active contributing employers and the contributions received in 2022/23. The employer's contributions figures include early retirement and deficit funding contributions.

Administering Authority Employer	Employees Contributions £000	Employers Contributions <sup>1</sup> £000	Total Contributions £000
London Borough of Hammersmith & Fulham	7,182	19,094	26,276
Addison Primary School	26	94	119
All Saints CE Primary School	11	39	50
Avonmore Primary School	28	113	140
Bayonne Nursery School	17	62	79
Brackenbury Primary School	27	96	123
Cambridge School	49	172	221
Flora Gardens Primary School	28	98	126
Holy Cross RC Primary School	52	184	236
Jack Tizard School	62	226	289
James Lee Nursery School	14	49	63
John Betts Primary School	16	59	76
Kenmont Primary School	18	63	81
Larmenier & Sacred Heart RC Primary School	28	108	136
Melcombe Primary School	22	83	105
Miles Coverdale Primary School	35	127	162
Normand Croft Community School	35	120	154
Old Oak Primary School	26	96	122
Randolph Beresford Early Years Centre	43	137	180
Sir John Lillie Primary School	26	94	121

<sup>1</sup> Includes early retirement and deficit contributions

Administering Authority Employer	Employees Contributions £000	Employers Contributions <sup>1</sup> £000	Total Contributions £000
St Augustine's RC Primary School	19	67	86
St John XXIII RC Primary School	31	119	150
St John's Walham Green CE Primary School	24	87	111
St Mary's RC Primary School	29	105	134
St Paul's CE Primary School	24	87	111
St Peter's CE Primary School	18	67	85
St Stephen's CE Primary School	44	157	201
St. Thomas of Canterbury RC Primary School	10	35	44
The Good Shepherd RC Primary School	23	88	111
Vanessa Nursery School	18	63	81
Wendell Park Primary School	24	85	110
William Morris Sixth Form School	65	224	290
Wood Lane High School	32	109	141
Wormholt Park Primary School	37	125	162
<b>Total Contributions from Administering Authority</b>	<b>8,141</b>	<b>22,530</b>	<b>30,672</b>

## Administration Management Performance (continued)

### SCHEDULED BODIES

The Fund provides pensions not only for employees of Hammersmith and Fulham Council, but also for the employees of several scheduled and admitted bodies.

Scheduled bodies are organisations which have a statutory right to be a member of the Local Government Pension Scheme under the regulations e.g., academy schools.

Scheduled Body	Employees Contributions £000	Employers Contributions <sup>2</sup> £000	Total Contributions £000
Bentworth Academy	11	50	61
Burlington Danes Academy	81	186	267
Conway Academy	19	81	100
Fulham Boys Academy	48	169	217
Fulham College Academy - Boys	57	203	260
Fulham College Academy Trust Girls	41	144	185
Greenside Academy	18	68	86
Hammersmith Academy - Dec	68	242	310
Hurlingham & Chelsea Academy	47	166	213
Lady Margaret Academy(L M A )	57	187	244
ARK Swift Primary Academy	15	66	81
Langford Academy	17	59	76
Mortlake Crematorium Board	24	60	84
Phoenix Academy (from October 2016)	35	131	166
Sacred Heart Academy (SHA)	61	221	282
The Bridge AP Academy (TBAP)	22	111	134
Thomas Academy	24	94	118
West London Free School	115	387	502
Queensmill Academy	188	737	926

<sup>2</sup> Includes early retirement and deficit contributions

Scheduled Body	Employees Contributions £000	Employers Contributions <sup>2</sup> £000	Total Contributions £000
The London Oratory School	70	182	252
Earls Court Free School	5	23	28
Brightwells Academy Fulham Primary School	29	117	146
Brightwells Academy Queens Manor Primary	21	84	105
Brightwells Academy Sullivan Primary School	19	79	98
<b>Total Contributions from Scheduled Bodies</b>	<b>1,092</b>	<b>3,845</b>	<b>4,937</b>



## Administration Management Performance (continued)

### ADMITTED BODIES

Admitted bodies participate in the pension scheme via an admission agreement made between the Council and the employing organisation. Examples of admitted bodies are not-for-profit organisations linked to the Council and contractors who have taken on delivery of services with Council staff also transferred to third parties.

Admitted Body	Employees Contributions £000	Employers Contributions <sup>3</sup> £000	Total Contributions £000
Caterlink (2016 Schools)	5	18	22
HCT (Jack Tizard School)	0	1	1
BT IT Services	7	20	27
Peabody Trust Family Mosaic	10	44	53
3BM	1	-44	-43
Disabilities Trust	1	3	3
Interserve (Eden Foods Ltd)	19	83	102
F M Conway Ltd (2009)	7	23	30
Medequip Assistive Tech (HF)	2	8	10
Pinnacle Estates Services (HF)	72	250	322
Serco (HF)	132	408	540
Urban Partnership Group	14	88	102
Caterlink (Hrlnghm and Chlsea)	-	3	3
Abelian UK (Wormholt Primary)	0	1	1
Birkin Clean	2	12	14
HCT (CT Plus H&F main contract)	3	14	17
F M Conway Ltd (2017)	3	11	15
London Hire Community Services	1	8	9
Caterlink (Langford Primary)	0	2	2

<sup>3</sup> Includes early retirement and deficit contributions

Admitted Body	Employees Contributions £000	Employers Contributions <sup>3</sup> £000	Total Contributions £000
Morgan Sindall Property Services Ltd (lot 1)	5	21	26
Mears Group Contract 2	-	-12	-12
Morgan Sindall Property Services Ltd (lot 2)	11	31	43
Bee Services Randolph Beresford	1	6	7
Bee Services Vanessa Nursery	0	1	2
Churchill Contract Catering Ltd (Brackenbury)	1	6	7
The Pantry - (St John XXIII)	2	13	16
The Pantry - (St Marys)	2	9	11
Morgan Sindall Group Contract 3	3	17	20
<b>Total Contributions from Admitted Bodies</b>	<b>306</b>	<b>1,045</b>	<b>1,351</b>

## Administration Management Performance (continued)

### EMPLOYER ANALYSIS

The following table summarises the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

	Active	Ceased	Total
Administering Authority	1	-	1
Scheduled Bodies	26	1	27
Admitted Bodies	24	48	72
<b>Total number of bodies</b>	<b>51</b>	<b>49</b>	<b>100</b>



# 3.

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## Investment Policy and Performance

# Investment Policy

The Pension Fund Committee has set out a broad statement of the principles it has employed in establishing its investment and funding strategy in the Investment Strategy Statement (ISS).

The ISS sets out responsibilities relating to the overall investment policy of the Fund including:

- asset allocations
- restrictions on investment types
- methods of investment management
- performance monitoring

The ISS also sets out the Fund's approach to responsible investment and corporate governance issues, and how the Fund demonstrates compliance with the "Myners Principles".

These Principles are a set of recommendations relating to the investment of pension funds originally prepared by Lord Myners in 2001 and subsequently endorsed by Government. The current version of the Myners Principles covers the following areas:

- effective decision making
- clear objectives
- risk & liabilities
- performance measurement
- responsible ownership
- transparency and reporting

The Fund's ISS has been included in this report as Appendix 4.

The LGPS (Management and Investment of Funds) Regulations 2016, require the Fund to publish an ISS.

The ISS addresses each of the objectives included in the 2016 Regulations, namely:

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

Any queries relating to the Fund's investment policy should be addressed to:

Tri-Borough Pensions Team  
16<sup>th</sup> Floor  
64 Victoria Street  
London  
SW1E 6QP

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

# Asset Allocation

The strategic asset allocation is agreed by the Pension Fund Committee and the Fund’s advisers. The allocation during the year ended 31 March 2023 was as follows:

Asset Class	Actual Allocation	Target Allocation
Global Equities	45.7 %	40.0%
Dynamic Asset Allocation	25.2%	25.0%
Secure Income	17.0%	20.0%
Total Inflation Protection	12.1%	15.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

The Pension Fund Committee holds Fund Managers accountable for decisions on asset allocation within the Fund mandate that they operate under. To follow the Myners’ Committee recommendation, Fund Managers are challenged deliberately and formally about asset allocation decisions.

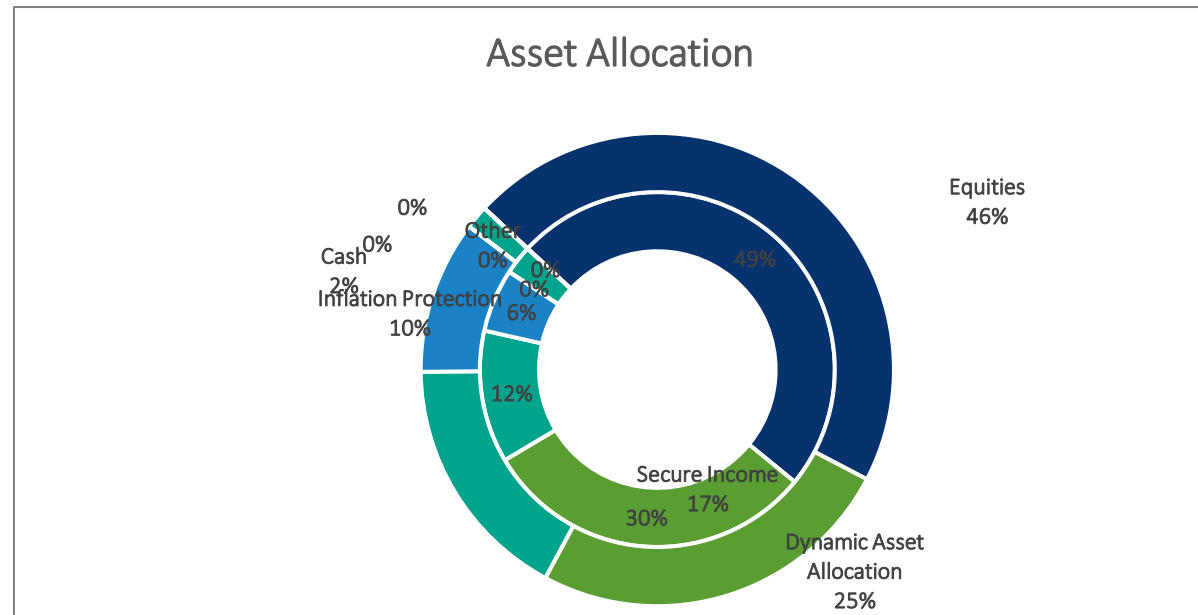
Investment portfolios are reviewed at each Committee meeting in discussion with the Investment Adviser and Officers, and Fund Managers are called to a committee meeting if there are issues that need to be addressed. Officers meet Fund Managers regularly and advice is taken from the Investment Advisor on matters relating to fund manager arrangement and performance.

Fund managers provide a rationale for asset allocation decisions based upon their research resource to ensure that they are not simply tracking the peer group or relevant benchmark index. The Fund’s asset allocation strategy can be found in the ISS.

The asset allocation of the Pension Fund at the start and end of the financial year are set out below.

These figures are based on market value and reflect the relative performance of investment markets and the impact of tactical asset allocation decisions made by the Pension Fund Committee.

At 31 March 2023, the fund had an overweight allocation to cash due to assets in transit. This cash is intended to be allocated to total inflation protection in 2023/24.

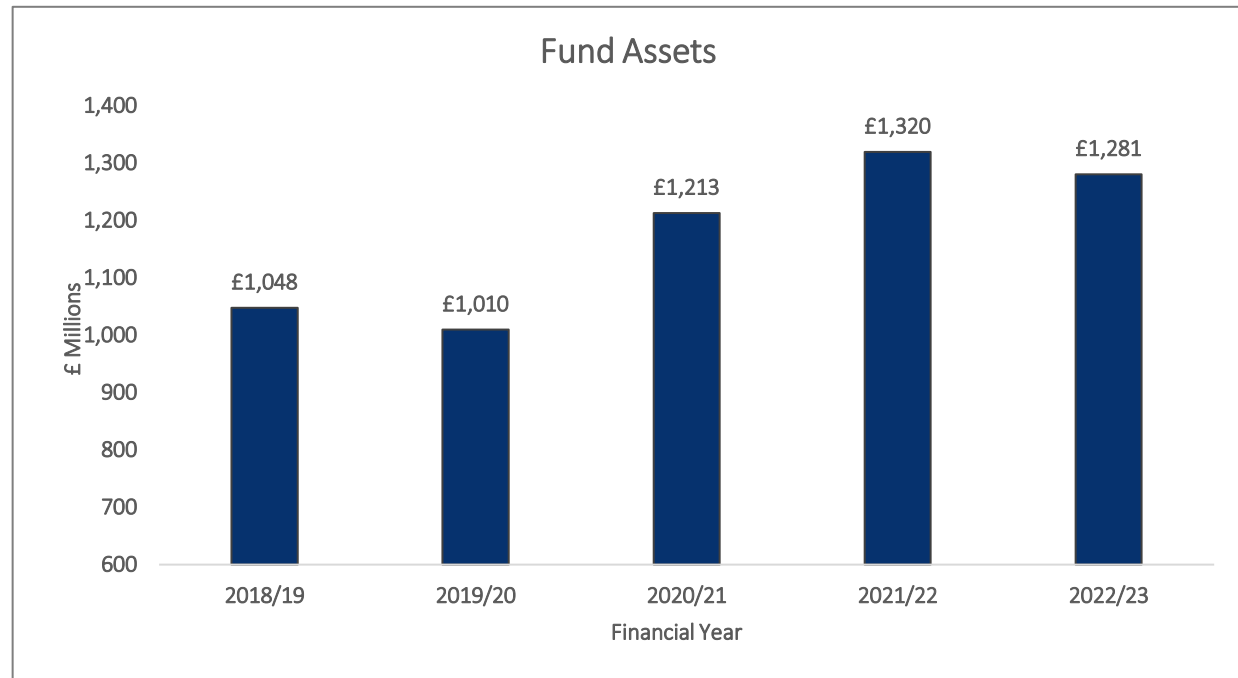


## Asset Allocation (continued)

### FUND VALUE

The net asset value of the Fund has almost doubled over the past ten years with 22.22% of this growth occurring over the last five years.

In 2022/23, the fund's net asset value fell by 2.95% to £1.28bn. The Fund is invested to meet liabilities over the medium to long-term and therefore its performance should be judged over a corresponding period. Annual returns can be volatile and do not necessarily indicate the underlying health of the Fund.



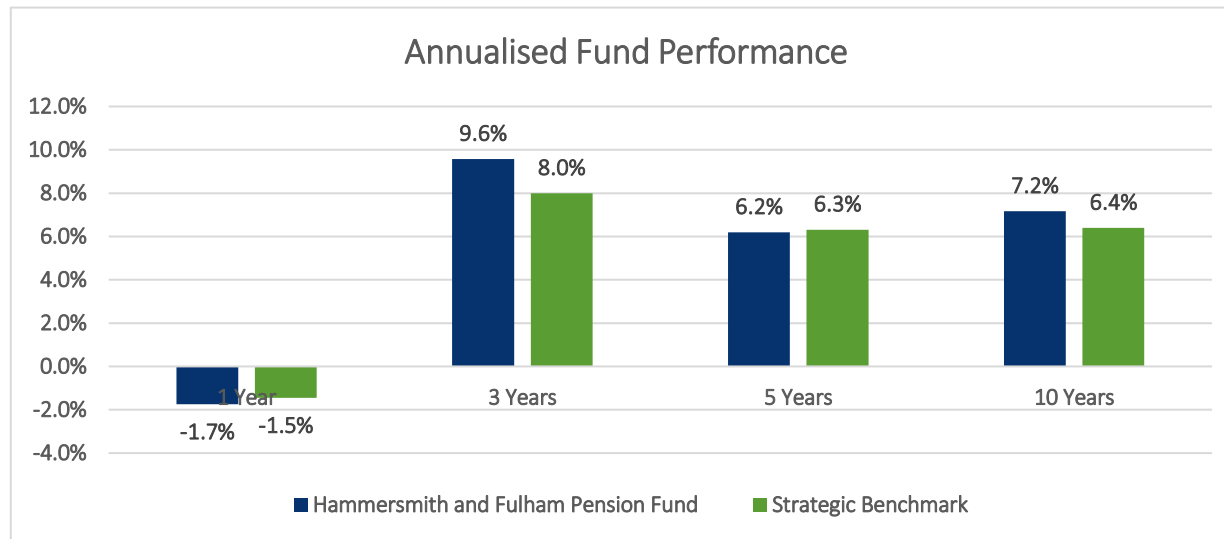
# Investment Performance

In 2022/23, the Fund's investment performance was -1.7% (9.83% in 2021/22) to £1.28bn. This was below the average LGPS return of -1.5%.

Performance of the Fund is measured against an overall strategic benchmark. Each fund manager is assigned individual performance targets which are linked to index returns for the assets they manage, e.g. FTSE All Share for UK equities. Details of these targets can be found in the Statement of Investment Principles.

The chart below shows the annualised fund performance over different time periods. Overall, the Fund has outperformed its strategic benchmark across the 10-year period with an overperformance of 0.8% in 2022/23.

Performance of fund managers is reviewed quarterly by the Pension Fund Committee, which is supported by the Fund's independent investment advisor.



## Investment Performance (continued)

Active	Passive
<b>London LGPS CIV Ltd</b> LCIV Absolute Return Fund (Ruffer) LCIV Global Bond Fund (PIMCO) LCIV Global Core (MSIM)	<b>Legal &amp; General Investment Management</b> MSCI Low Carbon Tracker Fund
<b>Partners Group</b> Private Multi Asset Credit Infrastructure	
<b>Aviva Investors</b> Infrastructure	
<b>Oak Hill Advisors</b> Multi Asset Credit	
<b>abrdn</b> Long Lease Property Fund Multi-sector Private Credit	
<b>Man Group</b> Affordable Housing	
<b>Darwin Alternatives</b> Illiquid Alternatives	
<b>Alpha Real Capital</b> Ground Rents	

The overall performance of each manager is measured over rolling three-year or five-year periods,

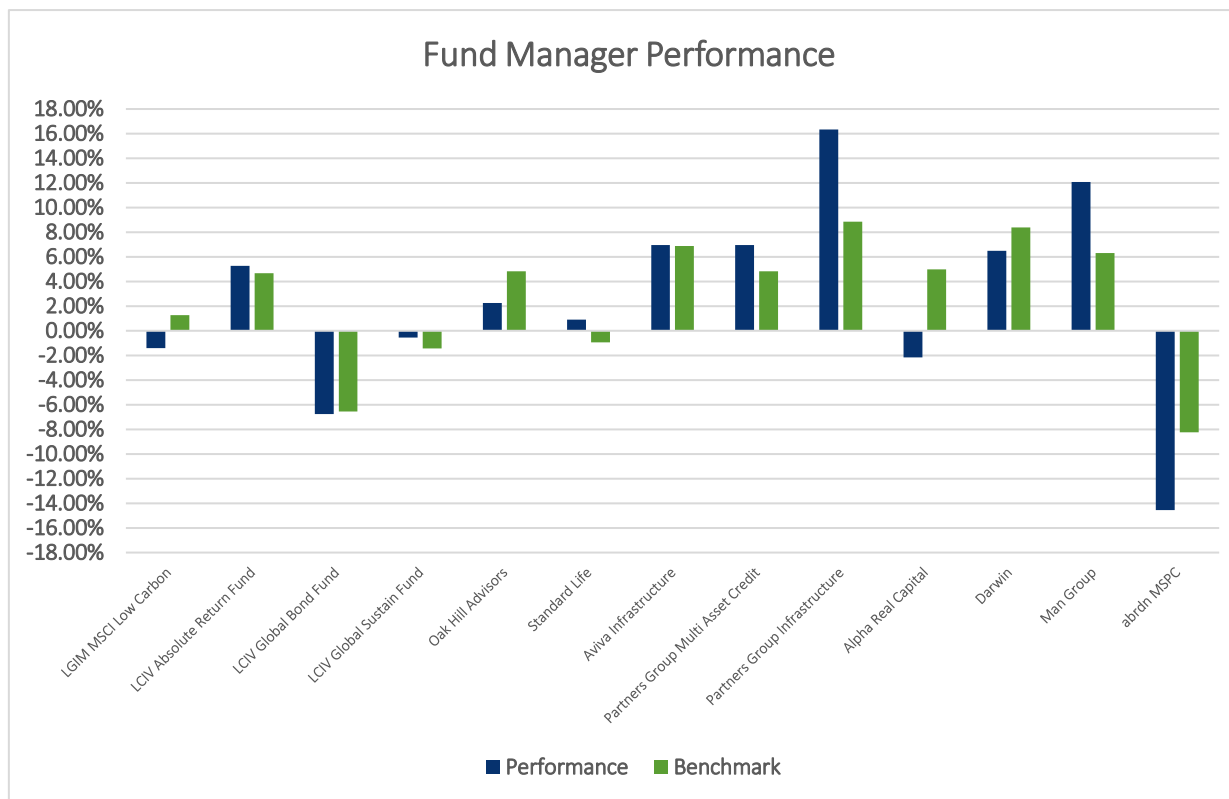
As there will inevitably there be short-term fluctuations in performance.

