

Pension Fund Committee

Agenda

Wednesday 15 November 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 Peter Parkin	

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

Date Issued: 06 November 2023

Pension Fund Committee Agenda

<u>Item</u>	<u>Pages</u>
1. APOLOGIES FOR ABSENCE	
2. DECLARATIONS OF INTEREST <p>If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.</p> <p>At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.</p> <p>Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.</p> <p>Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Standards Committee.</p>	
3. MINUTES OF THE PREVIOUS MEETING	5 - 17
<p>To approve as an accurate record the minutes of the meeting held on 19th September and 24th October 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>	
4. KEY PERFORMANCE INDICATORS	18 - 38
<p>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.</p>	

- 5. PENSION ADMINISTRATION UPDATE** 39 - 42
- This paper provides a summary of activity in key areas of pension administration for the Council's Pension Fund.
- 6. LOG OF RECOMMENDATIONS REPORT** 43 - 46
- This paper outlines that all the recommendations that were agreed by the Pension Fund Committee to be implemented have now been completed.
- 7. PASSTHROUGH POLICY UPDATE** 47 - 55
- This report seeks to outline the current policy and what would change under the implementation of a passthrough policy as well as give an update on the consultation process.
- 8. INVESTMENT STRATEGY STATEMENT** 56 - 71
- Following the review of the investment strategy that commenced in February 2023, this paper introduces the draft Investment Strategy Statement for the LBHF Pension Fund, which is attached as Appendix 1 to this paper.
- 9. QUARTERLY PERFORMANCE UPDATE** 72 - 84
- This paper provides the Pension Fund Committee with a summary of the Pension Fund's overall performance for the quarter ended 30 September 2023.
- 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.*
- 10. DATE OF THE NEXT MEETING**
- The next pension fund committee will take place on 20th February 2024.
- 11. EXCLUSION OF THE PUBLIC AND PRESS (IF REQUIRED)**
- The Committee is invited to resolve, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

Agenda Item 3

London Borough of Hammersmith & Fulham

Pension Fund Committee Minutes



Tuesday 19 September 2023

PRESENT

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

Co-opted members: Michael Adam

Officers: David Hughes (Director of Audit, Fraud, Risk and Insurance), Eleanor Dennis (Head of Pensions) and Phil Triggs (Director of Treasury and Pensions)

Guests:

Kevin Humpherson (Advisor, Isio Group)
Jonny Moore (Advisor, Isio Group)
Marian George (Investment Consultant)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Sukvinder Kalsi, Mathew Dawson and Sian Cogley.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED

That the open and exempt minutes of the meetings held on 13th June and 31st July 2023 were approved.

4. DRAFT MINUTES OF THE PREVIOUS PENSION BOARD MEETING

RESOLVED

That the draft minutes of the meetings held on 8 February and 7 June were noted.

5. KEY PERFORMANCE INDICATORS

Eleanor Dennis (Head of Pensions) presented the report and gave a summary of the performance in all key areas of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Council's Pension Fund. There had been a significant improvement in the performance of the pension administration service provided in Quarter 1 by LPPA. It was hoped that by Q2 LPPA delivered on its promise to meet SLA targets on all task areas. As well as further progress towards improving the quality and ensuring that cases were processed accurately as well as efficiently. Eleanor Dennis thanked the Committee for their support which had been beneficial to the improved service provided by LPPA during this period.

Councillor Adrian Pascu-Tulbure asked for further information to be provided on the survey's and if there were any communication plans with members. Eleanor Dennis explained that surveys were carried on the helpdesk and retirement areas. There was a commitment from LPPA to develop and improve on the quality of the surveys to achieve a higher response rate and enhance engagement with members.