The Fund entered into new strategies during the year. These have been measured on their performance since inception.

The portfolio is a mixture of active and passively managed asset classes:

- Targets for active fund mandates are set to outperform the benchmark by a set percentage through active stock selection and asset allocation.
- Targets for passive funds are set to achieve the benchmark through investment in a stable portfolio.

The table below shows the portfolio mixture of the fund:





# Corporate Governance

## RESPONSIBLE INVESTMENT POLICY

The Council has a paramount fiduciary duty to obtain the best possible financial return on Fund investments without exposing assets to unnecessary risk. It believes that following the best practice in terms of environmental, social and ethical issues has a positive effect on the long-term financial performance of a company and will improve investment returns to its shareholders.

The Fund investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of environmental, social and ethical issues on the performance of a company when undertaking the acquisition, retention or realisation of investments for the Fund.

In 2019/20 the Fund drafted its first Responsible Investment Statement which was approved later in 2020. This has since been updated and approved by Committee in June 2022.

The Fund's investment managers have adopted socially responsible investment policies which are subject to regular review both by officers and by the Council's Pension Fund Committee.

## PROFESSIONAL BODIES

The Council is a member of the CIPFA Pensions Network which provides a central coordination point for all LGPS funds and local authority members.

CIPFA staff and the network more generally can advise subscribers on all aspects of pensions and related legislation. Relevant training and seminars are also available to officers and members of participating funds.

While the Fund is a member of the Pensions Lifetime and Savings Association (formerly the National Association of Pension Funds), it does not subscribe to nor is it a member of the Local Authority Pension Fund Forum, UK Sustainable Investment & Finance Association or the Institutional Investors Group on Climate change or any other bodies.

## VOTING

Fund Managers have the delegated authority to vote at shareholder meetings in accordance with their own guidelines, which have been discussed and agreed with the Pension Fund Committee. The Committee keeps under close review the various voting reports that it receives from Fund managers.

## COLLABORATIVE VENTURES

The Fund has been working closely with other London LGPS funds in the London Collective Investment Vehicle set up to enable greater buying power, reduced fees and enhanced governance arrangements.

The Hammersmith and Fulham Pension Fund is a shareholder in London LGPS CIV Limited and had 71% of assets invested with the pool as at 31 March 2023.

## Corporate Governance (continued)

### SEPARATION OF RESPONSIBILITIES

The Fund has appointed Northern Trust as its global custodian, which is independent to the investment managers and responsible for the safekeeping of all the Fund's investments. Northern Trust are also responsible for the settlement of all investment transactions and the collection of income.

The Fund's bank account is held with NatWest Bank. This is used for the operation functions of the Fund which include receiving contributions from employers and paying out benefits to members.

The actuary is responsible for assessing the long-term financial position of the pension fund and issues a Rates and Adjustments statement following their triennial valuation of the Pension Fund, which sets out the minimum contributions which each employer in the Scheme is obliged to pay over the following three years.

### STEWARDSHIP CODE

The Pension Fund Committee believes that investor stewardship is a key component of good governance and is committed to exercising this responsibility with the support of its investment managers. In line with this approach, all the Fund's equity investment managers are signatories to the UK Stewardship Code.

The Pension Fund Committee believes that companies should be accountable to shareholders and should be structured with appropriate checks and balances so as to safeguard shareholders' interests and deliver long-term returns.

The Pension Fund Committee encourages Fund Managers to consider a range of factors before making investment decisions, such as the company's historical financial performance, governance structures, risk management approach, the degree to which strategic objectives have been met and environmental and social issues. Such considerations may also be linked to voting choices at company AGMs.

The Pension Fund Committee's role is not to micro-manage companies but provide perspective and share with boards and management our priorities for investment and approach to corporate governance. The aim is to work with management, shareholders and stakeholders to bring about changes that enhance long-term performance.

### FUNDING STRATEGY STATEMENT

The Funding Strategy Statement (Appendix 3) sets out the aims and purpose of the pension fund and the responsibilities of the administering authority regarding funding the scheme.

Its purpose is:

- To establish a clear and transparent fund-specific strategy to identify how employers' pension liabilities are best met going forward;
- To support the regulatory requirement to maintain as nearly constant employer contribution rates as possible;
- To take a prudent longer-term view of funding those liabilities.

HAMMERSMITH  
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# Scheme Administration

# Scheme Administration

## SERVICE DELIVERY

Although the LGPS is a national scheme, it is administered locally. The London Borough of Hammersmith and Fulham Council has a statutory responsibility to administer the pension benefits payable from the Pension Fund on behalf of the participating employers and the past and present members and their dependents.

The Council administers the scheme for 81 employers (a complete list of employers is provided in section 2). These employers include not only the Council, but also academy schools within the borough and a small number of organisations linked to the Council which have been “admitted” to the pension fund under agreement with the Council.

A not-for-profit contractual arrangement is in place with Local Pensions Partnership Administration for the provision of pension administration services. Performance of this service against targets within the contract is reported on page 18. The Council’s Human Resources provide oversight of the administration service.

## COMMUNICATION POLICY STATEMENT

The Local Government Pension Scheme Regulations 2013 require Pension Funds to prepare, publish and maintain a communication policy statement, which can be found on page 88. The Communication Policy details the overall strategy for involving stakeholders in the pension fund. A key part of this strategy is a dedicated pension fund website, which includes a great deal more information about the benefits of the pension fund and this can be accessed via the following link:

[www.lbhfpensionfund.org](http://www.lbhfpensionfund.org)

## INTERNAL DISPUTE RESOLUTION PROCEDURE

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved. To facilitate this process, an Internal Disputes Resolution Procedure (IDRP) has been established. While any complaint is progressing, fund members are entitled to contact The Pensions Advisory Service (TPAS), who can provide free advice.

**IDRP Stage 1** involves making a formal complaint in writing. If the fund member is not satisfied with actions taken at Stage 1 the complaint will progress to Stage 2.

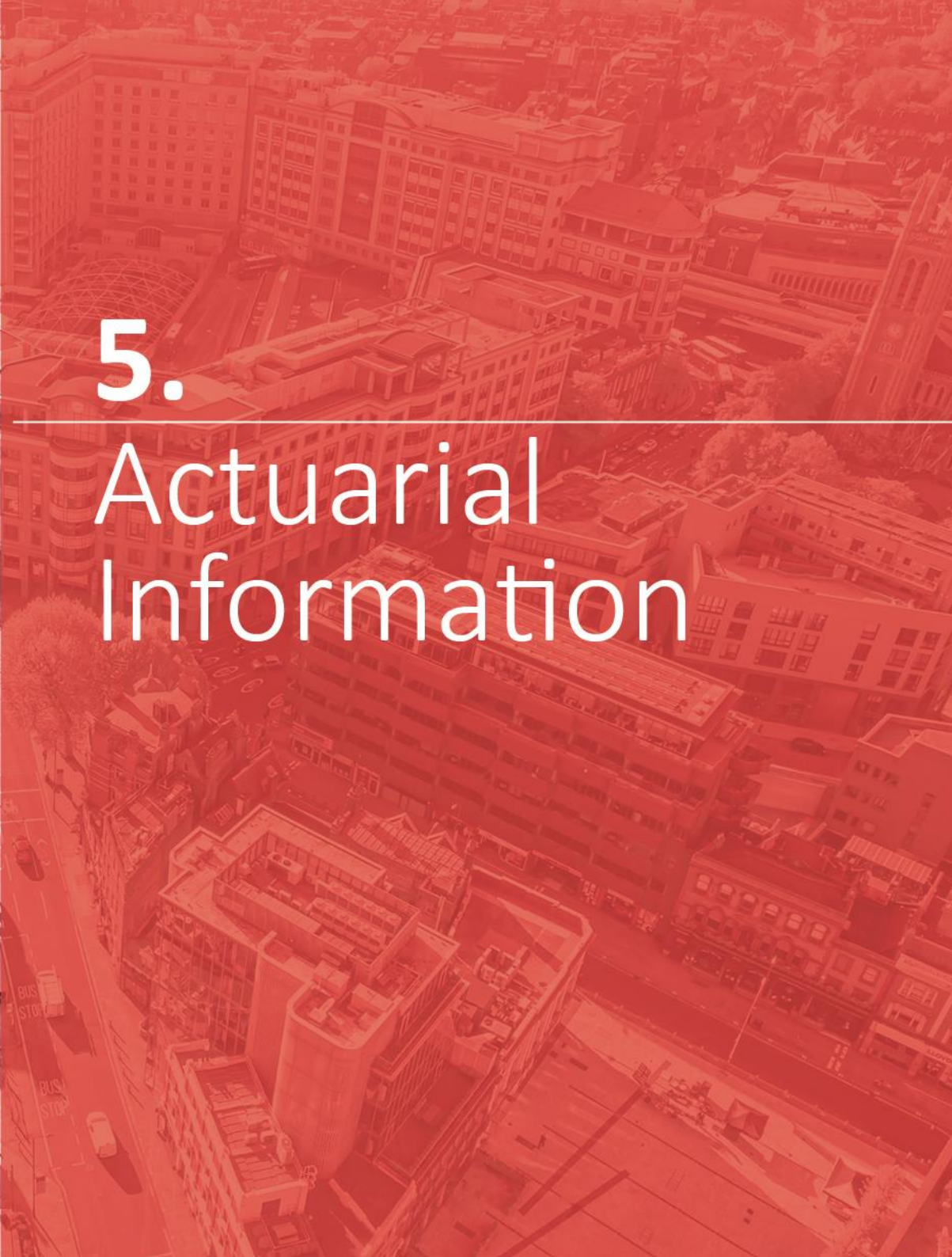
**IDRP Stage 2** involves a referral to the administering authority, Hammersmith and Fulham Council to take an independent view.

**IDRP Stage 3** is a referral of the complaint to the Pension Ombudsman.

Two new complaints referred to the Pensions Ombudsman in 2022/23.

Both TPAS and the Pensions Ombudsman can be contacted at:

11 Belgrave Road  
Pimlico  
London  
SW1V 1RB



# 5.

# Actuarial Information

# Report by Actuary

## INTRODUCTION

The last full triennial valuation of the Hammersmith and Fulham Pension Fund (“the Fund”) was carried out by Barnet Waddingham as at 31 March 2019 in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated February 2020.

Hymans Robertson replaced Barnet Waddingham as the Fund’s actuary in 2021/22. This statement provided by Hymans Robertson gives an update on the funding position as at 31 March 2023 and comments on the main factors that have led to a change since the full valuation.

## 2019 VALUATION

The results for the Fund at 31 March 2019 were as follows:

- The Fund as a whole had a funding level of 97% i.e. the assets were 97% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £35m which is lower than the deficit at the previous valuation in 2016.
- To cover the cost of new benefits a total contribution rate of 17.4% of pensionable salaries would be needed.
- The contribution rate for each employer was set based on the annual cost of new benefits plus any adjustment required to pay for their share of the deficit.
- Full details of all the assumptions underlying the valuations are set out in our valuation report.

## UPDATED POSITION

Using assumptions consistent with those adopted at the 2019 valuation, we estimate that the funding position at 31 March 2022 is broadly the same as that calculated at 31 March 2019.

The next formal valuation was carried out as at 31 March 2022 with new contribution rates set from 1 April 2023. The results were published in the Triennial Valuation Report dated March 2023.

Steven Scott FFA

Hymans Robertson LLP

# 6.

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# Pension Fund Accounts

# Statement of Responsibilities

**Responsibility for the Financial Statements, which form part of this Annual Report, is set out in the following declaration.**

## THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In line with statute, this is the Director of Finance;
- manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

## RESPONSIBILITIES OF THE DIRECTOR OF FINANCE

The Director of Finance is responsible for the preparation of the Pension Fund Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC 2022/23 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing these Statements of Accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting.

The Director of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on assumption that the functions of the authority will continue in operational existence for the foreseeable future;
- Maintained such internal control as they determine as necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

## CERTIFICATE OF THE STRATEGIC DIRECTOR OF FINANCE

I certify that the Statement of Accounts (set out below) present a true and fair view of the financial position of the London Borough of Hammersmith and Fulham Pension Fund as at 31 March 2023 and income and expenditure for the year for the financial year 2022/23.

Sukvinder Kalsi  
Director of Finance  
Section 151 Officer

Date:



# Independent Auditors Report

Independent auditor's report to the members of the London Borough of Hammersmith and Fulham Pension Fund on the pension fund financial statements published with the pension fund annual report

RESPECTIVE RESPONSIBILITIES OF THE STRATEGIC DIRECTOR OF FINANCE AND THE AUDITOR

**Independent Auditors Report (continued)**

**SCOPE OF THE AUDIT OF THE PENSION  
FUND FINANCIAL STATEMENTS**

**OPINION ON THE PENSION FUND  
FINANCIAL STATEMENTS**

**OPINION ON OTHER MATTERS**

[NAME]

for and on behalf of Grant Thornton, Appointed  
Auditor

Grant Thornton

[ADDRESS]

[DATE]

# Pension Fund Accounts and Explanatory Notes

## FUND ACCOUNT

2021/22		Notes	2022/23
£'000			£'000
<b>Dealings with members, employers and other directly involved in the fund</b>			
<b>Contributions</b>			
(25,568)	From Employers	7	(27,421)
(8,735)	From Members	7	(9,539)
(8,617)	Individual Transfers in from Other Pension Funds		(6,847)
-	Other income		-
<b>(42,920)</b>	<b>Total Contributions</b>		<b>(43,807)</b>
<b>Benefits</b>			
37,839	Pensions	8	40,045
10,097	Commutation, Lump Sum Retirement and Death Benefits	8	7,792
271	Payment in respect of tax		210
<b>Payments to and on account of leavers</b>			
5,737	Individual Transfers Out to Other Pension Funds		6,738
152	Refunds to Members Leaving Service		84
<b>54,096</b>	<b>Total Benefits</b>		<b>54,869</b>
<b>11,176</b>	<b>Net (Additions) Withdrawals from dealings with members</b>		<b>11,062</b>

## Pension Fund Accounts and Explanatory Notes (continued)

### FUND ACCOUNT

2021/22		Notes	2022/23
9,915	Management expenses	9	8,283
	<b>Returns on Investment</b>		
11,170	Investment Income	10	24,673
26	Other Income	10	21
(115,585)	(Profit) and losses disposal of investments and changes in value of investments	12	39,819
<b>(126,781)</b>	<b>Net Return on Investments</b>		<b>15,125</b>
(105,690)	Net (Increase)/Decrease in the net assets available for benefits during the year		34,470
<b>(1,219,229)</b>	<b>Opening Net Assets of the Scheme</b>		<b>(1,324,913)</b>
<b>(1,324,913)</b>	<b>Closing Net Assets of the Scheme</b>		<b>(1,290,443)</b>

## Pension Fund Accounts and Explanatory Notes (continued)<sup>4</sup>

### NET ASSETS STATEMENT

2021/22		Notes	2022/23
<b>Investment Assets</b>			
150	Equities	11	150
87,897	Pooled Property Vehicles	11	78,572
1,127,189	Pooled Investment Vehicles	11	1,118,138
72,202	Private Equity/Infrastructure	11	63,531
32,104	Cash Deposits	11	20,245
<b>Other Investment Balances</b>			
7	Investment income due	11	39
<b>1,319,639</b>	<b>Net Investment Assets</b>		<b>1,280,675</b>
4,525	<b>Current Assets</b>	19	3,911
(2,118)	<b>Current Liabilities</b>	20	(1,979)
2,867	<b>Cash Balances</b> (held directly by Fund)		7,836
<b>1,324,913</b>	<b>Net assets of the Fund available to fund benefits at the period end</b>		<b>1,290,443</b>

<sup>4</sup> 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.

# 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 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.

## Note 1 Description of Hammersmith and Fulham Pension Fund (continued)

### 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 participate in 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 2022		31 March 2023
55	<b>Number of active employers</b>	48
4,856	Contributing employees	5,150
5,804	Pensioners receiving benefit	5,960
6,232	Deferred pensioners	6,218
<b>16,892</b>	<b>Total members</b>	<b>17,328</b>

Details of the scheduled and admitted bodies are in Section 2 of this 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 back Local Government Pension Scheme (LGPS) that, as at 31 March 2022, 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 availability to liquid assets.



# Note 3 Summary of Significant Accounting Policies

## FUND ACCOUNT – REVENUE RECOGNITION

### A. CONTRIBUTION INCOME

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

### B. TRANSFERS TO AND FROM OTHER SCHEMES

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

### C. INVESTMENT INCOME

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

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

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

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

## Note 3 Summary of significant accounting policies (continued)

### FUND ACCOUNT – EXPENSE ITEMS

#### D. BENEFITS PAYABLE

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

#### E. TAXATION

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

#### F. VSP, MSP AND LIFE TIME 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 direct 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 direct 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.

## Note 3 Summary of significant accounting policies (continued)

### NET ASSET 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 (AVC)

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.

#### O. RECHARGES FROM THE GENERAL FUND

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

# Note 4 Critical Judgements in Applying Accounting Policies

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

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

## A. 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 LBHF 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. The full and final value of the legal dispute has now been settled at £26m.

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 of 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 3% 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 £4m which is LBHF's share). As the estimated maximum impact on the Council's pension fund value is considered to be £4m, 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
<b>Actuarial present value of promised retirement benefits (Note 18a)</b>	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.	<p>For instance:</p> <ul style="list-style-type: none"> <li>• 0.1% decrease in the discount rate assumption would result in an increase in promised retirement benefits of £20m</li> <li>• 0.1% increase in assumed earnings would increase the value of the liabilities by approximately £1m</li> <li>• 0.1% increase in pension increases would increase the liability by approximately £19m</li> <li>• A one-year increase in life expectancy would increase the liability by approximately £51m</li> </ul>

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 Date

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 tables on the right show a breakdown of the total amount of contributions by authority and by type.

## BY AUTHORITY

2021/22		2022/23
£000		£000
(28,182)	Administering authority	(30,672)
(4,484)	Scheduled bodies	(4,937)
(1,637)	Admitted bodies	(1,351)
<b>(34,303)</b>	<b>Total Contributions Receivable</b>	<b>(36,960)</b>

## BY TYPE

2021/22		2022/23
£000		£000
(8,735)	Employees' normal contributions	(9,539)
	<b>Employer's contributions:</b>	
(21,792)	Normal contributions	(23,568)
(3,776)	Deficit recovery contributions	(3,853)
<b>(34,303)</b>	<b>Total Contributions Receivable</b>	<b>(36,960)</b>

# Note 8 Benefits Payable

The tables on the right below show a breakdown of the total amount of benefits payable.

## BY AUTHORITY

2021/22		2022/23
£000		£000
43,787	Administering authority	42,803
671	Scheduled bodies	1,418
3,478	Admitted bodies	3,616
<b>47,936</b>	<b>Total Benefits Payable</b>	<b>47,837</b>

## BY TYPE

2021/22		2022/23
£000		£000
37,839	Pensions	40,045
9,080	Commutation and lump sum retirement benefits	6,719
1,017	Lump sum death benefits	1,073
<b>47,936</b>	<b>Total Benefits Payable</b>	<b>47,837</b>



# Note 9 Management Expenses

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

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

## MANAGEMENT EXPENSES

2021/22		2022/23
£000		£000
1,225	Administrative costs	962
8,406	Investment management expenses	7,014
284	Oversight and governance costs	307
<b>9,915</b>	<b>Total Management Expenses</b>	<b>8,283</b>

## INVESTMENT MANAGEMENT EXPENSES

2021/22		2022/23
£000		£000
6,431	Management fees	5,428
79	Performance fees	107
1,845	Transaction costs	1,377
51	Custody fees	102
<b>8,406</b>	<b>Total Investment Management Expenses</b>	<b>7,014</b>

The table on the right provides a breakdown of the Investment Management Expenses.

The fund transitioned assets between managers in year which resulted in increased transaction costs. Additionally, due to new requirements related to the cost transparency initiative, the Fund was able to ascertain its transaction costs more accurately.

# Note 10 Investment Income

The table below shows a breakdown of investment income.

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

# Note 11 Investment Strategy

During 2022/23, the Fund's 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.

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

31 March 2022 £000	%	Fund Manager	Mandate	31 March 2023 £000	%
<b>Investment managed by the London CIV asset pool:</b>					
405,364	30.7%	LGIM – MSCI Low Carbon	Global Equity (Passive)	399,782	31.3%
270,935	20.5%	LCIV – Ruffer	Absolute Return (Active)	232,271	18.1%
99,766	7.6%	LCIV – PIMCO	Global Bonds (Active)	90,078	7.0%
188,554	14.3%	LCIV – Morgan Stanley	Global Sustain Fund	185,900	14.5%
<b>964,619</b>	<b>73.1%</b>	<b>Total assets managed by the London CIV asset pool</b>		<b>908,031</b>	<b>70.9%</b>
<b>Investment managed outside of the London CIV asset pool:</b>					
32,582	2.5%	Darwin Alternatives	Leisure Fund	34,694	2.7%
	0.0	Alpha Real Capital	Commercial Ground Rents	55,930	4.4%
18,231	1.4%	Man Group	Affordable Housing	24,027	1.9%
66,283	5.0%	Oak Hill Advisors	Secured Income (Active)	65,179	5.1%
69,756	5.3%	Aberdeen Standard	Long Lease Property	54,545	4.3%
26,596	2.0%	Aviva Investors	Infrastructure	25,965	2.0%
45,468	3.4%	Partners Group	Infrastructure	37,536	2.9%
7,986	0.6%	Partners Group	Multi Asset Private Credit	8,094	0.6%
-	0.0%	Invesco	Private Equity	-	0.0%
138	0.0%	Unigestion	Private Equity	30	0.0%
32,111	2.4%	Inhouse Cash	Cash	20,284	1.6%
150	0.0%	London CIV Ltd	UK Equity	150	0.0%
1	0.0%	NT Ultra Short Bond Fund	UK Equity	1	0.0%
55,718	4.2%	Aberdeen MSPC	Private Credit	46,209	3.6%
<b>355,020</b>	<b>26.9%</b>	<b>Total assets managed outside of the London CIV asset pool</b>		<b>372,644</b>	<b>29.1%</b>
<b>1,319,639</b>	<b>100.0%</b>	<b>Total investments</b>		<b>1,280,675</b>	<b>100.0%</b>

## Note 11 Investment Strategy (continued)

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

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

# 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

Fund Manager	Value at 31 March 2022 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Value at 31 March 2023 £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
<b>Total</b>	<b>1,287,528</b>	<b>102,260</b>	<b>(89,541)</b>	<b>(39,856)</b>	<b>1,260,391</b>
Cash deposits	32,104			152	20,245
Investment income due	7			-	39
Spot FX contracts	-			(115)	-
<b>Net investment assets</b>	<b>1,319,639</b>	<b>102,260</b>	<b>(89,541)</b>	<b>(39,819)</b>	<b>1,280,675</b>

## Note 12 Reconciliation of Movement in Investments (continued)

The equivalent analysis for 2021/22 is provided below:

Fund Manager	Value at 1 April 2021 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Value at 31 March 2022 £000
Equities	150	-	-	-	150
Pooled equity Investments	1,081,786	32,000	(91,882)	97,299	1,119,203
Pooled property investments	61,162	55	(100)	8,640	69,757
Private equity/infrastructure	71,863	31,260	(14,347)	9,642	98,418
<b>Total</b>	<b>1,214,961</b>	<b>63,315</b>	<b>(106,329)</b>	<b>115,581</b>	<b>1,287,528</b>
Cash deposits	8			(1)	32,104
Investment income due	13			-	7
Spot FX contracts	-			5	-
<b>Net investment assets</b>	<b>1,214,982</b>	<b>63,315</b>	<b>(106,329)</b>	<b>115,585</b>	<b>1,319,639</b>

# 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
<b>Pooled Investments – Equity Funds UK and Overseas Managed Funds</b>	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
<b>Unquoted Bonds and Unit Trusts</b>	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services	Evaluated price feeds	Not required
<b>Pooled Long Lease Property Fund</b>	Level 2	The Aberdeen Standard Long Lease Property Fund is priced on a Single Swinging Price	In house evaluation of market data	Not required
<b>Private Equity</b>	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
<b>Infrastructure funds</b>	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
<b>Illiquid Alternatives</b>	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 the 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.

Quoted Market Price	31 March 2022			Quoted Market Price	31 March 2023	
	Using Observable Inputs	With Significant Unobservable Inputs			Using Observable Inputs	With Significant Unobservable Inputs
Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
£000	£000	£000		£000	£000	£000
<b>Financial Assets</b>						
-	1,156,377	131,151	Designated at fair value through profit and loss	-	1,073,965	186,426
-	<b>1,156,377</b>	<b>131,151</b>	<b>Net Financial Assets</b>	-	<b>1,073,965</b>	<b>186,426</b>
		<b>1,287,528</b>				<b>1,260,391</b>



## 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	45,607	-	3,261	(10,782)	(696)	176	37,566
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
<b>Total</b>	<b>131,151</b>	<b>-</b>	<b>70,203</b>	<b>(14,682)</b>	<b>(422)</b>	<b>176</b>	<b>186,426</b>

## 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:

	Assessed Valuation Range (+)	Assessed Valuation Range (-)	Valuation at 31 March 2023	Valuation on increase	Valuation on decrease
Aviva 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 Credit	9.73%	9.73%	8,094	8,882	7,306
Darwin Alternative – Leisure Fund	7.9%	6.90%	34,694	37,435	32,300
Alpha Real Capital – Commercial Ground Rents	10.10%	8.00%	55,930	61,579	51,456
Man Group – Affordable Housing	9.5%	8.80%	24,027	26,310	21,913
<b>Total</b>			<b>186,246</b>	<b>202,776</b>	<b>171,174</b>

\*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.

Designated at fair value through profit & loss	31 March 2022		Designated at fair value through profit & loss	31 March 2023	
	Financial assets at amortised cost	Financial liabilities at amortised cost		Financial assets at amortised cost	Financial liabilities at amortised cost
£000	£000	£000	£000	£000	£000
<b>Financial Assets</b>					
<i>Pooled Investment Vehicles:</i>					
864,853			817,953		
163,471			144,382		
120,569			113,266		
26,596			81,895		
66,283			65,179		
45,468			37,536		
138			30		
150			150		
	6			39	
	32,105			20,245	
	4,525			3,911	
	2,867			7,836	
<b>1,287,528</b>	<b>39,503</b>		<b>1,260,391</b>	<b>32,031</b>	
<b>Financial Liabilities</b>					
		(2,118)			(1,979)
1,287,528	39,503	<b>(2,118)</b>	1,260,391	32,031	<b>(1,979)</b>
		<b>1,324,913</b>	<b>Total Net Assets</b>	<b>1,290,443</b>	

# Note 15b Net Gains and Losses on Financial Statements

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

31 March 2022		31 March 2023	
<b>Financial Assets</b>			
115,581	Fair value through profit and loss	(39,856)	
5	Loans and receivables	152	
<b>Financial Liabilities</b>			
(1)	Fair value through profit and loss	(115)	
<b>115,585</b>	<b>Net Gains /(losses) on Financial Instruments</b>	<b>(39,819)</b>	

# 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 £000	+% £000	-% £000
At 31 March 2022	1,322,506	1,447,181	1,197,831
<b>At 31 March 2023</b>	<b>1,288,511</b>	<b>1,407,552</b>	<b>1,169,170</b>

## 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 £000	+1% £000	-1% £000
At 31 March 2022	341,107	331,880	348,737
<b>At 31 March 2023</b>	<b>328,483</b>	<b>318,649</b>	<b>344,299</b>

## Note 16 Nature and Extent of Risks Arising from Financial Instruments (continued)

### 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. 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 7.2% higher or lower for 2022/23 (6.8% in (2021/22)).

Assets exposed to currency risk	Value £000	+% £000	-% £000
At 31 March 2022	739,360	789,358	689,363
<b>At 31 March 2023</b>	<b>676,661</b>	<b>725,540</b>	<b>627,782</b>

### 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 2022	31 March 2023
Aberdeen Standard	Property	69,756	54,545
Partners Group	Infrastructure	45,468	37,536
Partners Group	Multi Asset Credit	7,986	8,094
Unigestion	Private Equity	138	30
Darwin Alternatives	Illiquid Alternatives	32,582	34,694
Alpha Capital	Real Commercial Ground Rents	-	55,930
Man Group	Property	18,231	24,027
<b>Total</b>		<b>174,161</b>	<b>214,856</b>

# Note 17 Contingent Liabilities and Contractual Commitments

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

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

# 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 at the time, as at 31 March 2019 in accordance with the Funding Strategy Statement of the Fund and the Local Government Pension Scheme Regulations 2013. The results were published in the triennial valuation report dated 29 January 2020. This valuation set the employer contribution rates from 1 April 2020 through to 31 March 2023.

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

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

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

Financial Assumptions	31 March 2016 £000	31 March 2019 £000
Consumer Price Index (CPI) increases	2.40%	2.60%
Salary Increases	3.90%	3.60%
Pensions Increases	2.40%	2.40%
Discount Rate	5.40%	5.00%

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 by the Fund's actuary Hyman's Robertson 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 2022		31 March 2023
		£000		£000
(1,808,000)	Present value of promised retirement benefits		(1,339,000)	
1,324,913	Fair value of scheme assets (bid value)		1,290,443	
<b>(483,087)</b>	<b>Net Liability</b>		<b>(48,557)</b>	

The assumptions applied by the actuary are set out below:

## FINANCIAL ASSUMPTIONS

	31 March 2022	31 March 2023
Salary increases	4.20%	4.00%
Pension increases	3.20%	3.00%
Discount rate	2.70%	4.75%

## 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:

		31 March 2022	31 March 2023
Retiring today	Males	22.1	21.8
	Females	24.7	24.5
Retiring in 20 years	Males	23.2	22.8
	Females	26.1	25.8

# Note 19 Current Assets

## DEBTORS

31 March 2022		31 March 2023
£000		£000
1,620	Contributions due – employers	1,627
704	Contributions due – employees	678
96	London Borough of Hammersmith & Fulham	50
2105	Sundry Debtors	1,556
<b>4,525</b>	<b>Total Current Assets</b>	<b>3,911</b>

## ANALYSIS OF DEBTORS

31 March 2022		31 March 2023
£000		£000
96	Local authorities	50
4,087	Other entities and individuals	3,393
342	Central Government	468
<b>4,525</b>	<b>Total Current Assets</b>	<b>3,911</b>

# Note 20 Current Liabilities

## CREDITORS

31 March 2022		31 March 2023
£000		£000
(562)	Unpaid benefits	(659)
(843)	Management expenses	(901)
(713)	Sundry creditors	(419)
<b>(2,118)</b>	<b>Total Current Liabilities</b>	<b>(1,979)</b>

## ANALYSIS OF CREDITORS

31 March 2022		31 March 2023
£000		£000
(2,118)	Other entities and individuals	(1,979)
<b>(2,118)</b>	<b>Total Current Liabilities</b>	<b>(1,979)</b>

# 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 2022		31 March 2023	
£000		£000	
917	Zurich Assurance	857	
176	Equitable Life Assurance	154	
<b>1,093</b>	<b>Total Additional Voluntary contributions</b>	<b>1,011</b>	

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 Party Transactions

## 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 2022	31 March 2023
Short-term benefits	32	30
Post-employment benefits	(30)	(179)
<b>Total</b>	<b>2</b>	<b>(149)</b>

## Note 25 External Audit Costs

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



# 7.

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# Glossary and Contacts

# Glossary of Terms

## ACCOUNTING POLICIES

The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

## ACCRUALS

Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

## ACTIVE MANAGEMENT

Active management or active fund management is where the fund manager makes specific investments with the aim of outperforming an investment benchmark.

## ACTIVE MEMBER

Current employee who is contributing to a pension scheme.

## ACTUARIAL GAINS AND LOSSES

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

## ACTUARY

An independent professional who advises the Council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

## ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

## ADMITTED BODY

An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

## ASSET ALLOCATION

The apportionment of a Fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

## BENCHMARK

A measure against which the investment policy or performance of an investment manager can be compared.

## BONDS

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

## CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTING)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code.

## CREDITORS

Amounts owed by the Council for goods and services received but not paid for as at 31 March.

## DEBTORS

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.

## DEFERRED MEMBERS

Scheme members, who have left employment or ceased to be active members of the scheme whilst remaining in employment but retain an entitlement to a pension from the scheme.

## DEFINED BENEFIT SCHEME

A type of pension scheme, where the pension that will ultimately be paid to the employee is fixed in advance, and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.



## Glossary of Terms (continued)

### DERIVATIVE

A derivative is a financial instrument which derives its value from the change in price (e.g. foreign exchange rate, commodity price or interest rate) of an underlying investment (e.g. equities, bonds, commodities, interest rates, exchange rates and stock market indices), which no net initial investment or minimal initial investment and is settled at a future date

### EMPLOYER CONTRIBUTION RATES

The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

### EQUITIES

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

### EXCHANGE TRADED

This describes a financial contract which is traded on a recognised exchange such as the London Stock Exchange or the London International Financial Futures Exchange.

### FINANCIAL ASSETS

Financial assets are cash, equity instruments within another entity (e.g. shares) or a contractual right to receive cash or another asset from another entity (e.g. debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (e.g. derivatives).

### FINANCIAL INSTRUMENT

Any contract giving rise to a financial asset in one entity and a financial liability or equity in another entity.

### FINANCIAL LIABILITIES

Financial assets are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives).

### FORWARD FOREIGN EXCHANGE DERIVATIVE

Forward foreign exchange derivatives are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

### INDEX

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

### OVER THE COUNTER

This describes a financial contract which is potentially unique as they are not usually traded on a recognised exchange

### PASSIVE MANAGEMENT

Passive management is where the investments mirror a market index.

### POOLED INVESTMENT VEHICLES

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

### PROJECTED UNIT METHOD – PENSION FUND VALUATION

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

## Glossary of Terms (continued)

### RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the authority and its pension fund.

### RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; and
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

### RETURN

The total gain from holding an investment over a given period, including income and increase or decrease in market value.

### SCHEDULED BODY

An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

### THE CODE

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

### UNREALISED GAINS/LOSSES

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

NOTE: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

# Contact Information

## FOR FURTHER DETAILS CONTACT:

### FINANCE ENQUIRIES

Tri-Borough Pensions Team  
16<sup>th</sup> Floor  
64 Victoria Street  
London  
SW1E 6QP  
[pensionfund@lbhf.gov.uk](mailto:pensionfund@lbhf.gov.uk)

### PENSION FUND MANAGEMENT ENQUIRIES

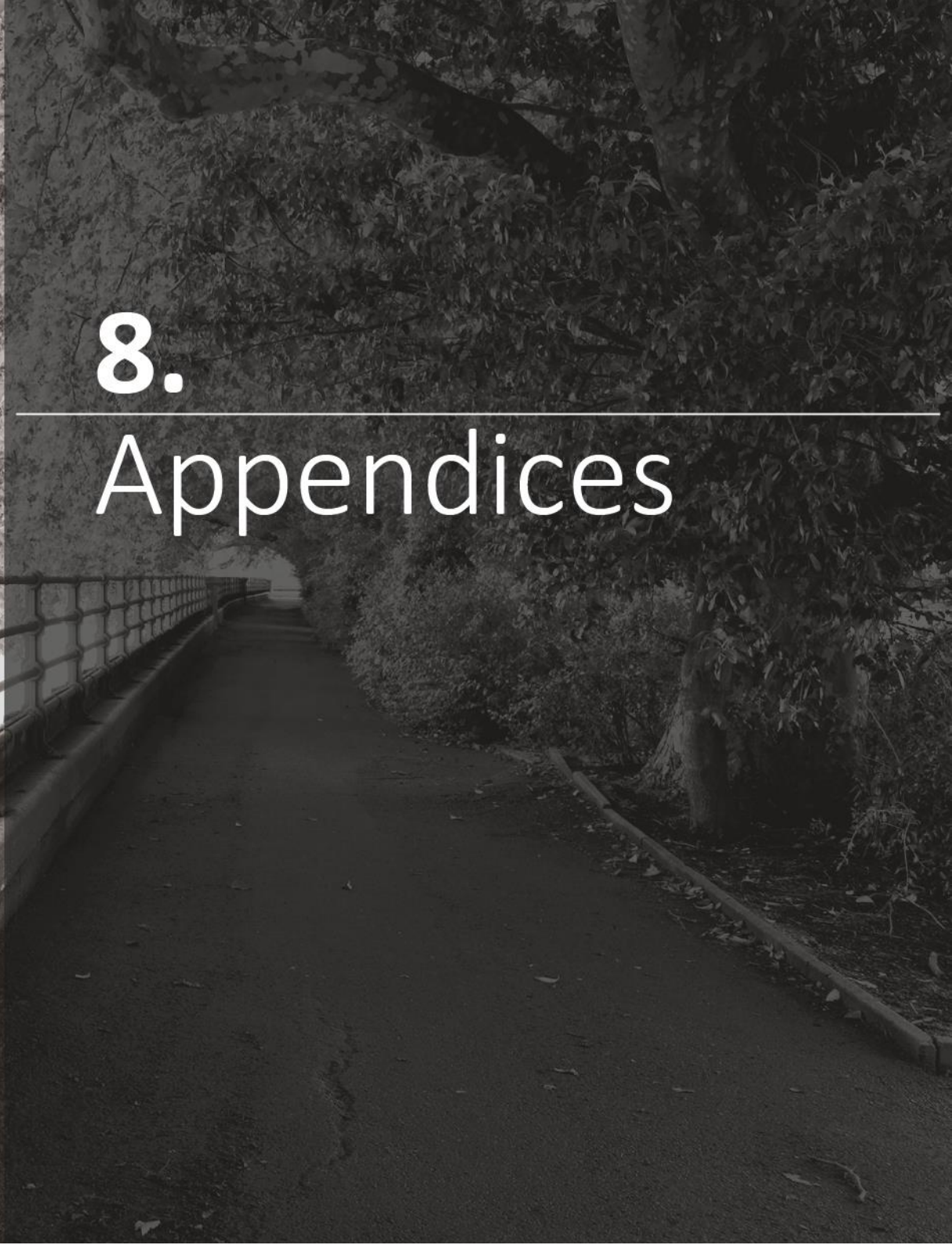
Pensions Manager  
Hammersmith & Fulham Council  
The Town Hall  
King Street  
London  
W6 9JU  
[pensions@lbhf.gov.uk](mailto:pensions@lbhf.gov.uk)

### ADMINISTRATIVE ENQUIRIES

Local Pensions Partnership Administration (Scheme Administrators)

Contact  
form: <https://www.lppapensions.co.uk/contact/contact-lppa/>

Phone: 0300 323 0260



# 8.

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# Appendices

# Appendix 1. Governance Compliance Statement

## BACKGROUND

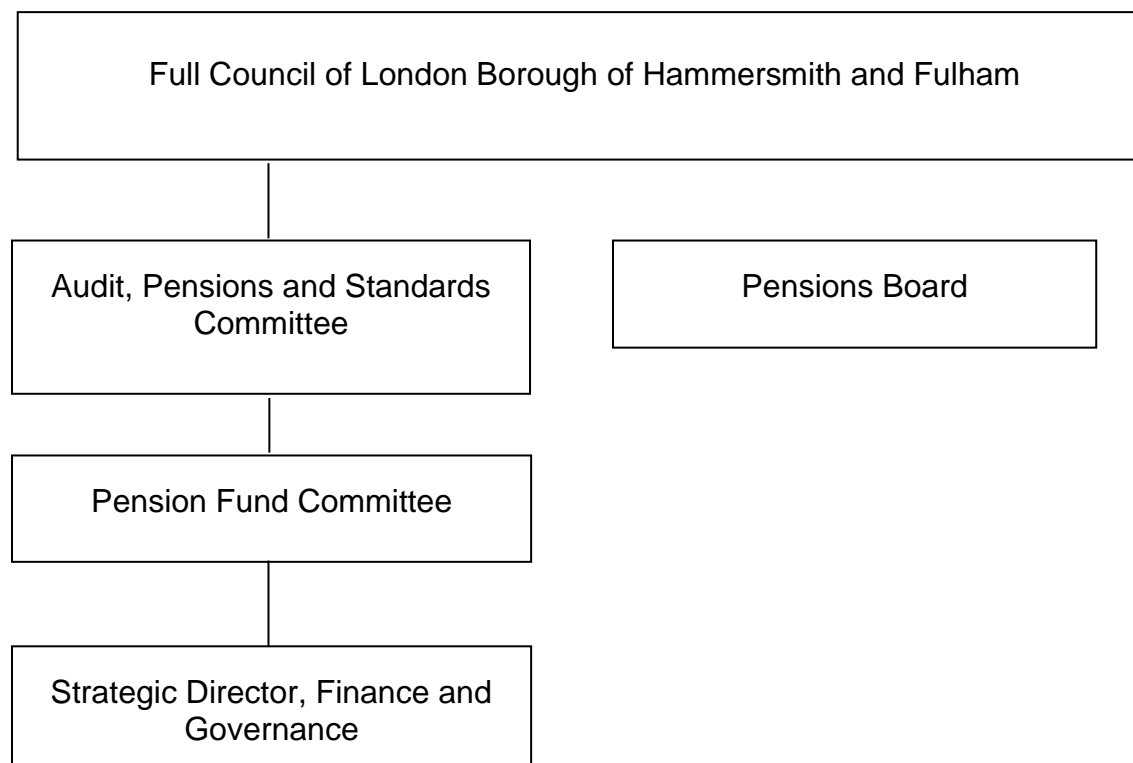
The London Borough of Hammersmith and Fulham Council is the administering authority for the London Borough of Hammersmith and Fulham (“the Fund”) and it administers the Local Government Pension Scheme on behalf of the participating employers.