Councillor Florian Chevoppe-Verdier noted that he was pleased to note that there was improvement in the performance in all areas. He asked if Officers had any insight on what had led to these improvements. In response Eleanor Dennis explained that it would be difficult to pinpoint the exact reasons. There seemed to be a multiple approach to tackle these issues. LPPA were aware that the Committee were not satisfied with the current performance. Feedback from the Committee had also helped to highlight any issues with LPPA and help improve the service delivery. They had also invested in a significant number of resources to mitigate any issues and improve service delivery.

Councillor Florian Chevoppe-Verdier noted that he was in favour of improving web accessibility for users. He enquired if there was any scope for LPPA to ensure their digital services and website were compliant of the Web Content Accessibility Guidelines (WCAG) particularly around colour schemes. Eleanor Dennis noted that she would discuss this with LPPA at her regular monthly meetings.

ACTION: Eleanor Dennis

The Chair enquired what measures were in place to maintain the pressure with LPPA and ensure performance would be maintained going forward. Eleanor Dennis noted that she felt cautious in terms of their ability to sustain the improved KPI performance without intervention. There were still a number of challenges faced by LPPA regarding resources (especially within the bereavement team) and increased legislation.

Eleanor Dennis was continually challenging LPPA to meet their SLA targets in Q1 and to provide accurate reporting metrics to enable LPPA's progress to be monitored effectively. However, there was not enough indicators for Q2 to ensure that there would be no dips in performance.

Councillor Laura Janes asked for further clarification to be provided around the work carried out by the Pensions Administration Team to ensure LPPA were achieving their KPI's. Eleanor Dennis explained the duties carried by her Team to assist LPPA with missing pieces of evidence and contact information particularly with bereavement cases. Officers continued to work with LPPA to improve the service and quality experienced by the stakeholders including members and beneficiaries. However, this took a significant amount of the Teams resources on a regular basis. She noted that this could be progressed by continuing to have high level discussions with LPPA relating to the Council's expectations and highlighting the areas that needed refining to deliver minimum errors.

Councillor Laura Janes enquired if there was any scope to keep a log of time spent by the Pension Administration Team to support LPPA. Eleanor Dennis said that she would explore options on how this could be quantified.

RESOLVED:

That the Committee noted the update.

6. PENSION ADMINISTRATION UPDATE

Eleanor Dennis (Head of Pensions) presented the report and gave a summary of activity in the key areas of pension administration for the Council's Pension Fund.

The pension administration service delivered by LPPA despite the challenges continued to show some signs of improvement, although this needed to be achieved in a faster timeframe and be maintained for consecutive periods. LPPA continued to work collaboratively with the Head of Pensions to improve the service.

Eleanor Dennis noted a correction to the Engagement figures quoted on page 48 of the agenda pack as follows:

"Q1 saw 25% of the membership being registered with the online portal. This is up 89% from the number registered 12 months ago."

Councillor Adam Peter Lang commented that he was pleased to note the improvements achieved across the key areas of the service provided by LPPA. He enquired if Officers were confident that the requirements put forward by the pension regulator to issue McCloud statements would be achieved within the provided timescales. In response Eleanor Dennis provided a brief summary of the McCloud remedy legislation. It was noted that LPPA were being proactive in preparing for this. LPPA would be working with the Fund and the Council's employers to ensure they had the data to comply with this requirement. A data cleanse exercise would also take place in due course.

Councillor Adam Peter Lang asked that the Committee be informed on the progress on this matter.

ACTION: Eleanor Dennis

RESOLVED

That the Committee noted the update.

7. COMMUNICATION POLICY

Eleanor Dennis (Head of Pensions) presented the report and gave a summary of the key points. The reasons for a requirement of a communications policy for the Council's Pension Fund were outlined. Appendix 1 detailed the revised policy.

Councillor Florian Chevoppe-Verdier noted that he was impressed with the accessibility statement and thanked and congratulated Eleanor Dennis for producing a comprehensive policy. However, expressed some concern as to the detail on how the Fund communicated with its membership being readily available to the public. He enquired how officers would mitigate any risks associated with Fraud. Eleanor Dennis explained that organisations including the Council and the pension Fund had a regulatory obligation to publish the communications policy and such detail so had to be transparent and accessible. She also outlined the strategy in place to defer fraudulent activity from taking place and safeguarding members and their benefits. This included issuing scam leaflets and a pension industry wide system for identifying potential fraud for transfers.

Councillor Adrian Pascu-Tulbure asked for clarification to be provided on the number of people who had opted out on receiving information via email. Eleanor Dennis noted that she will obtain this information from LPPA and circulate to members outside of the meeting.

ACTION: Eleanor Dennis

Councillor Adam Peter Lang asked for further clarification to be provided on the accessibility features for the LPPA, Pension Fund and Hammersmith and Fulham websites. Eleanor Dennis noted that all the websites complied with the Wireless Application Protocol (WAP).

Councillor Adam Peter Lang suggested that feedback from scheme members be gathered to help enhance the accessibility across all of the websites. Eleanor Dennis noted that this was a good initiative and would discuss this with LPPA.

RESOLVED

That the Committee approved the revised 2023 Communications Policy for the Hammersmith & Fulham Pension Fund.

8. BUY AND MAINTAIN CREDIT MANAGER SELECTION

Phil Triggs (Director of Treasury and Pensions) presented the report and provided an overview of the background to the decisions to be made following the extraordinary meeting of the Pension Fund committee on 31 July 2023.

Members discussed Appendix 1 in the exempt session at the end of the meeting.

RESOLVED

That the Committee:

1. Agreed to appoint both the London CIV (Insight) and Allspring in facilitating the 15% allocation to Buy and Maintain Credit. (5% to the London CIV (Insight) and 10% to Allspring).
2. Delegated authority to the Director of Treasury and Pensions in consultation with the Chair to allocate 5% of the London CIV's allocation to the short duration Fund, subject to further discussions being held with the London CIV regarding the Committee's concerns on the LCIV's (Insight) Fund's duration.

9. NEXT STEPS ON INVESTMENTS GOVERNMENT CONSULTATION

Phil Triggs (Director of Treasury and Pensions) presented the report and gave an overview of the consultation response included in Appendix 1.

Councillor Adam Peter Lang relating to question 9 asked for further clarification to be provided around the implications for not supporting the reporting proposals on levelling up investments. In response Phil Triggs explained that the levelling up allocation of 5% was not mandatory and would be considered satisfactory if this allocation could meet at least one of the 15 levelling up requirements. He also outlined the other government ambitions for asset allocation and the risks associated with these. In addition it was noted that the Council currently complied with all its reporting obligations, including the annual accounts and pension fund annual report.

Councillor Adrian Pascu-Tulbure commented that the response put together by officers was well drafted and was a bit apprehensive regarding the Government's suggested asset allocation approach.

Michael Adam (Co-opted Member) suggested that it would prove beneficial to add more emphasis around the Fund's fiduciary responsibility to its beneficiaries.

Councillor Florian Chevoppe-Verdier requested that further clarification be sought from the Government of what was classed as 'local' under question 7.

ACTION: Phil Triggs

Marian George (Investment Consultant) in relation to question 2 agreed with the timelines suggested by Officers and that the process to transfer pooled assets should be progressed in the right order. She noted that strategic asset allocation was the Fund's remit, and this should be considered as part of question 3. Relating to question 11 she recommended that any divestment decisions needed to be consistent with the Fund's investment strategy.

The Chair asked for the further clarification to be provided on the timelines for consultation response. Phil Triggs noted that the response needed to be submitted to the Government by 2 October 2023. The deadline for requiring administering authorities to transition listed assets to their LGPS pool was 31 March 2025. However, there should be a degree of flexibility, recognising that this may not be possible for all funds. 31 March 2026 seemed more sensible.

RESOLVED

That the Committee noted the update.