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires all administering authorities for local government pension schemes to publish a Governance Compliance Statement setting out the Fund’s governance arrangements. Information on the extent of the Fund’s compliance with guidance issued by the Secretary of State for Communities and Local Government is also a requirement of this regulation.

## GOVERNANCE STRUCTURE

The diagram on the right shows the governance structure in place for the Fund.

Full Council has delegated its functions in relation to the pension fund regulations, as shown in the diagram. The sections below explain the role of each party and provide the terms of reference.



## Governance Compliance Statement (continued)

### AUDIT, PENSIONS AND STANDARDS COMMITTEE

Full Council has delegated all decisions in relation to the Public Service Pensions Act 2013 to the Audit, Pensions and Standards Sub-Committee. In order to manage the workload of the committee, the committee has delegated decisions in relation to all pensions' matters to the Pension Fund Committee.

### PENSION FUND COMMITTEE

The role of the Pension Fund Committee is to have responsibility for all aspects of the investment and other management activity of the Fund.

The Committee is made up of four elected members of the Audit, Pensions and Standards Committee and one co-opted member. Three members of the committee are administration councillors, and one member represents the opposition. The Committee is chaired by the Chair of the Audit, Pensions and Standards Committee. The Sub Committee may co-opt non-voting independent members, including Trade Unions and representatives from the admitted and scheduled bodies in the Pension Fund.

All Councillors on the Committee have voting rights. In the event of an equality of votes, the Chair of the Committee shall have a second casting vote. Where the Chair is not in attendance, the Vice-Chair has the casting vote.

The Committee meets four times a year and may convene additional meetings as required. Three members of the Committee are required to attend for a meeting to be quorate.

The terms of reference for the Committee are:

1. To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the investment consultant.
2. To monitor performance of the Pension Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable;
3. To determine the Fund management arrangements, including the appointment and termination of the appointment of the fund managers, actuary, custodians and fund advisers.
4. To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
5. To approve the final Statement of Accounts of the Pension Fund and to approve the Annual Report.
6. To receive actuarial valuations of the Superannuation Fund regarding the level of employers' contributions necessary to balance the Superannuation Fund.
7. To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.
8. To make and review an admission policy relating to admission agreements generally with any admission body.
9. To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
10. To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
11. To receive and consider the auditor's report on the governance of the Pension Fund.
12. To determine any other investment or pension fund policies that may be required from time to time so as to comply with government regulations and to make any decisions in accordance with those policies.

## Governance Compliance Statement (continued)

### PENSIONS BOARD

With effect from 1st April 2015, all administering authorities are required by the Public Services Pensions Act 2013 to establish a Pensions Board to assist them. The London Borough of Hammersmith and Fulham Pensions Board was established by full Council on 25th February 2015.

The role of the Pensions Board is to assist the administering authority with securing compliance with Local Government Pension Scheme regulations and other legislation relating to the governance and administration of the scheme. The Board does not have a decision-making role in relation to management of the Fund, but is able to make recommendations to the Pension Fund Committee.

The membership of the Board is as follows:

- Three employer representatives comprising one from an admitted or scheduled body and two nominated by the Council;
- Three scheme member's representatives from the Council or an admitted or scheduled body.

All Board members are entitled to vote, but it is expected that as far as possible Board members will reach a consensus. Three Board members are required to attend for a meeting to be quorate. The Board will meet a minimum of twice a year but is likely to meet on a quarterly basis to reflect the same frequency as the Pension Fund Committee.

### COMPLIANCE WITH STATUTORY GUIDANCE

It is a regulatory requirement that the Fund publishes the extent to which it complies with statutory guidance issued by the Secretary of State for Communities and Local Government. The guidance and compliance levels are set out in Annex 1.

### REVIEW OF STATEMENT

This statement will be kept under review and updated as required. Consultation with the admitted and scheduled bodies of the Fund will take place before the statement is finalised at each change.

## Annex 1: Governance Compliance Statement

Compliance Requirement	Compliance	Notes
<b>Structure</b>		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	As set out in terms of reference of the Pension Fund Committee.
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Not fully compliant	Representatives of the employers and scheme members are Pensions Board members, rather than members of the Pension Fund Committee.
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee
<b>Committee membership and representation</b>		
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: - <ul style="list-style-type: none"> <li>i) employing authorities (including non-scheme employers, e.g. admitted bodies);</li> <li>ii) scheme members (including deferred and pensioner scheme members),</li> <li>iii) where appropriate, independent professional observers, and</li> <li>iv) expert advisors (on an <i>ad hoc</i> basis).</li> </ul>	Not fully compliant	Representatives of the employers and scheme members are Pensions Board members, rather than members of the Pension Fund Committee. Expert advisers attend the Committee as required
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee
<b>Selection and role</b>		
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	Compliant	As set out in terms of reference of the Pension Fund Committee
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	Compliant	This is a standing item on the Pension Fund Committee agendas
<b>Voting</b>		
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	As set out in terms of reference of the Pension Fund Committee



## Annex 1: Governance Compliance Statement (continued)

Compliance Requirement	Compliance	Notes
<b>Training, facility time and expenses</b>		
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process	Compliant	As set out in the Council's allowances policy and the Pension Fund Knowledge and Skills policy
That where such a policy exists, it applies equally to all members of committees, Committees, advisory panels or any other form of secondary forum	Compliant	As set out in the Council's constitution
<b>Meetings</b>		
That an administering authority's main committee or committees meet at least quarterly.	Compliant	As set out in terms of reference of the Pension Fund Committee
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee.
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Compliant	Represented on the Pensions Board
<b>Access</b>		
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	Compliant	As set out in the Council's constitution
<b>Scope</b>		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Compliant	As set out in terms of reference of the Pension Fund Committee
<b>Publicity</b>		
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements	Compliant	All meeting minutes, reports and Pension Fund policies are published on the Council's website

# Appendix 2. Communication Policy

This is a draft of the Hammersmith & Fulham Pension Fund communications policy the final version will be published once ratified by the Pension Fund Committee in autumn 2023.

This Communications Policy is a statement of how we deliver and manage the flow of communications within and outside the London borough of Hammersmith & Fulham Pension Fund.

Every Local Government Pension Scheme (LGPS) administering authority must prepare, publish and maintain a new policy statement on communication strategy. The details of this legal requirement are contained in Regulation 61 of the Local Government Pension Scheme Regulations 2013.

The LGPS Regulations require us to prepare, maintain and publish a statement setting out our policies on communications. We have prepared this document in line with these requirements.

The policy statement must set out (a) the policies on the provision of information and publicity about the Scheme to members, representatives of members, and scheme employers; (b) the format, frequency and method of distributing such information or publicity; and (c) the promotion of the Scheme to prospective members and their employing authorities.

## Purpose

The responsibility for communication material for the Scheme rests with the Administering Authority working in partnership with its Pension Administration provider, LPPA. This document

reflects the LGPS Regulatory requirement for the administering authority to maintain a Statement concerning communications with members, representatives of members, prospective members; and Scheme employers and sets out how the Fund complies with Disclosure of Information Regulations, the Public Sector Pensions Act, the Local Government Pension Scheme Regulations and the Pension Regulators Code of Practice. The Communication Policy Statement should be read in conjunction with the Pension Administration Strategy and the Fund's Business Plan.

This Statement will be published on the Pension Fund's website. It will be reviewed every three years and updated sooner if the communications arrangements or other matters included within it merit reconsideration.

## Aims and objectives.

Through the Fund's Communication we aims to:

- To ensure that information is provided which highlight the benefits of the Scheme, improve the understanding of how the Schemes works, the costs / funding relating to benefits and inform scheme members of their pension rights.
- Comply with our statutory obligations and relevant guidance.
- Keep stakeholders updated on latest developments
- Support informed decision making about investment, administration and governance of the Scheme

- Maintain the provision of timely and accurate data and associated reporting

- Reduce the number of queries and complaints received by the Fund.

The fund informs members and Scheme Employers of material changes to the Scheme via the website, email alerts or the appropriate newsletter.

## Considerations

When considering how to communicate with our stakeholders we consider the intended audience to ensure that our messages are delivered in a useful and easy to follow manner. This may involve using more than one method of communication based on the intended audience, albeit the Fund will aim to use digital communications where appropriate to do so given the efficiencies and ease of access it provides, as well as it being more environmentally friendly.

We will continue to develop our digital platforms to encourage greater accessibility to our service for all stakeholders. However Scheme members are able to elect not to receive electronic communications. Where this has occurred and the Fund is still required to provide information, which will be provided in paper form and sent by post.

The fund informs members and Scheme Employers of material changes to the Scheme via the website, email alerts or the appropriate newsletter. The Fund have a legal obligation to process members data under the Local Government Pension Scheme 2013 regulations. The Fund also adheres to other

legislative requirements, including the General Data Protection Regulations, Freedom of Information Act and pension disclosure legislation with the data we hold.

### Actions

The Fund strives to continually improve member and employer engagement. The Fund informs members and Scheme Employers of material changes to the Scheme via the website, email alerts or the appropriate newsletter. The Fund aims to produce communications which are factual, easy to understand and accessible. The Fund strives for efficiency in delivering communications through better use of technology, whilst ensuring that the needs of all stakeholders are taken into account.

### Accessibility

The Administering Authority is committed to using technology to enhance services, improve accessibility and broaden inclusion. All public sector websites are required to meet regulatory accessibility standards. Both LPPA and Hammersmith & Fulham Council have an accessibility statement setting out how documents held on their website on behalf of the Fund meet those standards.

The Fund's website is regularly updated to meet WCAG 2.1 accessibility requirements. As defined in the link below;

[WCAG 2 Overview | Web Accessibility Initiative \(WAI\) | W3C](#)

The Administering Authority recognises that individuals may have specific needs in relation to the format or language of our communication and we are happy to provide alternative material on request. Meeting accessibility requirements is an area of continual update and improvement for your

funds website. We are always looking at ways to improve the accessibility of our information, so if you do encounter any problems, please let us know via emailing [pensions@lbhf.gov.uk](mailto:pensions@lbhf.gov.uk) or contacting LPPA on 0300 323 0260. Further information can be found at the websites below;

[Accessibility • Local Pensions Partnership Administration \(lppapensions.co.uk\)](#)

[Accessibility statement | LBHF](#)

### Social Media

The Fund does not have a profile on any social media such as Twitter or Facebook; no requests for such access have been received and there is no current added benefit for these to be created.

### Review of Policy

This document will be revised and republished whenever there is a material change to the way we communicate or engage with any of these groups and at least every 3 years.

### Appendix 1

Summary of Hammersmith & Fulham Pension Fund communications

Open to feedback We encourage all scheme members, employers and other audiences to feedback on our work and help us improve our services.

# Communication Policy Appendix 1

Communication	Format	Frequency	Audience
Statutory notification of joining the scheme	Letter, email	On the event	Members
LGPS Scheme guide	Electronic via LGPS member and regulation and via opsi site	Always available	All
Annual Benefit statements	Members are notified via email. All previous statements are held on portal for the member to access at anytime	Annually before 31 August, Always available	Deferred and active members
Members' (active /deferred) newsletter	Via the lppa website or sent electronically by email hard copy on request	Annually, Always available	Members
Pensioners newsletter	Electronically via LPPA website and or Pension Point	Annually, Always available	Pensioners
Employers newsletter	Electronically via LPPA website and or Pension Point	Annually, always available	Fund Employers
Guide for new pensioners	Email, letter	Always available	pensioners
Pensions increase letter	Email, letter	On the event thereafter always available	pensioners
Planning for retirement guidance	Electronic on LPPA website	Always available	n/a
Fund website	Electronically	Always available	All interested parties
Pension Point	Always available	Always available	All registered members

Additional pension contribution	Electronically	Always available	All interested parties
Guide to the Internal Disputes Resolution procedure	Always available online on Fund website	Always available	All interested parties
one to one meetings	Virtually, via phone or in person	Virtual and phone meetings are always available. Face to face meeting are available by appt at council offices	All interested parties
Forms and guides for employer	Electronically held on LPPA or HFPP website	Always available online from recorded session and you tube tutorials	All interested parties
Employer training	Virtually or via request	Always available online from recorded session and you tube tutorials	All interested parties
Pension Board meeting minutes	Electronic via LBHF website	Always available from the meetings held biannually	All interested parties
Pension Fund Committee meeting minutes	Electronic via LBHF website	Always available from the meetings held quarterly	All interested parties
Pension fund report and account	Electronic via Fund and LBHF website	Always available	All interested parties
Investment Strategy Statement	Electronic via Fund and LBHF website	Always available	All interested parties
Investment Policy	Electronic via Fund and LBHF website	Always available	All interested parties
Governance Policy	Electronic via website	Always available	All interested parties
Funding Strategy Statement	Electronic via Fund and LBHF website	Always available	All interested parties
Pension Fund valuation report	Electronic via website	Always available	All interested parties
Annual benefit statement	Electronic via Pensionpoint or paper on request	Always available	Eligible active and deferred members
Pensioners pay Advice (P60)	Electronic via Pensionpoint or paper on request	Always available	All pensioners

# Appendix 3. Funding Strategy Statement

## INTRODUCTION

This is the Funding Strategy Statement for the London Borough of Hammersmith and Fulham Pension Fund (the Fund) (Last updated in 2019). The March 2022 Triennial Valuation has now taken place and from the 1 April 2023 the Funding Strategy Statement has been updated. The Funding Strategy statement from the 2019 Valuation has been included in this annual report as its policies and rates applied for the 2022-23 Financial Year. It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes the London Borough of Hammersmith and Fulham's strategy, in its capacity as administering authority, for the funding of the London Borough of Hammersmith and Fulham Pension Fund.

The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

## PURPOSE OF THE FUNDING STRATEGY STATEMENT

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as required by Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

## AIMS AND PURPOSE OF THE FUND

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

## Funding Strategy Statement (continued)

### FUNDING OBJECTIVES

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations

are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.

### KEY PARTIES

The key parties involved in the funding process and their responsibilities are set out below.

#### The administering authority

The administering authority for the Fund is the London Borough of Hammersmith and Fulham. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;

- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and;
- Enable the Pensions Board to review the valuation process as they see fit.

#### Scheme employers

In addition to the administering authority, a number of other Scheme employers participate in the Fund.

The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

## Funding Strategy Statement (continued)

### Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Ministry of Housing, Communities and Local Government (MHCLG).

### Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of

relevance to their role in advising the Fund; and;

- Advise on other actuarial matters affecting the financial position of the Fund.

### KEY PARTIES

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent valuation of the Fund was as at 31 March 2019. The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2019 valuation report.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

### FUNDING METHOD

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service).

These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

## Funding Strategy Statement (continued)

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an “open” employer – one which allows new recruits access to the Fund, or a “closed” employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year’s benefit accrual only.

For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer’s specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

## VALUATION ASSUMPTIONS AND FUNDING MODEL

In completing the actuarial valuation, it is necessary to formulate assumptions about the factors affecting the Fund’s future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

### Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20-year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20-year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund.

### Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. A deduction of 1.0% p.a. is therefore made to the RPI assumption to derive the CPI assumption.

### Future pay increases

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2019 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

### Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund’s long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the “ongoing” discount rate.



## Funding Strategy Statement (continued)

A summary of the financial assumptions adopted for the 2019 valuation is set out in the table below:

Financial assumptions as at 31 March 2019	
RPI inflation	3.6% p.a.
CPI inflation	2.6% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increase	CPI inflation + 1.0% p.a.
Discount rate	5.0% p.a.

### Asset valuation

For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received, and benefits paid).

### Demographic assumptions

The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of the assumptions adopted are included in the Fund's 2019 valuation report.

### McCloud/Sargeant judgements

The McCloud/Sargeant judgements were in relation to two employment tribunal cases which were brought against the government in relation to possible age and gender discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. These judgements were not directly in relation to the LGPS, however, do have implications for the LGPS.

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

Further details of this can be found below in the Regulatory risks section.

At the time of drafting this FSS, it is still unclear how this will affect current and future LGPS benefits. As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of

McCloud was covered by the prudence allowance in the discount rate assumption. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary expects it is likely to be less than, the impact of reducing the discount rate assumption by 0.05%.

### Guaranteed Minimum Pension (GMP) indexation and equalisation

As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found [here](#).

On 22 January 2018, the government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching SPA before 6 April 2021. HMT published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found [here](#).

## Funding Strategy Statement (continued)

The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

### DEFICIT RECOVERY/SURPLUS AMORTISATION PERIODS

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a maximum period of 17 years. The adjustment will usually be set as a fixed monetary amount.

Where the valuation for an employer discloses a surplus then the level of required employer contribution may include an adjustment to amortise a proportion of the surplus.

The deficit recovery period or amortisation period that is adopted, and the proportion of any surplus that is amortised, for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

### POOLING OF INDIVIDUAL EMPLOYERS

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, academy employers are pooled for the purposes of determining contribution rates to recognise the common characteristics of these employers.

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Pooling of other individual employers may be considered in exceptional circumstances if deemed appropriate by the administering authority and Fund Actuary.

#### Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for

pooling, it is possible to form a pool for these employers. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

### NEW EMPLOYERS JOINING THE FUND

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

## Funding Strategy Statement (continued)

### ADMISSION BODIES

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically, these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

#### Funding at start of contract

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

#### Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

#### Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

### NEW ACADEMIES

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

#### Funding at start

On conversion to academy status, the new academy will become part of the Academies funding pool and will be allocated assets based on the funding level of the pool at the conversion date.

#### Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academies funding pool at the 2019 valuation.

### CESSATION VALUATIONS

When a Scheme employer exits the Fund and becomes an existing employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

## Funding Strategy Statement (continued)

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

For example, if there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities are likely to be assessed on a "minimum risk" basis leading to a higher exit payment being required from (or lower exit credit being paid to) the employer, in order to extinguish their liabilities to the Fund and to

reduce the risk of these liabilities needing to be met by other participating employers in future.

If it is agreed that another employer in the Fund will accept responsibility for the residual liabilities, then the assumptions adopted will be consistent with the current ongoing funding position, but additional prudence will be included in order to take potential uncertainties and risk into account e.g. due to market changes, additional liabilities arising from regulatory or legislative change and political/economic uncertainties. The additional level of prudence will be set by considering the distribution of funding levels under a large number of economic scenarios, with the aim being to gain a reasonable level of confidence that the Fund will be able to meet its benefits obligations to the relevant members in future.

### REGULATORY FACTORS

At the date of drafting this FSS, the government is currently consulting on potential changes to the Regulations, some which may affect the regulations surrounding an employer's exit from the Fund. This is set out in the *Local government pension scheme: changes to the local valuation cycle and the management of employer risk* consultation document.

Further details of this can be found in the Regulatory risks section below.

### BULK TRANSFERS

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be

required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

### LINKS WITH THE INVESTMENT STRATEGY STATEMENT (ISS)

The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

## Funding Strategy Statement (continued)

### RISKS AND COUNTER MEASURES

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

### FINANCIAL RISKS

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.1% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by around 2% and decrease/increase the required employer contribution by around 0.5% of payroll p.a.

However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

### DEMOGRAPHIC RISKS

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase in the long-term rate of mortality improvement of 0.25% p.a. will increase the liabilities by around 1%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the past two funding valuations, the Fund has commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health

retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

The London Borough of Hammersmith and Fulham Council do not pay additional amounts to cover any strain costs arising from early retirements at the retirement date but instead allow for the additional liability at the next formal valuation and pay additional contributions to meet these strains as part of their secondary rate contributions. The Fund is comfortable with this approach due the strong covenant of the Council.

The administering authority is currently implementing an ill-health self-insurance pool within the Fund whereby a portion of all employers' contributions into the Fund are allocated to a segregated ill-health section of the Fund. When an ill-health retirement occurs, a funding strain (i.e. the difference between the value of the benefits payable to the ill-health member and the value that was assumed as part of the actuarial valuation) is generated in the employer's section of the Fund. As part of the self-insurance policy, assets equal to the funding strain are transferred from the segregated ill-health assets section of the Fund to the employer's section of the Fund to cover the funding strain.

## Funding Strategy Statement (continued)

### MATURITY RISK

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meet its benefit payments.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

### REGULATORY RISKS

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

### McCloud/Sargeant judgements and cost cap

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

## Funding Strategy Statement (continued)

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a predetermined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July

2019 statement that it expects to have to amend all public service schemes, including the LGPS.

At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

### **CONSULTATION: LOCAL GOVERNMENT PENSION SCHEME: CHANGES TO THE LOCAL VALUATION CYCLE AND MANAGEMENT OF EMPLOYER RISK**

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited. This FSS will be revisited once the outcome is known and reviewed where appropriate.

### **TIMING OF FUTURE ACTUARIAL VALUATIONS**

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. These results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

### **MANAGING EMPLOYER EXITS FROM THE FUND**

The consultation covers:

- Proposals for flexibility on exit payments. This includes:
  - Formally introducing into the Regulations the ability for the administering authority to allow an exiting employer to spread the required exit payment over a fixed period.
  - Allowing employers with no active employees to defer payment of an exit payment in return for an ongoing commitment to meeting their existing liabilities (deferred employer status).