10. DRAFT ANNUAL REPORT 2022/23

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. It was noted that the Pension Fund annual report 2022/23, which included the draft Pension Fund accounts 2022/23, was a regulatory requirement and was required to be approved by the Pension Fund Committee. The draft Pension Fund report for 2022/23 was attached as Appendix 1.

Referring to page 93 of the agenda pack, Michael Adam (Co-opted Member) enquired why the Council's Pension Fund was below the London average league positioning for the cost of administration per member. In response Phil Triggs explained that this was due to changing administrative platform providers, transitioning of data, and bringing the admin team back in-house. This resulted in several one-off costs during the period of 2021-22.

Councillor Adrian Pascu-Tulbure suggested that a footnote be included which stated that the Council had changed its administrator to LPPA and substantial effort was being made to improve the performance.

Councillor Adam Peter Lang welcomed and thanked Officers for the draft annual report. He enquired if there was any scope to include the LGPS fund of the year award (awarded in September 2023) and the recent member training provided by Officers in this document. In response Phil Triggs noted that the events that took place in 2023 would be listed in the next annual report (2023/24).

Members were not keen on the appropriateness of the photo included on page 107 of the document and requested that this be changed.

Phil Triggs paid tribute to Sian Cogley (Pension Fund Manager) on compiling a successful set of audited accounts in collaboration with the administration team and a well-received pension fund annual report. The Chair asked that the Committee's thanks and congratulations be passed on to Sian.

ACTION: Phil Triggs

RESOLVED:

That the Committee approved the draft Pension Fund annual report for 2022/23 and delegated the approval of the final version to the Director of Treasury and Pensions in consultation with the Chair.

11. INTERNAL AUDIT RESULTS

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. With regard to the internal audit's audit finding's opinion, a rating of 'Satisfactory Assurance' had been given, such that the internal controls relied upon at the time of the audit were suitably designed, consistently applied and effective in their application. He outlined the four areas of improvement raised by the internal audit, including the completion of the 2019 governance report recommendations.

Councillor Florian Chevoppe-Verdier asked for further clarification to be provided on the custodian contract. In response Phil Triggs outlined the reasons why the Council preferred to work with its current global custodian. The value of the contract was minimal, and the exact costs would be circulated to the Committee.

ACTION: Phil Triggs

Marian George (Investment Consultant) suggested that training be included as an agenda item to outline the various training sessions undertaken by Members for the purpose of good governance and transparency.

The Chair requested that the log of recommendations report be reinstated in time for the Pension Fund Committee meeting due to take place on 15th November 2023. The Committee's expectation was that a completed log should be submitted as soon as possible.

ACTION: Sukvinder Kalsi

RESOLVED

That the Committee noted the update.

12. PENSION FUND QUARTERLY UPDATE PACK

Phil Triggs (Director of Treasury and Pensions) introduced the report.

Jonny Moore gave a summary of the Pension Fund's overall performance for the quarter ended 30 June 2023, cashflow update and forecast and the assessment of risks and actions taken to mitigate these. He also outlined the current situation on the equity markets.

The Chair noted that he had received some feedback from the Friends of the Earth. He would review their recommendation and respond accordingly.

Councillor Adam Peter Lang enquired what the implications were for the Fund when investing outside of the UK, for example the war in Ukraine. In response Kevin Humpherson explained that typically this was delegated to the investment managers who considered this when building and managing a portfolio.

Councillor Adam Peter Lang enquired why Aviva Investors was still appearing within the report. In response, officers noted that the Fund had requested full

redemption in June 2022. It was anticipated that Aviva would liquidate the Fund's holdings prior to 31 December 2023 in line with the provisions of the investment contract.

Phil Triggs noted that Kevin Humpherson was leaving the Isio Group and the Committee thanked him for all his hard work and input provided over the years.

RESOLVED

That the Committee noted the update.