## Funding Strategy Statement (continued)

- Proposals for further policy changes to exit credits. The proposed change would require the exiting employer's exposure to risk to be taken into account in calculating any exit credit due (for example a pass through employer who is not responsible for any pensions risk would likely not be due an exit credit if the amendments are made to the Regulations).

### CHANGES TO EMPLOYERS REQUIRED TO OFFER LGPS MEMBERSHIP

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. This could impact on the level of maturity of the Fund and the cashflow profile for these employers. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting

employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

There are very few employers of this type currently participating in the Fund and so the risks are considered relatively low at present.

### EMPLOYER RISKS

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required. In particular, the Fund regularly commissions an employer risk review from the Fund Actuary, to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer,

in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

### GOVERNANCE RISKS

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued, then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

### MONITORING AND REVIEW

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.



## Funding Strategy Statement (continued)

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2022 but the period for which contributions will be certified remains unconfirmed.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

# Appendix 4. Investment Strategy Statement

## PURPOSE OF THE INVESTMENT STRATEGY STATEMENT

This is the Investment Strategy Statement (ISS) adopted by the London Borough of Hammersmith & Fulham Pension Fund (“the Fund”), which is administered by the London Borough of Hammersmith & Fulham Council (“the Administering Authority”). The statement was last updated in 2019 and is currently under review following the March 2022 Triennial Valuation. The last full investment strategy signed off by the Committee is still the 2019 statement which is included in this annual report.

Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the London Borough of Hammersmith & Fulham Pension Fund is required to publish this ISS. The regulations require administering authorities to outline how they meet each of the six objectives, aimed at improving the investment and governance processes of the Fund.

This statement addresses each of the objectives included in the 2016 Regulations:

- a) A requirement to invest fund money in a wide range of instruments;
- b) The authority’s assessment of suitability of particular investments and types of investment;
- c) The authority’s approach to risk, including the way in which risks are to be measured and managed;

- d) The authority’s approach to pooling investments, including the use of collective investment vehicles;
- e) The authority’s policy on how environmental, social or governance (ESG) considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- f) The authority’s policy on the exercise of rights (including voting rights) attaching to investments.

The Pension Fund Committee (“the Committee”) of the London Borough of Hammersmith & Fulham Pension Fund oversees the management of the Fund’s assets. Although not trustees, the Members of the Committee owe a fiduciary duty similar to that of trustees to the council taxpayers, who ultimately have to meet any shortfall in the assets of the Fund, as well as to the contributors and beneficiaries of the Fund.

The relevant terms of reference for the Committee within the Council’s Constitution are:

- To make all decisions under Regulations made pursuant to Sections 7, 12 or 24 of the Superannuation Act not otherwise falling to the Director of Finance to determine as set out in the officers’ scheme of delegation.
- The consideration and approval of the authority statement of accounts and annual report in accordance with the relevant Accounts & Audit Regulations made from time to time.

- To receive and consider the Auditor’s report on the governance of the Fund.
- To receive actuarial valuations of the Fund regarding the level of employers’ contributions necessary to balance the Fund.
- To have responsibility for all aspects of the investment and other management activity of the Fund.
- To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the investment consultant.
- To monitor performance of the Pension Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable.
- To determine the Fund management arrangements, including the appointment and termination of the investment managers, actuary, custodians and fund advisers.
- To agree the Investment Strategy Statement, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and to ensure compliance with these.
- To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.

- To make and review an admission policy relating to admission agreements generally with any admission body.

## Investment Strategy Statement (continued)

- To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
- To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
- To determine any other investment or pension fund policies that may be required from time to time, so as to comply with Government regulations and to make any decisions in accordance with those policies.

The Committee has responsibility for:

- Determining an overall investment strategy and strategic asset allocation, with regard to diversification and the suitability of asset classes to the Fund.
- Appointing the investment managers, an independent custodian, the actuary, the investment advisor(s) and any other external consultants considered necessary.
- Reviewing on a regular basis the investment managers' performance against benchmarks, portfolio risk and satisfying themselves as to the managers' expertise and the quality of their internal systems and controls.
- Monitoring compliance with the ISS & Funding Strategy Statement (FSS) and reviewing its contents.
- Reviewing social, environmental, governance (ESG) and ethical considerations policies, and the exercise of voting rights.

The Director of Finance, officers and the appointed consultants and actuaries support the Committee. The day-to-day management of the Fund's assets is delegated to the investment managers.

This ISS will be reviewed at least annually, or more frequently as required, in particular, following valuations, future asset/liability studies and performance reviews, which may indicate a need to change investment policy, or significant changes to the Funding Strategy Statement (FSS).

Under the previous Regulations the Statement of Investment Principles required administering authorities to state how they complied with the revised six investment principles as outlined within the CIPFA Pensions Panel Principles. Although not formally required under the 2016 Regulations, this information is given in Appendix A.

### OBJECTIVE 7.2 (A) – A REQUIREMENT TO INVESTMENT FUND MONEY IN A WIDE RANGE OF INSTRUMENTS

Funding and investment risks are discussed in more detail later in this document. However, at this stage, it is important to state that the Committee is aware of the risks it runs within the Fund and the consequences associated with these risks.

In order to control risk, the Committee recognises that the Fund should have an investment strategy that has:

- Exposure to a diverse range of sources of return; such as the financial markets, the manager's skill and the use of alternative investments which are less liquid.
- A diverse range of investible asset classes.
- A diverse range of approaches to the management of the underlying assets.

This approach to diversification has seen the Fund dividing its assets into six broad categories as shown in the table below:

Asset Category	Asset Allocation	Review Range
<b>Global Equities</b>	<b>45.0%</b>	<b>+/- 3.0%</b>
<b>Fixed Income</b>	<b>22.5%</b>	<b>+/- 2.0%</b>
Global Bonds	10.0%	
Multi Asset Credit	7.5%	
Private Credit	5.0%	
<b>Alternatives</b>	<b>12.5%</b>	<b>+/- 0.5%</b>
Infrastructure	7.5%	
Illiquid Strategies	5.0%	
<b>Inflation Protection</b>	<b>10.0%</b>	<b>+/- 1.0%</b>
<b>Multi-Asset</b>	<b>5.0%</b>	<b>+/- 1.0%</b>
<b>Property</b>	<b>5.0%</b>	<b>+/- 1.0%</b>

It is important to note that within each category, the Fund's underlying investments are not concentrated to one particular sector, thereby providing further diversification benefits. The asset allocation is regularly reviewed and subject to change depending on the prevalent investment conditions.

## Investment Strategy Statement (continued)

The Committee is mainly concerned about ensuring the Fund's long-term ability to meet pension and other benefit obligations, as and when they fall due. To this end, the Committee places a high degree of importance on ensuring the expected return on the assets is sufficient to do so and does not have to rely on a level of risk which the Committee considers to be excessive.

The Committee regularly reviews both the performance and expected returns from the Fund's investments to measure whether it has met, and is likely to meet in the future, its return objectives. The Fund currently has a negative cash flow position. This means that the contributions paid in by active members are less than the pension obligations paid out on a monthly basis. The Committee regularly monitors the Fund's cash flow position and the impact investment income has towards mitigating this risk.

In addition to keeping its investment strategy and policy under regular review, the Committee will keep this ISS under review to ensure that it reflects the approaches being taken. At all times, the Committee takes the view that its investment decisions, including those involving diversification, are in the best long-term interest of the Fund's beneficiaries and seeks appropriate advice from investment advisors.

### **OBJECTIVE 7.2 (B) THE AUTHORITY'S ASSESSMENT OF THE SUITABILITY OF**

### **PARTICULAR INVESTMENTS AND TYPES OF INVESTMENT**

When assessing the suitability of investments, the Fund considers several factors:

- Expected return
- Risk profile
- Market concentration
- Risk management qualities provided by the asset when the whole portfolio is considered
- Geographic and currency exposures
- The extent to which the management of the asset meet the Fund's ESG criteria

Suitability is a critical test for whether or not a particular investment should be made. Each of the Fund's investments has an individual performance benchmark, against which their reported performance is measured.

The Committee monitors the suitability of the Fund's assets on a quarterly basis. This includes the monitoring of investment returns and the volatility of the individual investments, together with the Fund's expected level of returns and acceptable risk. This latter point being to ensure that risks caused by interactions between investments within the portfolio are properly understood. When comparative statistics are available, the Committee will also compare the Fund asset performance with those of similar funds.

The Committee relies on external advice in relation to the collation of the statistics for review.

### **OBJECTIVE 7.2 (C) THE AUTHORITY'S APPROACH TO RISK, INCLUDING WAYS IN WHICH RISKS ARE TO BE MEASURED AND MANAGED**

The Committee recognises that there are several risks involved in the investment of fund assets, which include:

#### **Geopolitical and currency risks:**

- are measured by the value assets (concentration risk) in any one market, leading to the risk of an adverse influence on investment values arising from political intervention; and
- are managed by regular reviews of the actual investments relative to policy and through regular assessment of levels of diversification.

#### **Manager risk:**

- is measured by the expected deviation of the prospective risk and return as set out in the manager(s) investment objectives, relative to the investment policy; and
- is managed by monitoring the actual deviation of returns relative to the objective and factors inherent in the manager(s) investment process.

## Investment Strategy Statement (continued)

### Solvency and mismatching risks:

- are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies and;
- are managed by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

### Liquidity risk:

- is measured by the level of cash flow required over a specified period; and
- managed by assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment cash policy.

### Custodial risk:

- Is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

Employer contributions are based upon financial and demographic assumption determined by the actuary. The main risks to the Fund are highlighted within the Funding Strategy Statement (FSS). The risks to the Fund are controlled in the following ways:

- the adoption and monitoring of asset allocation benchmarks, ranges and performance targets constrain the investment managers from deviating significantly from the intended approach

while permitting the flexibility for managers to enhance returns.

- the appointment of more than one manager with different mandates and approaches provides for the diversification of manager risk.

The investment management agreements constrain the manager's actions in areas of particular risk and set out the respective responsibilities of both the manager and the Fund.

The Committee is aware that investment risk is only one aspect of the risks facing the Fund. The other key risk relates to the Fund's ability to meet the future liabilities, support the investment risk (i.e. the level of volatility of investment return) and underwrite actuarial risk, namely, the volatility in the actuarial funding position and the impact this has on contributions.

The Committee is of the view that the diversification of the Fund assets is sufficiently broad to ensure the investment risk is low and will continue to be low. When putting in place the investment strategy, the Committee carefully considers both the individual asset risk characteristics and those of the combined portfolio to ensure the risks are appropriate.

Estimating the likely volatility of future investment returns is difficult as it relies on both estimates of individual asset class returns and the correlation between them. These can be based on historic asset class information for some of the listed asset classes in which the Fund invests. However, for other private market and less liquid assets, it is much more difficult.

The Committee is mindful that correlations change over time and at time of stress, it can be significantly different from when they are in more benign market conditions.

To help manage risk, the Committee uses an external investment adviser to monitor the portfolio risk level. In addition, when carrying out their investment strategy review, the Committee can appoint different investment advisors to assess the level of risk involved.

The Fund targets a return of 5.0%, in line with the latest triennial actuarial valuation provided by the fund's actuary. This investment strategy is considered to have a low degree of volatility.

When reviewing the investment strategy on a quarterly basis, the Committee considers advice from their advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable. In addition to this, the risk registers are also reviewed and updated on a quarterly basis.

At each review of the Investment Strategy Statement, the assumptions on risk and return, and their impact on asset allocation will be reviewed.

## Investment Strategy Statement (continued)

### OBJECTIVE 7.2 (D) THE AUTHORITY'S APPROACH TO POOLING INVESTMENTS, INCLUDING THE USE OF COLLECTIVE INVESTMENT VEHICLES

The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing a pooling solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost. The Fund's pooling arrangements meet the criteria set out in the Local Government Pension Scheme: Investment Reform Criteria and Guidance.

The Fund is a member of the London Collective Investment Vehicle (CIV) and joined the asset pool as part of the Government's pooling agenda. The London CIV was launched in December 2015 by the 32 local authorities within London and has about £19.5 billion of assets under management, of which £8.8 billion is managed directly with 14 active funds as of 30 September 2019.

As at the 31st December 2019, the Fund had transitioned assets into the London CIV with a value of £788 million, equivalent to 71% of the fund's assets. The Fund continues to monitor the ongoing development of investment strategies available on the London CIV platform and will look to transition further assets as and when there are suitable investment strategies available on the platform that are compatible with the Fund's investment strategy and objectives.

The table below details the investment assets held by the Fund, the availability of similar mandates on the London CIV platform and how much of the assets are invested with the pool as at 31 December 2019:

Asset Category	Availability on LCIV	Investment with LCIV
<b>Global Equities</b>		
MSCI Low Carbon (LGIM)	Contract negotiated on behalf of LCIV Clients	£546.2m
<b>Multi Asset</b>		
LCIV Absolute Return (Ruffer)	Yes	£132.9m
<b>Fixed Income</b>		
LCIV Global Bonds (PIMCO)	Yes	£108.8m
Private Multi Asset Credit (Partners Group, Aberdeen Standard)	No	-
Multi Asset Credit (Oakhill)	No	-
<b>Infrastructure</b>		
Renewable Infrastructure (Aviva)	No	-
Global Infrastructure (Partners Group)	Yes	-
<b>Inflation Strategies (M&amp;G)</b>	Yes	
<b>Long Lease Property (Aberdeen Standard)</b>	No	

The Fund has committed capital to alternative investment strategies such as property, infrastructure and illiquid debt. The cost of exiting these strategies early would present a material negative financial impact for the Fund. As such, the Fund will continue to hold these investments outside of the London CIV pooling structure to maturity, at which point, the Fund will assess the viability of making such investments within the pool, subject to availability and the Fund's asset allocation.

The Committee is aware that transitioning certain investment assets to the London CIV could incur significant costs. Whilst it is the expectation of the Fund to make use of the London CIV for the management of most of the Fund's assets in the longer term, the Committee recognises that transitioning from the current structure to the London CIV will be a protracted exercise spread over several years to ensure that unnecessary costs are not incurred.

The Fund reviews its investment strategy at least once every three years, an exercise which considers the suitability of each investment within the portfolio, including an assessment of transition and investment opportunities with the London CIV.

## Investment Strategy Statement (continued)

### Governance structure of the London CIV

The London CIV is an authorised company by the Financial Conduct Authority (FCA), which was established by the London Local Authorities (LLAs) to provide a collaborative vehicle for pooling LGPS pension fund assets. The current Corporate Governance and Controls Framework was approved by London CIV shareholders in 2018. This framework details the governance arrangements for approving the London CIV's annual budget, business plan and objectives, governance structures and appointments, shareholder agreement and transparency of information and reporting.

The London CIV Company Board (the Board) comprises of an independent chair, seven non-executive directors (NEDs) of which two are nominated by the LLAs, three executive directors and the London CIV Treasurer. The Board has a duty to act in the best interests of the shareholders and have collective responsibility for:

- Strategy and oversight
- Budget and forward plans
- Performance reviews
- Major contracts and significant decisions, including decisions relating to funds
- Financial reporting and controls
- Compliance, risk and internal controls
- Governance and key policies

The London CIV has four committees responsible for investment oversight, audit and risk, remuneration and nominations and day to day operations of the company. These comprise of executive and non-executive members.

The role of the Investment Oversight Committee is to:

- Determine, maintain and monitor the company's investment strategy, investment performance and investment risks of the portfolios in accordance with the company's strategy and business plan.

The responsibilities of the Compliance, Audit and Risk Committee include:

- overseeing compliance obligations;
- developing and monitoring a risk management framework; and
- ensuring the integrity of financial statements and reporting.

The responsibilities of the Remuneration & Nomination Committee include:

- developing and monitoring a remuneration policy;
- overseeing the remuneration of key staff; and
- handling nominations and succession planning of key staff and board members.

The Executive Directors acting collectively as the Executive Committee have a number of specific delegated responsibilities for the day-to-day operations of the company, supported by the wider executive leadership team. The role of the Executive Committee in summary is to:

- execute board-approved strategic objectives and business plan in line with risk appetite and financial limits;

- identify, discuss and formulate effective solutions to address issues and opportunities facing the company;
- ensure the day-to-day operations meet the relevant legal requirements and compliance obligations of the company; and
- ensure the Board and Committee members receive timely, accurate and transparent management information and reporting to fulfil their duties and responsibilities.

The London CIV's Shareholder Committee is responsible for scrutinising the actions of the Board, reporting and transparency, consultation on the strategy and business plan, matters reserved to shareholders, responsible investment and emerging issues. The Shareholder Committee meets on a quarterly basis and comprises of 12 members, including Councillors and Treasurers from the LLAs.

The London CIV hosts an AGM on a semi-annual basis, to which all 32 members are invited. This allows members the opportunity to exercise shareholder power, approve the annual budget and hold the Board to account.

External independent oversight and assurance of the pool company is provided to the FCA, depositary, external auditors and the Ministry of Housing, Communities and Local Government (MHCLG).



## Investment Strategy Statement (continued)

### **OBJECTIVE 7.2 (E) HOW ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS ARE TAKEN INTO ACCOUNT IN THE SELECTION, NON-SELECTION AND RETENTION AND REALISATION OF INVESTMENTS**

The Fund recognises environmental, social and governance (ESG) factors as central themes in measuring the sustainability and impact of its investment decisions. Failure to appropriately manage these factors is considered to be a key risk for the fund as this can have an adverse impact on the fund's overall investment performance, which ultimately affects the scheme members, employers and local council taxpayers.

The United Nations (UN) has established 17 Sustainable Development Goals (SDGs) as a blueprint to achieving a better and more sustainable future for all. These goals aim to address the challenges of tackling climate change, supporting industry, innovation and infrastructure, and investing in companies that are focused on playing a key role in building that sustainable future.

Whilst it might not be practical for any organisation to achieve all the SDGs solely by itself, the Fund has developed a Responsible Investment policy that targets several of the UN's SDGs that are aligned with the Fund's investment values.

The Fund, alongside its administering authority employer, has committed itself to achieving carbon neutrality by the year 2030. This commitment demonstrates the Fund's intention to act as a responsible investor and will increasingly play a fundamental role in fund's asset allocation and investment manager selection processes.

The Fund maintains a policy of engagement with all its stakeholders, including those operating in the investment industry. It is broadly recognised that in the foreseeable future, the global economy will transition from its reliance on fossil fuels to the widespread adoption of renewables as the main source of energy production. The impact of this transition on the sustainability of investment returns will be continually assessed.

The Committee is committed to playing an active role in the transition to a sustainable economic and societal environment. To that end, the Fund will continue to seek investments that match its pension liability profile, whilst having a positive impact on society. The Fund is of the view that greater impact can be achieved through active ownership and lobbying for firms to change and utilise their resources sustainably.

The Committee recognises that it has a fiduciary duty to act in the best interests of the scheme's members to ensure that their benefits are honoured in retirement. Such responsibility extends also to making a positive contribution to the long-term sustainability of the global environment. ESG integration into the Fund's investment decision processes aims to mitigate the associated investment

risks, whilst enhancing investment returns for the Fund, thereby safeguarding members' futures.

#### **Policy implementation – Selection process**

The Committee delegates the individual investment selection decisions to its investment managers. In doing so, the Fund maintains a policy of non-interference with the day-to-day decision-making processes of the investment managers. However, as part of its investment manager appointment process, the Committee assesses the investment managers' abilities to integrate ESG factors into their investment selection process. This includes, but is not limited to:

- evidence of the existence of a responsible investment policy;
- evidence of ESG integration in the investment process;
- evidence of sign up to relevant responsible investment frameworks such as the United Nations Principles of Responsible Investment (UNPRI);
- commitment to addressing the challenges posed by climate change;
- a track record of actively engaging with stakeholders to influence best practice;
- an ability to appropriately disclose, measure and report on the overall impact of ESG decisions made

As part of its investment manager selection process, the Committee will obtain proper advice from the Fund's internal and external advisers with the requisite knowledge and skills; this will be supplemented by regular training.

## Investment Strategy Statement (continued)

Investment managers are expected to follow industry best practice and use their influence as major institutional investors and long-term stewards of capital to promote best practice in the companies/projects in which they invest. Investable companies will be expected to comply with all the applicable laws and regulations in their respective markets as a minimum.

### Policy Implementation – Ongoing engagement

Whilst it is still quite difficult to quantify the impact of the less tangible non-financial factors on the economic performance of an organisation, this is an area that continues to see significant improvements. Several benchmarks and disclosure frameworks exist to measure the difference aspects of available ESG data which includes carbon emissions, diversity on company boards and social impact. It is apparent that poor scoring on these ESG factors can have an adverse impact on an organisation's financial performance. It is therefore important for the appointed investment managers to effectively assess the impact such factors may have on the underlying investments.

The Fund's officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including ESG considerations. This can be implemented in several forms which include but are not limited to:

- regular meetings with investment managers to assess investment performance and the progress made towards achieving ESG targets;

- reviewing reports issued by investment managers and challenging performance where appropriate;
- working with investment managers to establish appropriate ESG reporting and disclosures in line with pension fund's objectives;
- contribution to various working groups that seek to positively influence the reporting of industry standards on ESG metrics;
- actively contributing to the efforts of engagement groups such as the Local Authority Pension Fund Forum (LAPFF), of which the fund is a member.

The Fund's officers will work closely with the London CIV (through which the Fund will increasingly invest) in developing and monitoring its internal frameworks and policies on all issues which could present a material financial risk to the long-term performance of the Fund. This will include the London CIV's ESG frameworks and policies for investment analysis and decision making.

Fund officers will report on the Fund's investment performance, including an update on the ongoing ESG performance, to the Committee at least once every quarter. This will include a review into the Fund's progress towards achieving its ESG targets.

In preparing and reviewing its Investment Strategy Statement, the Fund will consult with the relevant stakeholders including, but not limited to:

- pension fund employers;
- Pensions Board;
- advisers/consultants to the fund;
- investment managers.

### Policy Implementation - Training

The Committee and the Fund's officers will receive regular training on responsible investment. A review of training requirements and needs will be carried out at least annually. Training is intended to cover the latest updates in legislation and regulations, as well as best practice with regards to ESG integration into the Fund's investment process.

## OBJECTIVE 7.2 (F) THE EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHED TO INVESTMENTS

The Fund recognises the importance of its role as good stewards of capital and the need to ensure the highest standards of governance, promoting corporate responsibility in the underlying companies in which it holds its investments. The Committee has delegated the Fund's voting rights to its investment managers who are required and expected, where practical, to make considered use of voting in the interests of the Fund.

## Investment Strategy Statement (continued)

Through its participation as a member of the London CIV, the Fund continues to work closely with other LGPS funds in London to enhance the level of engagement with both the investment managers and the underlying companies in which it invests.

The Fund is a member of the LAPFF, a leading collaborative shareholder engagement group in the UK. The LAPFF regularly issues voting alerts to investment managers on behalf of its members. Investment managers are encouraged to vote in accordance with these alerts where possible or provide an explanation as to why they are unable to do so. The Fund's membership in the LAPFF and the Pensions and Lifetime Savings Association (PSLA) helps in magnifying the voice and influence of pension fund assets owners.

### Feedback on this statement

Any feedback on this Investment Statement is welcomed. If you have any comments or wish to discuss any issues, please contact:

Tri-Borough Pensions Team

*pensionfund@lbhf.gov.uk*

## Investment Strategy Statement (continued)

### COMPLIANCE WITH CIPFA PENSIONS PANELS PRINCIPLES

#### DECISION MAKING

Regulation 12(3) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires an administering authority to report on its compliance with the six Myners' Principles, in accordance with guidance given by the Secretary of State. The guidance for the Local Government Pension Scheme is set out in the CIPFA publication *"Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012"*.

The Fund aims to comply with all of the Myners' Principles, recognising it is in all parties' interests if the Fund operates to standards of investment decision-making and governance identified as best practice. It is therefore important for the Fund to demonstrate how it meets principles and intends to achieve best practice.

The Secretary of State has previously highlighted the principle contained in *Roberts v. Hopwood*, for pension funds whose administering bodies exercise their duties and powers under regulations governing the investment and management of funds:

"A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly business-like manner with reasonable care, skill and caution, and with a due and alert regard to

the interest of those contributors who are not members of the body. Towards these latter persons the body stands somewhat in the position of trustees or managers of others".

The Myners' Principles are widely accepted to be in support of this approach. The principles, together with the Fund's position on compliance, are set out below.

#### PRINCIPLE 1 – EFFECTIVE DECISION MAKING

Administering authorities should ensure that:

- decisions are taken by persons or organisations with the skills, knowledge and resources necessary to make them effectively and monitor their implementation; and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive whilst also managing any conflicts of interest.

#### Full compliance

The Hammersmith & Fulham Council (the Council) has delegated the management and administration of the Fund to the Pension Fund Committee (the Committee). The Committee meets at least quarterly. The responsibilities of the Committee are described in section 1 of the Investment Strategy Statement (ISS).

The Committee is made up of elected members of the Council who each have voting rights. Representatives from the admitted and scheduled bodies, as well as the trade unions may attend as observers.

The Committee obtains and considers advices from the Fund's officers, appointed actuary, investment managers and advisors. Investment managers are appointed in accordance with the scheme's regulations and the scope of their activities are specified in detailed investment management agreements and regularly monitored. Business plans are presented to the Committee annually and progress is monitored on a quarterly basis.

Several of the Committee members have extensive experience of dealing with investment matters and training is made available to new members when they are appointed to the committee.

#### PRINCIPLE 2 – CLEAR OBJECTIVES

The Fund should set investment objectives that consider the following factors:

- the funds overall pension liabilities
- the potential impact of investment risks on local council tax payers
- the strength of the covenant for non-local authority employers
- the attitude towards risk of both the administering authority and the scheme employers

These should be clearly communicated to advisors and investment managers.

## Investment Strategy Statement (continued)

### Full compliance

The aims and objectives of the Fund are set out within the Funding Strategy Statement and the Investment Strategy Statement. The main objective of the fund is to meet the cost of pension liabilities whilst minimising the fluctuations in the employer contribution rates, thereby keeping costs to taxpayers and admitted bodies at a reasonable level.

In order to ensure that the Fund's assets are sufficient to meeting its short-term and long-term pension liabilities, the Fund's investment strategy has been set to include a combination of income yielding and growth assets. The Fund's investment performance is measured against this objective on a quarterly basis. The Fund's investment strategy is also reviewed regularly.

### PRINCIPLE 3 – RISK AND LIABILITIES

The Fund should consider the form and structure of its liabilities. This includes:

- the implications for local council taxpayers;
- the strength of the covenant for non-local authority employers;
- the risk of their default; and
- longevity risk.

### Full compliance

The Committee, in conjunction with its advisers, agrees an investment strategy that is appropriate to meet the Fund's liabilities. A fund actuarial valuation is carried out every three years, with the most recent triennial valuation having been conducted in 2019. The investment strategy is designed to be well

diversified, achieving the optimal risk adjusted return for the Fund.

An appropriate asset allocation has been agreed, which aims to maximise the potential to close the funding deficit over future years. This is included as an appendix to the ISS.

### PRINCIPLE 4 – PERFORMANCE ASSESSMENT

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. Administering authorities should periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to the scheme members.

### Full compliance

The Committee has appointed investment managers with clear index strategic benchmarks as a means of monitoring the investment manager's skill. Investment managers are held accountable to any under performance against the appropriate agreed upon benchmark.

Manager performance is monitored on a quarterly basis and independent detailed monitoring of the Fund's investments is carried out by the Fund's investment adviser and custodian. Portfolio risk is measured on a quarterly basis and the risk/return implications of the different strategic options are fully evaluated.

The investment adviser is assessed on the appropriateness of the quality of the advice given which include the asset allocation recommendations

and the performance of the funds on their rated list. The actuary is assessed on the quality and consistency of the actuarial advice received. Both the advisor and the actuary have fixed term contracts which when expired are tendered for under the Official Journal of the European Union (OJEU) procedures.

### PRINCIPLE 5 – RESPONSIBLE OWNERSHIP

Administering authorities should:

- adopt, or ensure their investment managers adopt, the Institutional Shareholders Committee Statement of Principles on the responsibilities of shareholders and agents.
- include a statement of their policy on responsible ownership in the statement of investment principles.
- report periodically to scheme members on the discharge of such responsibilities.

### Full compliance

The Fund is committed to making full use of its shareholder rights. The approach used is outlined in Section 7 of the ISS. Authority has been delegated to investment managers to exercise voting rights on behalf of the Fund. Investment managers are required to report how they have voted in their quarterly reports.

The Fund intends on using its influence as a shareholder to promote corporate social responsibility and high standards of corporate governance in the companies in which it invests. The Fund's approach to this is outlined in the ISS.

## Investment Strategy Statement (continued)

### PRINCIPLE 6 – TRANSPARENCY AND REPORTING

Administering authorities should:

- act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks including performance against stated objectives.
- provide regular communications to scheme members in the form they consider most appropriate.

#### Full compliance

The Fund publishes an annual report each year which communicates the Fund's strategy and performance to stakeholders. Copies of the Investment Strategy Statement, Funding Strategy Statement and other policy documents are also made publicly available online on the Council's website.

All Pension Fund Committee meetings are open to members of the public, and agendas and minutes are also published on the Council's website.

### COMPLIANCE WITH THE STEWARDSHIP CODE

The Stewardship Code is a set of principles or guidelines released in 2010 and updated in 2020 by the Financial Reporting Council (FRC), directed at institutional investors who hold rights in United Kingdom companies. Its principal aim is to make shareholders who manage other people's money actively engage in corporate governance in the interests of their beneficiaries.

The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so. The Committee has not formally adopted the latest version of the Stewardship Code, however, expects any directly appointed fund managers and the pool company (London CIV, in this Fund's case) to comply and this is monitored on an annual basis.

# Investment Strategy Statement: Appendix B

## INVESTMENT AND ADMINISTRATION RISK REGISTER

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	↔	<b>TREAT</b> 1) Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work carried out by the London CIV. 2) Officers continue to monitor the ongoing staffing issues and the quality of the performance reporting provided by the London CIV.	2	16	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	↔	<b>TOLERATE</b> 1) The Fund Actuary uses prudent assumptions on future of employees within workforce. 2) Employer responsibility to flag up potential for major bulk transfers outside of the LBHF Fund. 3) Officers to monitor the potential for a significant reduction in the workforce as a result of the public sector financial pressures.	2	16	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	↔	<b>TREAT</b> 1) Officers regularly receive updates on the latest ESG policy developments from the fund managers. 2) The Pensions Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which engages with companies on a variety of ESG issues including climate change.	2	12	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	↔	<b>TREAT</b> 1) Review ISS in relation to published best practice (e.g. Stewardship Code, Responsible Investment Statement) 2) The Fund currently holds investments all it passive equities in a low carbon tracker fund, and is invested in renewable infrastructure. 3) The Fund's actively invests in companies that are contributing to global sustainability through its Global Core Equity investment 4) The Fund has updated its ESG Policy and continues to review its Responsible Investment Policy 5) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors. 6) Officers attend training sessions on ESG and TCFD requirements.	2	18	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	↔	<b>TREAT</b> 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Officers, alongside the Fund's advisor, set fund specific benchmarks relevant to the current position of fund liabilities. 3) Fund manager targets set and based on market benchmarks or absolute return measures.	1	11	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	↔	<b>TREAT</b> 1) At time of appointment, the Fund ensures advisers have appropriate professional qualifications and quality assurance procedures in place. 2) Committee and officers scrutinise, and challenge advice provided routinely.	1	10	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	↔	<b>TREAT</b> 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	↔	<b>TREAT</b> 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 firmed 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	↔	<b>TREAT</b> 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	↔	<b>TREAT</b> 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	↔	<b>TREAT</b> 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

# Appendix 5. Pension Administration Strategy

## Contents

1. Introduction
2. Purpose and aims of the Pension Administration Strategy
3. How the aims will be achieved
4. Scheme Employer Duties and Expectations
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6. Assistance and Support for Scheme Employers
7. Remedying poor performance by scheme employers
8. LBHF Pension Fund (Re-)Charging Policy
9. Further Information – Regulations and Guidance

## 1. Introduction

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

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

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

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

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

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

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

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

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

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

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

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

2.7 The Fund seeks to improve and maintain the understanding of the scheme with LGPS members so

they are aware of the benefits available to them and can make informed decisions regarding their pension benefits.

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

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

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

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

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



### 3. How the aims will be achieved

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

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

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

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

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

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

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

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

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

3.9 The Fund and LPPA will actively assist third party payroll providers appointed by scheme employers, by giving relevant training and guidance so the payroll provider can adequately perform the LGPS duties

which are the responsibility of the scheme employer. In turn, a scheme employer should: -

- Agree with their payroll provider what LGPS duties the payroll provider will perform and what duties the scheme employer will perform. This should be agreed at the outset of working with the payroll provider.
- Inform the Fund, at least one month in advance when there is a change of payroll provider and agree a dedicated contact for the Fund.
- Ensure that the payroll provider is aware of the required performance levels and how data and contributions should be sent.
- Continually monitor the performance of their payroll provider and check all data and contribution payments submitted by the payroll provider on behalf of the scheme employer.
- Make the payroll provider aware of the fees and reporting which could occur for any poor performance. The scheme employer may wish to agree that they are reimbursed for incurred charges and remedied for any reputational damage caused by their payroll providers poor performance.
- Ensure that they confirm key policies or decisions to the Fund as required.

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

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

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

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

3.14 The Fund will take account of The Pension Regulators Codes of Practice to ensure all parties are compliant. 3.15 The Fund and LPPA will ensure specific member queries are responded to in an efficient and timely manner. 3.16 Scheme employers will be expected to compile with any reasonable data requests from auditors, the pensions regulator, LPPA, the pensions ombudsman or other regulatory body.

<b>Task</b>	<b>Time frame</b>	<b>Further information</b>
4.11 Provide the Fund with main employer contact representative or advise of change	Within 5 working days of becoming a scheme employer or change in contact	N/a
4.12 Appoint an adjudicator to review a stage 1 internal dispute (IDRP process)	Within 5 working days of becoming a scheme employer	Refer to LGPS site
4.13 Appoint a independent medical practioner to review ill health applications	Within 10 working days of becoming a scheme employer or change of practioner	The employer should complete a form and return to the Fund 2 months in advance of ill health application. Refer to LGPS site
4.14 Formulate, publish and keep under review a discretionary policy statement	Existing employers should have their policy composed following the LGPS Regulations 2013. New employers should complete this within one month of joining the scheme.	The Fund has Guidance, a discretionary policy template and example to assist employers.
4.15 Monitor tier 3 ill health pensioners and review.	At 18-month review date.	Employer to decide whether gainful employer has been obtained, whether tier 3 pension continues or whether pension should be uplifted to tier 2.

#### 4. Scheme Employer Duties and Expectations

##### 4.1 General/overarching responsibilities

## 4.2. New Scheme Joiner

Task	Time frame	Further information
4.21 Determine when to enrol an employee into the LGPS.	Upon joining employer or the date a person becomes eligible to be enrolled in the scheme.	All employers will need to give due regard to TPR requirements. Different types of employers will have different requirements. Admission Bodies will need due regard to the requirements of their admission agreement.
4.22 Decide the contribution rate payable by member and notify the member.	Upon joining the scheme and review each April and in line with employer discretionary policy.	Employee bandings can be found at <a href="http://lgpsmember.org">lgpsmember.org</a> website. These are updated every April in line with CPI.
4.23 Notify pension administrators of new joiner	Within 30 working days of an employee joining the scheme.	Data uploaded to administrator portal
4.24 Provide new joiners with information regarding the LGPS.		<a href="http://lgpsregs.org">Guides and sample documents (lgpsregs.org)</a>

## 4.3 Active Member Activities

Task	Time frame	Further information
4.31 Change in hours	Within 30 working days of hour change.	Data uploaded to administrator portal.
4.32 Move member from main section of the scheme to 50:50 section or vice versa following member election	At the next pay period following member election.	Ensure correct contribution rate used at the next pay period following member election <a href="#">50-50-contribution-flexibility-form.pdf (lbhpensionfund.org)</a>
4.33 Change in personal circumstances such as name or address	Within 30 days of change	Data to be uploaded to administrator portal.
4.34 Leavers under 55 or opt outs	Within 30 days of leaving the scheme	Data to be uploaded to administrator portal.
4.35 Voluntary Retirement where known or any leaver over 55	As soon as possible after leaving the scheme, at most within 10 days of leaving the scheme	Data uploaded to administrator portal.

4.36 Retirement on ill health grounds	As soon as possible after leaving the scheme, or within 10 days of leaving the scheme.	Data uploaded to administrator portal and provide ill health certificate. It is the employer's responsibility to determine whether their member should be retired on ill health grounds and as to what tier is granted.
4.37 Flexible retirement	Within 10 days of leaving the scheme.	Data uploaded to administrator portal. Must take note of flexible retirement policy. Member must reduce hours. Must also enter person into the scheme as a new joiner on the reduced hours.
4.38 Redundancy retirement (members over 55)	Within 10 working days of leaving the scheme.	Employer must request an estimate first so financial strain cost is known.
4.39 AVC	Set up payroll to deduct AVC contribution from next available payrun.	AVC contributions are paid directly to the AVC provider.
4.39 (a) APC	Set up payroll to deduct AVC contribution from next available payrun.	APC contributions are paid to the Fund and must be included on monthly data submissions.
4.391 Notify Fund of death in service	Within 5 working days.	Next of kin contact information should also be provided and leaver details uploaded to employer portal.
4.392 Provide relevant pay for Annual allowance or divorce calculations	Within 30 working days.	Pay will be required for an applicable period which will be outlined at time of request.

#### 4.4 Monthly Contribution and Data Submission

Task	Time frame	Further information
4.41 Pay all contributions to the Fund	Must be paid by 19 <sup>th</sup> of the following month that the contributions relate to.	Pay by BACS and quoting unique reference code when paying.
4.42 Submit remittance spreadsheet to the Fund monthly	Must be submitted by 19 <sup>th</sup> of the following month that the contributions relate to.	Remittance spreadsheet will be issued upon joining and at each April. This details the employer contribution rate payable which has been certified by the Fund Actuary.
4.43 Submit monthly data for all LGPS members	On a monthly basis	Upload data to Fund Administrator online portal.
4.44 Pay any financial strain costs to the Fund	Within 30 working days of receipt of invoice	Financial strain will arise in redundancy cases or waiving early retirement deductions. Employer should always obtain an estimate first.
4.45 Refund	Refund members who opt out within 3 months of joining through the payroll	Contributions to be refunded in the next payroll from receiving the opt out form.

#### 4.5 Outsourcing of Council and Academy Services and Admission Bodies

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

## 5. Administering Authority Duties and Expectations

### 5.1 General and overarching responsibilities

Task	Time frame	Further information
5.12 To formulate, write and publish an administration strategy statement.	To be reviewed every 3 years and updated as necessary	Which will be made available on the Fund's website <a href="http://HammersmithandFulhamPensionFund.org">Hammersmith and Fulham Pension Fund (lbhfpensionfund.org)</a>
5.13 To formulate, write and publish a funding strategy statement.	To be reviewed annually and updated as necessary	Which will be made available on the Fund's website <a href="http://HammersmithandFulhamPensionFund.org">Hammersmith and Fulham Pension Fund (lbhfpensionfund.org)</a>
5.14 To formulate, write and publish a communication policy.	To be reviewed and updated as necessary	Which will be made available on the Fund's website <a href="http://HammersmithandFulhamPensionFund.org">Hammersmith and Fulham Pension Fund (lbhfpensionfund.org)</a>
5.15 To formulate, write and publish a governance and compliance policy.	To be reviewed annually and updated as necessary	Which will be made available on the Fund's website <a href="http://HammersmithandFulhamPensionFund.org">Hammersmith and Fulham Pension Fund (lbhfpensionfund.org)</a>
5.16 To arrange for the Pension Fund valuation. Consult and issue the rates and adjustment certificate to scheme employers	Triennially with the next review to take place 31/03/2022. Advise employers of revised contribution rate one month prior to implementation date.	Each scheme employer will be communicated to individually.
5.17 To publish the Pension Fund's annual report and accounts	On an annual basis.	Which is available on the Fund's website <a href="http://HammersmithandFulhamPensionFund.org">Hammersmith and Fulham Pension Fund (lbhfpensionfund.org)</a>
5.18 To publish the Pension Fund's final audited accounts	On an annual basis.	Which is available on the Fund's website <a href="http://HammersmithandFulhamPensionFund.org">Hammersmith and Fulham Pension Fund (lbhfpensionfund.org)</a>

5.19 To notify new employers of their contribution rate.	Upon employer joining the scheme in advance of an existing employer's rate change on 1 April.	N/A
5.20 Maintain and publish an IDR process and manage complaints	Appoint stage 1 and stage 2 adjudicators and keep these under review.	Which is available on the Fund website.
5.21 Produce annual benefit statements (ABS) for active and deferred members	Deferred members to receive ABS by 30 June. Active members to receive ABS by 31 August	ABS run as at 31 March for active members but at the April PI increase date for deferred members.
5.22 Process annual allowance each year for members who have exceeded the annual limit.	LPPA to notify members who have breached annual allowance by end of the tax year following the ABS date.	N/A
5.23 Issue P60's to pensioner and beneficiary pensioner members	LPPA	These are available on members LPPA portal.
5.24 Issue initial payslip to pensioners for the first month's payment electronically via the portal.	LPPA	Member will access via the members LPPA portal. Hard copy payslips will be issued on request but may incur a charge.
5.25 Advise pensioners of pensions increase and tax code amendments affecting the value of pension paid	LPPA	Further details will be available on the members LPPA portal.
5.26 Answering customer emails	LPPA - Within 10 working days	N/A

### 5.2 New Scheme Joiner & Change of Member Detail

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

### 5.3 Member leaving the Scheme.

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

### 5.4 Member Retirement

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

### 5.5 Transfers, interfund, aggregations and Divorce CETV's

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

### 5.6 Deaths

Task	Time frame	Further information
5.61 Acknowledgement to next of kin following notification of death of member	LPPA – 5 working days	N/A
5.62 Calculation and notification of benefits due to dependent(s)	LPPA – Within 30 working days	N/A
5.63 Implementation of beneficiary pension	LPPA – Within 30 working days	N/A
5.64 Decision made and payment of death grant	LPPA – Within 15 working days	N/A

## 6. Assistance and Support for Scheme Employers

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

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

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

6.4 IT and digital – scheme employers and members both have access to LPPA's web portal – PensionPoint for members and Civica Pensions platform for scheme employers. PensionPoint allows members to log into their real time pension accounts, view their documents, view and amend personal information and run pension estimate calculations as many times as they wish. This allows greater ownership and transparency for members and puts them in control

of their retirement. Scheme employers must submit ad hoc data such as new joiners and leavers data to the Civica Pensions platform and submit a monthly data file containing everything the Fund needs to administer their members pensions correctly. All data submissions are automatically validated at the point of submission to ensure the accuracy of member data and therefore the benefits due to the member.