13. DATES OF FUTURE MEETINGS

The Committee noted the dates of future meetings:

- 15 November 2023
- 20 February 2024

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

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

Meeting started: 7:00pm
Meeting ended: 9:40pm

Chair

Contact officer: Amrita White
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Pension Fund Committee Minutes



Tuesday 24 October 2023

PRESENT

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

Co-opted members: Peter Parkin

Officers: Eleanor Dennis (Head of Pensions)

Guests:

Jo Darbyshire (LPPA)

William O'Connell (Pensions Board)

Patsy Ishmael (Pensions Board)

Bruce Mackay (Pensions Board)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Michael Adam and Iain Cassidy.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. KEY PERFORMANCE INDICATORS

Eleanor Dennis (Head of Pensions) introduced the report which provided a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Council's Pension Fund which would be presented to the Committee by the Managing Director of LPPA.

Jo Darbyshire (LPPA) provided a presentation on the performance of the Key Performance Indicators (KPI's) from 1st April to 30th June 2023 detailed in appendix 1. She also presented a summary of LPPA challenges and performance across all clients, as well as highlighting increased recruitment.

In relation to help desk calls, Councillor Adrian Pascu-Tulbure asked if there were any specific trends stemming from when the service was at its busiest and what measures were in place to support this. In response, Jo Darbyshire noted that Monday's and the end of the month were the busiest times for helpdesk calls. The Committee noted that weather conditions also had a bearing on the total number of calls received. Jo Darbyshire confirmed that LPPA had more resources in place to accommodate the additional calls.

Councillor Adam Peter Lang asked for further clarification to be provided on the 82 transfers out. Jo Darbyshire explained that the transfers out applied to people who had left their employment with the local government and no longer qualified to be part of the LGPS.

Councillor Adam Peter Lang enquired whether there had been an increase in members opting out of the Local Government Pension Scheme (LGPS). Jo Darbyshire said, that at the beginning of the cost-of-living crisis, there was an increase in opt out and 50/50 scheme contribution enquiries, however this had stabilised over the last few months. She also outlined the process of auto enrolment, highlighting that if members chose to opt out, they would automatically be opted back into the main section of the scheme after three years.

Councillor Adam Peter Lang felt that communication with members was vital and suggested that members be encouraged to remain within the scheme and notified of the benefits, if Officers noticed an increase in the opt out rate. Eleanor Dennis (Head of Pensions) explained that the Local Government Association (LGA) investigated the opt out rate across all LGPS Funds. The findings concluded that there wasn't a spike in the opt out rate due to the pressures around the cost of living. It was noted that the LGA continued to monitor this matter.

Councillor Adam Peter Lang requested that the figures from the LGA investigation be shared with the Committee.

ACTION: Eleanor Dennis

Councillor Laura Janes thanked LPPA for the detailed presentation. She noted the Committee's concerns about the lack of progress to improve service performance since the last meeting with LPPA in October 2022. Jo Darbyshire explained the delay had been caused by the time it had taken to implement and familiarise staff with the functionality of the UPM system. Other factors included the recruitment of good quality administrative staff.

Councillor Adam Peter Lang echoed Councillor Laura Janes's concerns and enquired whether staff at LPPA were set performance targets. Jo Darbyshire explained that every administrative staff member had quantitative and qualitative targets. LPPA were closely monitoring those who were not achieving their targets and acting accordingly.

The Chair enquired if there was any scope to recruit colleagues who were familiar with the UPM system, particularly the monthly returns function to mitigate some of the recruitment concerns. In response Jo Darbyshire

explained that LPPA had a short timescale to implement UPM. LPPA had a strong network of UPM users across other organisations who were able to provide useful feedback and share their accomplishments on how to improve ways of working with the system.

The Chair requested that the Committee be provided with comparison data on the total number of the LPPA staff employees by LPPA prior to the implementation of UPM system in Jan 2022 and how many employees they had now .