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

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

## 7. Remedying poor performance by scheme employers

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

Fund the Pensions Regulator, Pension Ombudsman, HMRC or other regulatory body.

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

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

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

### 8. LBHF Pension Fund (Re-)Charging Policy

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

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

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

Description of cases where charging may apply;

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



#### 8.4 Third Party Responsibilities

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

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

## 9. Further Information – Regulations and Guidance

9.1 LGPS specific regulations - Local Government Pension Scheme Regulations 1995, 1997, 2008, and current 2013. Local Government Pension Scheme (Transitional Protection) Regulations 2014. Local Government Investment Regulations 2016 - [Scheme regulations \(lgpsregs.org\)](https://www.lgpsregs.org)

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

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

9.4 Administering Authority and scheme employer website LGPS Regulations and Guidance - [LGPS Regulations and Guidance \(lgpsregs.org\)](#)

9.5 LGPS member website - [Home :: LGPS \(lgpsmember.org\)](#)

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

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# Appendix 6. Annual Report of the Pensions Board

The role of the Pensions Board is to assist the scheme manager (the administering authority) in securing compliance with:

- The LGPS scheme regulations
- Other governance and administration legislation
- The requirements of the Pensions Regulator (tPR)
- Additional matters, if specified by scheme regulations

The Pensions Board is required to have an equal number of representatives from employers and scheme members. They may also have other types of members, such as independent experts, but such members will not have a vote.

The law requires Pensions Board members to have knowledge and understanding of relevant pension laws, and to have a working knowledge of the LGPS, its governance and documentation. Whereas the role of the Pension Fund Committee usually involves carrying out a decision-making function, members of the Pensions Board should focus on the processes involved in the governance of the Fund. For example, are policies and procedures up-to-date, are the requirements of the Pensions Regulator being met and is the Fund following recognised best practice?

At a national level, the LGPS Scheme Advisory Board (SAB) consists of representatives from a broad spectrum of LGPS stakeholders. Its purpose is to encourage best practice, increase transparency and coordinate technical and standards issues by being reactive and proactive. Separate SABs exist for the schemes in England and Wales, Scotland and Northern Ireland.

## Elected Members

- Councillor Nikos Souslous (Chair)
- Councillor Rory Vaughan

## Appointees

- Mr Neil Newton
- William O'Connell

**During the year 2022/23 the Pensions Board met twice:**

- 8 June 2022
- 8 February 2023

**During the year, the Pensions Board had a varied and extensive work programme covering the following areas:**

- The monitoring of quarterly fund investment performance, including an environmental, social and governance (ESG) issues report of the Fund's underlying investments
- Reports detailing the Fund's financial management, including cash flow and scrutiny of the fund risk register.
- Pensions administration key performance indicators

**The Board also reviewed the following work during the year:**

- The ongoing performance of the new pensions administration provider and the associated ongoing project work related to the transition across.
- The recent Pension Fund Committee review of the results of the 2022 Triennial Valuation.

## Annual Report of the Pensions Board (continued)

The Board underwent the following training in the year:

The Board attended two half-day bespoke training events that took place in November 2022 March 2023 and covered the following topics:

- Pension Fund Governance and 2022 Actuarial Valuation
- Pension Fund Investment
- Climate Change and Net Zero
- Macroeconomic Outlook
- The Importance of robust Pensions Admission Agreements
- The Development of TCFD in the LGPS
- UK Economy and Public Finances

Councillor Ashok Patel

Chair, LBHF Pensions Board

June 2023



PASSMORE EDWARDS  
PUBLIC  
LIBRARY

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OPEN  
BUSH THEATRE  
CAFÉ/BAR  
9AM - 11PM  
→

Dish Trade  
Sausages  
Smoked  
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WAS LAID BY  
THE DONOR  
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ON THE 4TH DAY OF JULY 1905





**Report to:** Pension Fund Committee

**Date:** 19 September 2023

**Subject:** Internal Audit Results

**Report author:** Siân Cogley, Pension Fund Manager

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

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### SUMMARY

As part of the internal audit plan for 2022/23, agreed by the Audit Committee, an internal audit was undertaken of Pension Investments, within the London Borough of Hammersmith and Fulham (LBHF)

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### RECOMMENDATIONS

That the Pension Fund Committee notes the results of the internal audit.

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**Wards Affected:** None

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

### Financial Impact

None

### Legal Implications

None

### DETAILED ANALYSIS

#### Internal Audit Results

1. With regard to the internal audit's opinion, a rating of 'Satisfactory Assurance' can be given, such that the internal controls relied upon at the time of the audit were suitably designed, consistently applied and effective in their application.
2. Internal Audit has raised four areas for improvement, two of medium priority and two of low priority.

<b>Priority</b>	<b>Matter for Address</b>	<b>Management Response</b>
Medium	The Council had a rolling arrangement with the custodian where the cost of the service was agreed on an annual basis. The Investment Manger shared that the value of the contract is minimal and that the decision to roll forward with the contract was not documented within the key decisions by the Pension Board or Pension Committee. Furthermore, the service had not tested the market to confirm that value for money is being achieved	Officers have looked into a formal extension of the custody contract. However, LBHF will not currently approve any new contract without a commitment to local social value. This poses a problem for a global custodian as, under FCA rules, it is against Regulations to treat one client favourably over another. Procurement officers are currently unwilling to move on this point. Officers are still looking for a solution in the near future.
Medium	The Signatory List contained the former Director of Finance, Head of Strategic Planning and Monitoring, and the Strategic Investment Managers	An addendum to this list dated 1 February 2023 was added due to a new addition to the Hammersmith and Fulham Pensions team and updated for the current Director of Finance, Had of Strategic Planning and Monitoring and the Strategic Investment Managers.
Low	Two training sessions were held for the Pension Board in 2021-22, as at the time of the audit (November 2022). Review of training records identified that four out of seven members had not attended either of the sessions and one member only attended one of the sessions offered.  Two sessions were offered to the Pensions Fund Committee. Review of the training record found that one of the sessions was attended by five out of the eight members and the other	Pension Fund Committee and Board members undertake training, with at least three half day Tri-Borough training sessions during the year and members complete a training/skills form when they join the Committee.  Training sessions are recorded and shared with all members and recorded within the training log. It is not mandated in legislation that Pension Fund Committee members should undertake regular training, although it is considered good governance



	<p>sessions was attended by seven out of eight members.</p> <p>We were informed by the Pension Fund Manager that officers attended conferences and attend external training from the LGPS.</p> <p>Training records for the Manager and officers were not retained to substantiate this.</p>	<p>practice to provide it in any case. Fund officers cannot compel members to attend training.</p> <p>Officers regularly attend numerous training sessions, many of them alongside members, and attend various conferences and other training events throughout the year. It is agreed that this should be documented, and a section for Officer training has been added to the member training log.</p>
Low	<p>A Treasury and Pensions review of Tri-Borough arrangements was commissioned in 2019 and the report completed in November 2020 and presented to the Committee in March 2021. The report made 32 recommendations, that were recorded in a progress log to demonstrate the various stages of completion of the recommendations.</p> <p>Review of the Governance Log of Recommendations presented to the Pension Fund Committee in November 2022 found that 27 of the 32 recommendations had been recorded as implemented.</p> <p>The matter to address is regarding where the Council do not implement the recommendations in a timely manner the Council is further exposed the risks and issues observed at the time of the review.</p>	<p>At the Pension Fund Committee of the 19 September 2023 officers have brought the final outstanding item of the Communication Policy alongside the final log of progress regarding the 32 recommendations.</p> <p>A six-month implementation period is standard for action regarding governance recommendations.</p>

**LIST OF APPENDICES**

Appendix 1: Final Internal Audit Report

London Borough of Hammersmith  
and Fulham

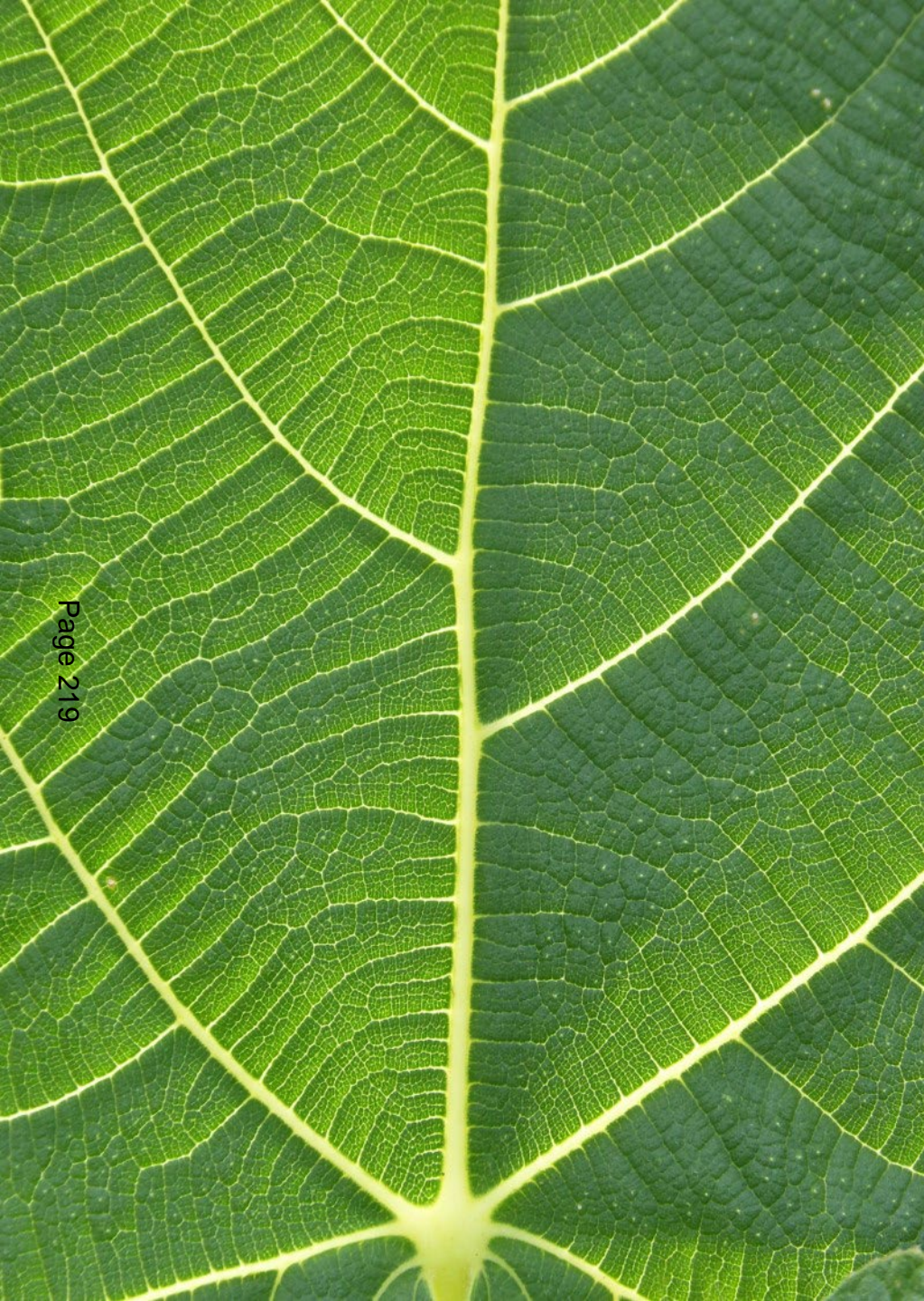
Final Internal Audit Report

Pension Investments

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February 2023





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2. [Observations and Recommendations](#)

## Appendices

- A1 [Audit Scope](#)
- A2 [Audit Stakeholders and Timetable](#)
- A3 [Definition of Assurance and Recommendations](#)

This report is prepared solely for the use of Audit Committee and senior management of the London Borough of Hammersmith and Fulham. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

Please see the final page of this report for our statement of responsibility or follow this [link](#).

# 1. Executive Summary

As part of the internal audit plan for 2022/23, agreed by the Audit Committee, we have undertaken an internal audit of Pension Investments, within the London Borough of Hammersmith and Fulham (LBHF).

## Background

The Superannuation Act 1972 (and the Public Service Pensions Act 2013) provide the statutory underpinning for the local government pension scheme (LGPS). The 1972 Act specifies lead authorities to administer and manage pension funds operating in their geographic area depending on the local government structure. For example, in county areas, the county council is the lead authority responsible for running the pension fund on behalf of the county and all local government bodies within the county. In London, each London borough is responsible for running its own pension fund. Membership of the LGPS is open to employees of the pension fund administering authority, scheduled bodies (organisations specified in schedules to primary and secondary legislation) and admitted bodies (i.e. organisations which may be admitted to the Fund under an admission agreement). The Fund's objective is to provide a pool of assets sufficient to meet the long-term pension (as prescribed by the Local Government Pension Scheme Regulations) for its members.

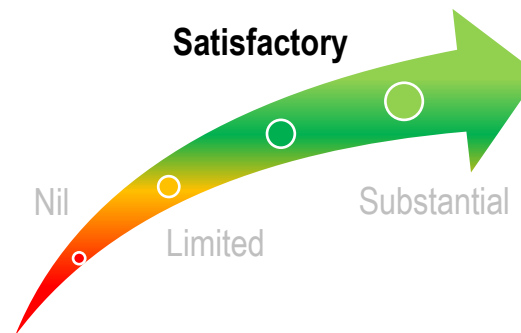
The London Borough of Hammersmith and Fulham Pension Fund (the Fund) is part of the national Local Government Pension Scheme (LGPS) and is administered locally by Hammersmith and Fulham Council.

The Pensions Sub-Committee is responsible for overseeing the management of the London Borough of Hammersmith and Fulham Pension Fund, including investment management and pension administration issues.

A Treasury and Pensions review of Tri-Borough arrangements was commissioned in 2019 and a report published in November 2020. The review concluded that the Tri-Borough arrangement for Treasury and Pensions should continue, and a further recommendation determined that officers should commission an independent governance review of the LBHF Pension Fund. The report made 32 recommendations, which have been recorded in a progress log to demonstrate the various stages of completion of the recommendations.

## Overall Conclusion

In Internal Audit's opinion, **Satisfactory Assurance** can be given to Members, the Chief Executive and other officers that the controls relied upon at the time of the audit were suitably designed, consistently applied and effective in their application.



The table below summarises the results of the review:

Area	Rating	Number of Recommendations		
		High	Medium	Low
Governance Arrangements	Limited	-	2	2
Investments and Accounting for Assets	Substantial	-	-	-
Valuation of Pension Fund	Substantial	-	-	-
Performance and Financial Reporting	Substantial	-	-	-
<b>Total</b>		-	2	2

# 1. Executive Summary

## Issues identified

This review identified two 'Medium' priority matters. Details of these and two 'Low' priority matters can be found in Section 2 of this report..

The 'Medium' priority matters are:

- The Council had a rolling arrangement with the custodian where the cost of the service was agreed on an annual basis. The Investment Manger shared that the value of the contract is minimal and that the decision to roll forward with the contract was not documented within the key decisions by the Pension Board or Pension Committee. Furthermore, the service had not tested the market to confirm that value for money is being achieved.
- The Signatory List contained the former Director of Finance, Head of Strategic Planning and Monitoring, and the Strategic Investment Managers.

## Examples of good practice

During our review, we identified the following areas of good practice:

An Investment Strategy statement which details the Councils Pension Fund policy was in place and published on the Council website. The Statement includes:

- A requirement to invest fund money in a wide range of instruments;
- 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 the 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, and
- The authority's policy on the exercise of rights (including voting rights) attaching to investments.

- As per the local guidance, 'Manager Vs Custodian', On a quarterly basis, the Fund Manager and Custodian market values of the portfolios held within the pension funds were reconciled to ensure the valuations match. Review of quarter one (as at March 2022) and two (as at June 2022) reconciliations confirmed that a reconciliation between custodian journals and the Fund Managers took place and where a variance was found this was investigated. An email trail documented who completed and checked the reconciliation. Furthermore, the source data was checked to confirm that in both quarter the data within the reconciliations was accurately recorded.
- A reconciliation of income was also completed on a quarterly basis. Review of the income reconciliations for quarter one and two confirmed that these took place. For both quarters we checked that all Fund Managers listed within the custodians contract was included within the income reconciliation. Our check found that four Fund Managers (LHF 16,17,21, and 23) were not included. The Pension Fund Manager informed audit that LHF 16 and 17 were not included as the performance is reinvested within the fund and LHF 21 ad 23 were not included as income was paid direct to the Council's bank account rather than the custodian.
- Purchase or sale of fund assets were subject to Pension Fund Committee approval. Testing of a sample of one sale and nine purchases from April 2021 to March 2022 confirmed that each was approved by the Committee and this was documented within meeting minutes.
- A valuation of the Pension Fund was last completed in January 2020 for the fund as at March 2019. The triennial valuation was also presented to the Pension Fund Committee in February 2020. The initial outcome from the 2022 triennial valuation, for the fund as at 31 March 2022, was presented to the Pension Fund Committee in November 2022.
- The Pension Board met every three to four months with agenda and meeting minutes published on the Council's website. As part of the meetings an update on the pension administration including Key Performance Indicators was provided along with performance of the pension fund. A quarterly Pension Fund pack which included cashflow monitoring, the risk register and the outturn Pension Fund Business Plan was also presented.
- The Pension Committee Terms of Reference was detailed within the Investment Strategy. The Committee met on a quarterly basis with agenda and meeting minutes published on the Council's website. The items discussed and presented at the Board also discussed within Committee.