ACTION: Eleanor Dennis

Peter Parkin (Co-opted Member) asked if staff were set realistic, achievable targets in line with available resources. In response, Jo Darbyshire explained that targets varied across all departments within the organisation. New employees would also have their own targets unique to them. It was noted that those staff members who were not achieving their targets consistently, would be put on a performance improvement plan.

Councillor Adrian Pascu-Tulbure asked for further clarification to be provided on the incentives available for staff. Jo Darbyshire explained that the priority for LPPA was to drive administrators to progress cases. It was noted that LPPA moved into a new office in June 2023 which offered an improved working environment. This included new recreational and collaborative spaces for staff. In addition, LPPA provided wellbeing webinars and 2 events a year where all staff had the opportunity to collaborate.

RESOLVED:

That the Committee noted the update.

4. PENSION ADMINISTRATION UPDATE

Eleanor Dennis (Head of Pensions) presented the report and gave a summary of activity in the key areas of pension administration for the Council's Pension Fund. Challenges included increasing complex legislation, data challenges, limited resources, and difficulty in engaging with employers, which meant some issues would take months or years to resolve fully.

It was noted all-officer log of recommendations report would be presented at the next Pension Fund meeting.

The Head of Pensions highlighted to the Committee that there was increasing focus in the pensions landscape including from the Pensions Regulator for governing bodies of pension schemes such as the Pension Committee to evidence and work towards better equality, diversity and inclusion. In line with this she proposed that the Committee agree to a draft Equality, Diversity, and Inclusion statement that would be circulated to the Committee for review and be published on the Pension Fund website.

ACTION: Eleanor Dennis

The Chair congratulated the Council's pension team, Tri borough Investment Team and Pension Fund Committee members past and present for their contribution in achieving the LGPS fund of the year award.

Jo Darbyshire (LPPA) provided a presentation on McCloud and LPPA's future goals.

Willam O'Connell (Pension Board Member) enquired when LPPA would be up to date with the cases in line with the McCloud remedy requirement. Jo Darbyshire noted that there was a high volume of cases to review, and this could take longer than proposed 18 months. It was noted that updates on LPPA's future plans on how to action these cases would continue to be brought to a committee meetings.

Referring to page 21 of the agenda pack, Councillor Florian Chevoppe-Verdier asked for further clarification to be provided in relation to the overpayments. In response Eleanor Dennis noted that the overpayments were in respect of legacy bereavement cases. Which were inherited from the Council's previous pension Administrator. The pension team continued to work with LPPA and the Council's debt recovery teams to try to recover further outstanding overpayment monies.

Referring to page 21 of the agenda pack, Councillor Florian Chevoppe-Verdier enquired how much of the Teams time was devoted to supporting LPPA. Eleanor Dennis noted that whilst this was a valid point, however it was challenging to quantify the time the LBHF pension team spent on these additional activities. It was noted that work within the team was varied and not time driven. However, the team continued to record issues including bereavement cases and feed these back to LPPA to resolve and improve.

RESOLVED:

That the Committee noted the update.

5. FUND EMPLOYER CESSATIONS

Eleanor Dennis (Head of Pensions) presented the report which outlined the cessation activity for the Fund.

It was noted that an amended set of recommendations were published and circulated to the Committee on 23rd October 2023.

The paper included a recommendation of a decision to be made by the Committee with reference to a Fund employer that had ceased in the Fund but had a surplus at the time that they are ceasing to be a participating employer in the Fund. The recommendation was that the surplus was processed as detailed in Exempt Appendix 1 (Amended) - Exempt information, implications, and recommendations.

Members discussed Exempt Appendix 1 (Amended) in the exempt session at the end of the meeting.

RESOLVED:

That the Pension Fund Committee:

- 1 Approved that appendices (1-8) were not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
- 2 Approved the payment of exit credits as set out in Exempt Appendix 1 (Amended) - Exempt information, implications, and recommendations.

6. DATE OF THE NEXT MEETING

The date of the next meeting was noted as 15 November 2023.

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

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

Pensions Board members left the meeting.