## 2. Observations & Recommendations

Observation	Recommendation	Management Comments and Timeline
<p><b>1. Skills and Training</b></p> <p>Two training sessions were held for the Pension Board in 2021-22, as at the time of the audit (November 2022). Review of training records identified that four out of seven members had not attended either of the sessions and one member only attended one of the sessions offered.</p> <p>Two sessions were offered to the Pensions Fund Committee. Review of the training record found that one of the sessions was attended by five out of the eight members and the other sessions was attended by seven out of eight members.</p> <p>We were informed by the Pension Fund Manager that officers attended conferences and attend external training from the LGPS. Training records for the Manager and officers were not retained to substantiate this.</p> <p><b>Risk:</b></p> <p>Where the Councils' officers and members are not provided with regular training, there is a risk that they are not up to date with current legislation and practices on pensions fund management. This may result in the management of the fund not being effective.</p>	<p>While we recognise that it is not a legislative requirement for members of Board and Committee to attend training, the Pension Fund Manager should review training record across previous years and identify members who have not attended training for over a year. Where these cases have been identified, the Manager should encourage the member to attend the training offered.</p> <p>All training and conferences attended by Managers and officers should be documented within a central training record.</p>	<p><b>Management Response:</b> Pension Fund Committee and Board members undertake training, with at least three half day Tri-Borough training sessions during the year and members complete a training/skills form when they join the Committee. These training sessions are recorded and shared with all members and recorded within the training log. It is not mandated in legislation that Pension Fund Committee members should undertake regular training, although it is considered good governance practice to provide it in any case. Fund officers cannot compel members to attend training. All Pension Fund officers are qualified accountants, with Pension Fund Managers CCAB/CIPFA qualified. Therefore they are not required to undertake continual professional development (CPD) as Westminster is an accredited organisation. However, officers regularly attend numerous training sessions, many of them alongside members, and attend various conferences and other training events throughout the year. It is agreed that this should be documented, and a section for Officer training has been added to the member training log.</p> <p><b>Action Owner:</b> Phil Triggs (Tri-Borough Director of Treasury and Pensions)</p> <p><b>Implementation Date:</b> December 2022</p>
	<p><b>Priority Rating</b> <span style="background-color: green; color: white; padding: 2px;">Low</span></p>	

## 2. Observations & Recommendations

Observation	Recommendation	Management Comments and Timeline
<p><b>2. Custodian Contract</b></p> <p>The Fund appointed Northern Trust as its custodian. The custodian is responsible for the safekeeping of all of the Fund's investments. Northern Trust were also responsible for the settlement of all investment transactions and the collection of income.</p> <p>We were informed by the service that the Council have a rolling arrangement with the custodian where the cost of the service was agreed on an annual basis. The Investment Manger shared that the value of the contract is minimal and that the decision to roll forward with the contract was not documented within the key decisions by the Pension Board or Pension Committee. As per the Pension Fund Annual Report custodian fees totalled to £51,000 in 2021-22.</p> <p>Furthermore, the service had not tested the market to confirm that value for money was being achieved. The Investment Manager shared that the cost of competitive tendering could be regarded as excessive in comparison with the total annual cost.</p> <p><b>Risk:</b></p> <p>Where rolling contracts are not periodically reviewed with comparative quotations sought, there is an increased risk that value for money may not be achieved from the existing supplier.</p> <p>Where the service does not hold a signed contract there is a risk that the service is unable to effectively determine and monitor the services that should be provided and may be unaware of any contract breaches.</p>	<p>As the service is operating on a rolling contract basis with the custodian, the service should test the market to confirm that value for money is being achieved. The review of the market should be documented and presented to both Board and Committee and approval should be sought from the delegated committee prior to continuing the rolling contract.</p> <p>Furthermore, consideration should be taken in formally extending the contract.</p>	<p><b>Management Response:</b> Officers have looked into a formal extension of the custody contract. However LBHF will not currently approve any new contract without a commitment to local social value. This poses a problem for a global custodian as, under FCA rules, it is against Regulations to treat one client favourably over another. Procurement officers are currently unwilling to move on this point. Officers are still looking for a solution in the near future.</p> <p><b>Action Owner:</b> Phil Triggs (Tri-Borough Director of Treasury and Pensions)</p> <p><b>Implementation Date:</b> September 2023</p>
	<p><b>Priority Rating</b>      <b>Medium</b></p>	

## 2. Observations & Recommendations

Governance and Arrangements	Observation	Recommendation	Management Comments and Timeline
	<p><b>3. Signatory list</b></p> <p>A Signatory List, dated January 2022, for the Pension Fund was in place. Review of the list against existing staff structures found that the former Director of Finance, Head of Strategic Planning and Monitoring, and the Strategic Investment Managers were listed.</p> <p><b>Risk:</b></p> <p>Where an up to date Signatory List is not in place, there is a risk of delays in Pension Fund instructions and also signatory fraud .</p>	<p>The Signatory List should be reviewed and updated to reflect the current individuals within the identified roles.</p> <p><b>Priority Rating</b>    <b>Medium</b></p>	<p><b>Management Response:</b> An addendum to this list dated 1 February 2023 was added due to a new addition to the Hammersmith and Fulham Pensions team.</p> <p><b>Action Owner:</b> Phil Triggs (Tri-Borough Director of Treasury and Pensions)</p> <p><b>Implementation Date:</b> February 2023</p>



## 2. Observations & Recommendations

Observation	Recommendation	Management Comments and Timeline		
<p><b>4. Externally commissioned review</b></p> <p>A Treasury and Pensions review of Tri-Borough arrangements was commissioned in 2019 and the report completed in November 2020 and presented to the Committee in March 2021. The review concluded that the Tri-Borough arrangement for Treasury and Pensions should continue, and a further recommendation determined that officers should commission an independent governance review of the LBHF Pension Fund. The report made 32 recommendations, that were recorded in a progress log to demonstrate the various stages of completion of the recommendations.</p> <p>Review of the Governance Log of Recommendations presented to the Pension Fund Committee in November 2022 found that 27 of the 32 recommendations had been recorded as implemented.</p> <p>The Pensions Fund Manager informed audit that the due to a lack of administrative capacity the outstanding recommendations had not been implemented.</p> <p><b>Risk:</b></p> <p>Where the Council do not implement the recommendations in a timely manner the Council is further exposed the risks and issues observed at the time of the review.</p>	<p>The service should review the outstanding recommendations and determine the time/resources required to implement them. The identified time/resources should be planned into upcoming months/schedules to ensure recommendations are implemented prior to the financial year end.</p>	<p><b>Management Response:</b> Of the 32 recommendations made there are 27 that have been actioned. The remaining five recommendations are all administration based and are reliant on the LBHF pensions admin team to complete. Tri-Borough officers are very anxious at the delays incurred in full implementation of this important governance report, which is now approaching two years. A six-month implementation period is standard.</p> <p><b>Action Owner:</b> Eleanor Dennis (Head of Pensions)</p> <p><b>Implementation Date:</b> June 2023</p>		
	<table border="1"> <tr> <td data-bbox="830 868 1031 909">Priority Rating</td> <td data-bbox="1031 868 1411 909">Low</td> </tr> </table>	Priority Rating	Low	
Priority Rating	Low			

## Appendices

A1. Audit Scope

A2. Stakeholders Interviewed

A3. Definition of Recommendations

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Final Internal

# A1. Audit Scope

Ref	Audit Area	Coverage
01	Governance Arrangements	<ul style="list-style-type: none"> <li>• Policies and procedures are in place that clearly outline the governance arrangements for the administration and investment of the Pension Fund, and for the governance and approval of pooling investments.</li> <li>• Policies and procedures are readily available to relevant staff members, and staff are appropriately trained to undertake management of pension investments.</li> <li>• The Council have in place an approved Pension Fund Investment Strategy which encompasses the Council's Pension Fund policy.</li> <li>• The Strategy has been developed following the identification of market risks, and taking into account the risk appetite of the organisation.</li> <li>• Recommendations from the 2019 externally commissioned review of governance arrangement have been implemented.</li> </ul>
02	Investments and Accounting for Assets.	<ul style="list-style-type: none"> <li>• All asset are accounted for, held securely and all dividends/ interest is received.</li> <li>• The Fund is subject to regular reconciliations to ensure that dividends and interests are received in a timely manner. Reconciliations obtain appropriate oversight, in line with the Scheme of Delegation.</li> <li>• Purchase or sale of fund assets are appropriately approved and documented in line with the Scheme of Delegation.</li> <li>• All Pension Fund income is received in full, on time and is accurately recorded.</li> </ul>
03	Valuation of Pension Fund	<ul style="list-style-type: none"> <li>• A valuation of the Pension Fund is completed on a triennial basis to confirm there are sufficient assets in the fund to pay al members of the LGPS in that fund the benefits they become entitles to.</li> </ul>
04	Performance and Financial Reporting	<ul style="list-style-type: none"> <li>• The Pension Fund is assessed against the targets of the Pension Fund Investment Strategy, with any variances in performance recorded, and actioned in a timely manner.</li> <li>• Performance data relating to the Penson Fund is reported to senior management and/ or committee's for oversight and scrutiny.</li> </ul>

## Limitations to Scope

The following limitations to the scope of the audit were agreed when planning the audit:

- The work will be undertaken using a risk-based approach and testing will be on a sample basis to verify compliance;
- The work will review the internal controls and processes relating to overall Pensions Investments. It will not be undertaken by an pensions and investments advisory/ specialists and does not provide investment advice;
- This work does not cover the administration of pension benefits and pension membership;
- This is not a substantive audit of the accuracy and integrity of the figures included within the financial records of the Council;
- The records maintained by third parties to the Council will not be reviewed and are outside of the scope of this audit; and
- The audit review does not provide absolute assurance that material error, loss or fraud does not exist.

## A2. Audit Stakeholders and Timetable

Audit Team	
Mark Chalkley	Engagement Manager
Nav Sidhu	Assistant Manager
Fego Aligboro	Assistant Manager
Emilia Cook	Risk Consultant

Stakeholders	
Patrick Rowe	Senior Finance Manager (Treasury and Pensions)
Mathew Dawson	Strategic Investment Manager
Alastair Paton	Senior Pensions Reconciliation Officer

Organisation Sponsor	
Phil Triggs	Tri-Borough Director of Treasury and Pensions

Timetable	
End of Fieldwork	13 <sup>th</sup> December 2022
Draft Report Issued	14 <sup>th</sup> February 2023
Responses Received	14 <sup>th</sup> February 2023
Final Report issued	14 <sup>th</sup> February 2023

## A3. Definitions Of Assurance and Recommendations

As part of the review we use the following definitions for the level of assurance and priority of recommendations included in Section 2

Assurance Level	Description
<b>Substantial Assurance:</b>	There is a sound system of internal control designed to achieve your objectives. The control processes tested are being consistently applied.
<b>Satisfactory Assurance:</b>	While there is generally a sound system of internal control, there are weaknesses which put some of your objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of your objectives at risk.
<b>Limited Assurance:</b>	Weaknesses in your system of internal control are such as to put your objectives at risk. The level of non-compliance puts your objectives at risk.
<b>Nil Assurance:</b>	Control processes are generally weak, leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes/systems open to error or abuse.

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Definitions of Recommendations	
Priority	Description
<b>High (Fundamental)</b>	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
<b>Medium (Significant)</b>	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
<b>Low (Housekeeping)</b>	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

# Contact Information

David Hughes

Director of Audit, Fraud, Risk and Insurance

Email: [david.hughes@rbkc.gov.uk](mailto:david.hughes@rbkc.gov.uk)

For more information on the Internal Audit Service visit our SharePoint site:

<https://officesharedservice.sharepoint.com/sites/intranet/internalauditfraudriskmanagementandinsurance/Pages/Internal-Audit.aspx>

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The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Any recommendations for improvements should be assessed by management for their full impact before they are implemented.

The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity.

Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

**Report to:** Pension Fund Committee

**Date:** 19 September 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

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### SUMMARY

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

- overall performance for the quarter ended 30 June 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

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

### Financial Impact

None

### Legal Implications

None

## DETAILED ANALYSIS

### LBHF Pension Fund Quarterly Update: Q1 2022/23

1. This report and attached appendices make up the pack for the quarter one (Q1) review ended 30 June 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:
  - Overall, the investment performance report shows that, over the quarter to 30 June 2023, the market value of the assets increased by £4.5m to £1,285.4m.
  - The Fund has underperformed its benchmark net of fees by 1.1%, delivering an absolute return of 0.4% over the quarter.
  - The Total Fund delivered a positive return of 4.3% on a net of fees basis over the year to 30 June 2023.
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 March 2024. 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=eyJrljoiYjc2ZTEyZjltODI0Yi00NzY2LWJkNTMtODAwYjNINWNjYTQ5IiwidCI6IjUwZDhjMTE1LWI3N2YtNDM5NS1hM2JhLTNiNDA3Y2FmMGQ4OCIsImMiOiJh9>

Please note that the ESG Dashboard is as at the quarter ended 31 March 2023 while officers are exploring additional data options for this resource.

7. At the extraordinary meeting of the pension fund on 31 July 2023, committee agreed a 3.5% (£45m) allocation to Quinbrook Renewable Infrastructure. £38m of this commitment was drawn on 25 August 2023.

### 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 6 – Implementation of proposed changes to LGPS Pooling. This has been amended from trending neutral to trending up. This is because of the active government consultation.
  - ii. Risk 7 – LCIV has inadequate resources to monitor investment strategy. This has been amended from trending neutral to trending up, this is due to the departure of Jason as CIO at the LCIV and will be reviewed again once they have recruited.
  - iii. Risk 29 – Pensions legislation or regulation changes result in increase costs to the scheme. This has been amended from trending neutral to trending up. This is because of the active government consultation.

### **Update to the Investment Belief Statement**

At the meeting of the 28 February 2023, officers brought a draft Investment Beliefs report for discussion. Isio have updated the investment beliefs document incorporating a few changes as suggested by Marian George and the Committee and this is attached as Appendix 5 of this report.

### **LIST OF APPENDICES**

Appendix 1:	Scorecard as at 30 June 2023
Appendix 2a:	Isio Quarterly Performance Report for Quarter Ended 30 June 2023 (EXEMPT)
Appendix 2b:	Isio Quarterly Report for Quarter Ended 30 June 2023 (EXEMPT)
Appendix 3:	Cashflow Monitoring Report
Appendix 4:	Pension Fund Risk Registers
Appendix 5:	Investment Belief Statement

## Scorecard at 30 June 2023

## London Borough of Hammersmith and Fulham Pension Fund Quarterly

## Monitoring Report

	Mar 22 £000	Dec 22 £000	Mar 23 £000	Jun 23 £000	Report reference/Comments
Value (£m)	1,288	1,253	1,281	1,285	IRAS reports.
% return quarter	-0.81%	0.82%	2.47%	0.42%	
% Return one year	9.83%	-5.04%	-1.74%	4.34%	
<b>LIABILITIES</b>					
Value (£m)	1,322	1,257	1,021	1,260	Hymans Robertson LLP Estimated Funding Update
Surplus/(Deficit) (£m)	(36)	303	26	310	
Funding Level	97%	132%	125%	132%	
<b>CASHFLOW</b>					
Cash balance	2,841	5,871	8,805	9,889	Appendix 3
Variance from forecast	(9,695)	1,500	5,610	1,010	
<b>MEMBERSHIP</b>					
Active members	4,992	5,198	5,150	5,268	Reports from Pension Fund Administrator
Deferred beneficiaries	6,147	6,140	6,218	6,933	
Pensioners	5,884	5,931	5,960	5,884	
<b>RISK</b>					
No. of new risks				0	Appendix 4: Risk Register
No. of ratings changed				0	
<b>LGPS REGULATIONS</b>					
New consultations	None	None	None	1	Pooling Consultation Paper Provided
New sets of regulations	None	None	None	None	

## Pension Fund Current Account Cashflow Actuals and Forecast for period Apr - Jun-23

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	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
<b>Balance b/f</b>	6,894	8,473	10,042	11,860	9,331	8,127	10,081	7,969	6,295	5,781	6,748	5,741	£000s	£000s
Contributions	8,118	2,746	4,448	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	38,712	3,226
Pensions	(6,055)	(3,049)	(2,983)	(4,029)	(3,354)	(3,455)	(3,613)	(3,474)	(3,514)	(3,533)	(3,507)	(3,518)	(44,083)	(3,674)
Lump Sums	(780)	(845)	(318)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(7,343)	(612)
Net TVs in/(out)	(1,886)	(1,033)	348	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(5,272)	(439)
Net Expenses/other transactions	2,183	3,385	(790)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	2,978	248
<b>Net Cash Surplus/(Deficit)</b>	1,579	1,204	705	(2,529)	(1,854)	(1,955)	(2,113)	(1,974)	(2,014)	(2,033)	(2,007)	(2,018)	(15,007)	(1,251)
Distributions		365	1,112		650	3,909		300	1,500		1,000		8,836	1,262
<b>Net Cash Surplus/(Deficit) including investment income</b>	1,579	1,569	1,817	(2,529)	(1,204)	1,954	(2,113)	(1,674)	(514)	(2,033)	(1,007)	(2,018)	(6,171)	(514)
Transfers (to)/from Custody Cash										3,000			3,000	500
<b>Balance c/f</b>	8,473	10,042	11,860	9,331	8,127	10,081	7,969	6,295	5,781	6,748	5,741	3,723	94,170	(14)

## Current account cashflow actuals compared to forecast in Apr - Jun-23

	Apr-23		May-23		Jun-23		Apr - Jun-23
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Contributions	2,600	8,118	2,600	2,746	2,600	4,448	7,512
Pensions	(3,324)	(6,055)	(3,128)	(3,049)	(3,160)	(2,983)	(2,475)
Lump Sums	(600)	(780)	(600)	(845)	(600)	(318)	(143)
Net TVs in/(out)	(300)	(1,886)	(300)	(1,033)	(300)	348	(1,672)
Expenses/other transactions	(200)	2,183	(200)	3,385	(200)	(790)	5,378
Distributions			1,000	365		1,112	477
Transfers (to)/from Custody Cash							
<b>Total</b>	(1,824)	1,579	(628)	1,569	(1,660)	1,817	9,078

## 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
- A redemption of £35m from Ruffer was used alongside Custody Cash to fund the first commitment of £38m to Quinbrook. This decision was taken outside of the scheduled quarterly committee cycle and was not featured on the previous cashflow.

## Pension Fund Custody Invested Cashflow Actuals and Forecast for period Apr - Jun-23

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	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
<b>Balance b/f</b>	16,794	16,187	9,889	10,899	10,908	10,917	10,926	10,935	10,944	10,953	7,962	7,971	£000s	£000s
Sale of Assets														
Purchase of Assets	(1,853)	(37,003)											(38,856)	(12,952)
<b>Net Capital Cashflows</b>	(1,853)	(37,003)											(38,856)	(3,238)
Distributions	1,212	758	942										2,912	364
Interest	38	67	68	9	9	9	9	9	9	9	9	9	254	21
Management Expenses														
Foreign Exchange Gains/Losses	(4)	(26)											(30)	(10)
Class Actions														
Other Transactions														#DIV/0!
<b>Net Revenue Cashflows</b>	1,246	798	1,010	9	9	9	9	9	9	9	9	9	3,135	261
<b>Net Cash Surplus/(Deficit) excluding withdrawals</b>	(607)	(36,205)	1,010	9	9	9	9	9	9	9	9	9	(35,721)	(2,977)
Contributions to Custody Cash		35,000												
Withdrawals from Custody Cash										(3,000)			(3,000)	(250)
<b>Balance c/f</b>	16,187	14,982	10,899	10,908	10,917	10,926	10,935	10,944	10,953	7,962	7,971	7,980	(38,721)	(3,227)

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	30/06/2023	
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	30/06/2023	
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	30/06/2023	
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	30/06/2023	
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	30/06/2023	
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	30/06/2023	

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		<b>TREAT</b> 1) Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work carried out by the London CIV. 2) Officers continue to monitor the ongoing staffing issues and the quality of the performance reporting provided by the London CIV.	2	16	30/06/2023
Liability Risk	8	Impact of economic and political decisions on the Pension Fund's employer workforce.	5	2	1	8	2	16	16		<b>TOLERATE</b> 1) The Fund Actuary uses prudent assumptions on future of employees within workforce. 2) Employer responsibility to flag up potential for major bulk transfers outside of the LBHF Fund. 3) Officers to monitor the potential for a significant reduction in the workforce as a result of the public sector financial pressures.	2	16	30/06/2023
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		<b>TREAT</b> 1) Officers regularly receive updates on the latest ESG policy developments from the fund managers. 2) The Pensions Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which engages with companies on a variety of ESG issues including climate change.	2	12	30/06/2023
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		<b>TREAT</b> 1) Review ISS in relation to published best practice (e.g. Stewardship Code, Responsible Investment Statement) 2) The Fund currently holds investments all it passive equities in a low carbon tracker fund, and is invested in renewable infrastructure. 3) The Fund's actively invests in companies that are contributing to global sustainability through its Global Core Equity investment 4) The Fund has updated its ESG Policy and continues to review its Responsible Investment Policy 5) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors. 6) Officers attend training sessions on ESG and TCFD requirements.	2	18	30/06/2023
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		<b>TREAT</b> 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Officers, alongside the Fund's advisor, set fund specific benchmarks relevant to the current position of fund liabilities. 3) Fund manager targets set and based on market benchmarks or absolute return measures.	1	11	30/06/2023
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		<b>TREAT</b> 1) At time of appointment, the Fund ensures advisers have appropriate professional qualifications and quality assurance procedures in place. 2) Committee and officers scrutinise, and challenge advice provided routinely.	1	10	30/06/2023
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		<b>TREAT</b> 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	30/06/2023
Asset and Investment Risk	14	Failure of global custodian or counterparty.	5	3	2	10	2	20	20		<b>TREAT</b> 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	30/06/2023

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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023

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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023

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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023



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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023

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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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	30/06/2023
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 firmed up 3) Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	11	30/06/2023
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	30/06/2023
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	30/06/2023

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	30/06/2023
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	30/06/2023
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	30/06/2023



# London Borough of Hammersmith & Fulham Pension Fund

Draft Investment Beliefs  
August 2023

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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. These beliefs will be reviewed regularly, with a formal review at least every 3 years.

## 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) Those responsible for making decisions about the assets of the Fund have the necessary knowledge and skills to make those decisions.
- d) 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.
- e) 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 Fund is a long-term, open scheme and this is recognised when determining the investment strategy.
- c) 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.
- d) 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.
- e) Over the long term, equities are expected to outperform other liquid assets, particularly government bonds and cash.

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- f) The Fund is broadly cashflow neutral.

### 3. Responsible Investment Including 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) Responsible investment (including 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 responsible investment and ESG 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 responsible investment or ESG issues, the Committee is prepared to disinvest assets from that manager.

### 4. Asset allocation

- a) The strategic asset allocation is the key driver determining the risk and return profile of the Fund's investments and their ability to meet the Fund's long term objectives.
- b) 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).
- c) 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.
- d) 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, and access to less traditional asset classes. 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.
- e) The Fund is a partner fund of the London CIV and is supportive of the London CIV's aims. In selecting a new investment, the Fund will always consider mandates offered by the London CIV if the London CIV mandate's investment objectives align with that underlying the Fund's investment selection process.

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## 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.

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