Meeting started: 7:15pm
Meeting ended: 8:40pm

Chair

Contact officer: Amrita White
Committee Co-ordinator
Governance and Scrutiny
E-mail: Amrita.White@lbhf.gov.uk

Report to: Pension Fund Committee

Date: 15/11/2023

Subject: Key Performance indicators

Report author: Eleanor Dennis, Head of Pensions

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

This paper sets out a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Hammersmith & Fulham Fund. The Key Performance Indicators (KPIs) for the period July 2023 – September 2023, i.e., Quarter 1 (Q2) for the scheme year 2023/24.

RECOMMENDATIONS

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

Wards Affected: None

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

Finance Impact

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

Sukvinder Kalsi, Director of Finance, 3rd November 2023

Legal Implications

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

Angela Hogan, Chief Solicitor (Contracts and Procurement) 6th November 2023

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Analysis of Performance

1. The KPIs have been set out in the discharge agreement between the LPPA (Local Pension Partnership Administration) and the London Borough of Hammersmith & Fulham (LBHF). The Head of Pensions ensures performance measures are discussed and reviewed between both parties on a monthly basis in accordance with Code 14 of the Pension Regulator’s Code of Practice that states that the scheme manager should hold regular meetings with their service providers to monitor performance.
2. This report covers the performance of our administration partner LPPA Q2 of the pension fund scheme year 2023/24. The KPI’s detailed in Appendix 1 of the pension administration report cover the period 01 July 2023 to 30 September 2023 inclusive.
3. During the period July 2023 to September 2023, LPPA processed 1155 SLA cases, which was a decrease of 323 cases from Q1 for the Hammersmith & Fulham Pension Fund. The overall quarterly KPI performance stayed the same however performance fell short in case types, estimates, deaths and active retirements.
4. There is no KPI measure for the telephone Helpdesk, in Q2 the average wait time rose slightly to 4 minutes 12 compared to 3 minutes 16 in Q1.

Performance in key areas

5. Retirements – Performance on this task area has seen a much needed improvement. Although not meeting the target of 95%, active retirements saw an improved KPI of 85.7%. The processing of deferred retirements also improved in Q2 with a KPI of 95% compared to a KPI of 89.7% in Q1.
6. Deaths – The processing of death cases has seen a continued upward trend with performance in Q2 seeing 93.8% of cases being completed on time. An improvement from 85.7% of cases in Q1 that were processed within the 5 day SLA. The Head of Pensions continues to work with the LPPA team to improve this performance.
7. Transfers – There were a small decrease in the number of cases processed, of the 171 transfer cases (a decrease of 4 cases from Q1), and a good KPI performance in this area. Most of cases were processed within the SLA with 96.1% of transfer ins processed on time and improvement of transfer outs as 98.9% were processed on time.
8. Refunds – Performance on this case type continues to be good with 98.6% of cases processed on time.
9. The Head of Pensions is continuing to challenge LPPA to meet their SLA targets as well as to increase the quality in terms of the delivery of this service.

Summary

10. Pensions administration has so many moving facets, so it is encouraging to see consistency of KPI performance from Q1 to Q2. However, is disappointing to see LPPA promise of a return to targets being met in all areas not being met. LPPA admit that there is improvement to be made and have acknowledge that this will take longer than hoped to achieve, which will continue to be closely managed.
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 (Q2) July – September 2023

Appendix 2 – LPPA Supplementary Q2 KPI data



LPP

Local Pensions Partnership
Administration

Hammersmith & Fulham Pension Fund

Quarterly Administration Report

1st July – 30th September 2023

lppapensions.co.uk

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DEFINITIONS

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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.

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Casework Performance - Standard

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

- APC/AVC Queries
- Additional Concs 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

Please note that this page includes cases that have met the SLA target, but the stop trigger may also have been actioned before the process has been completed.

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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
- Ongoing casework at end of reporting quarter

CASEWORK PERFORMANCE

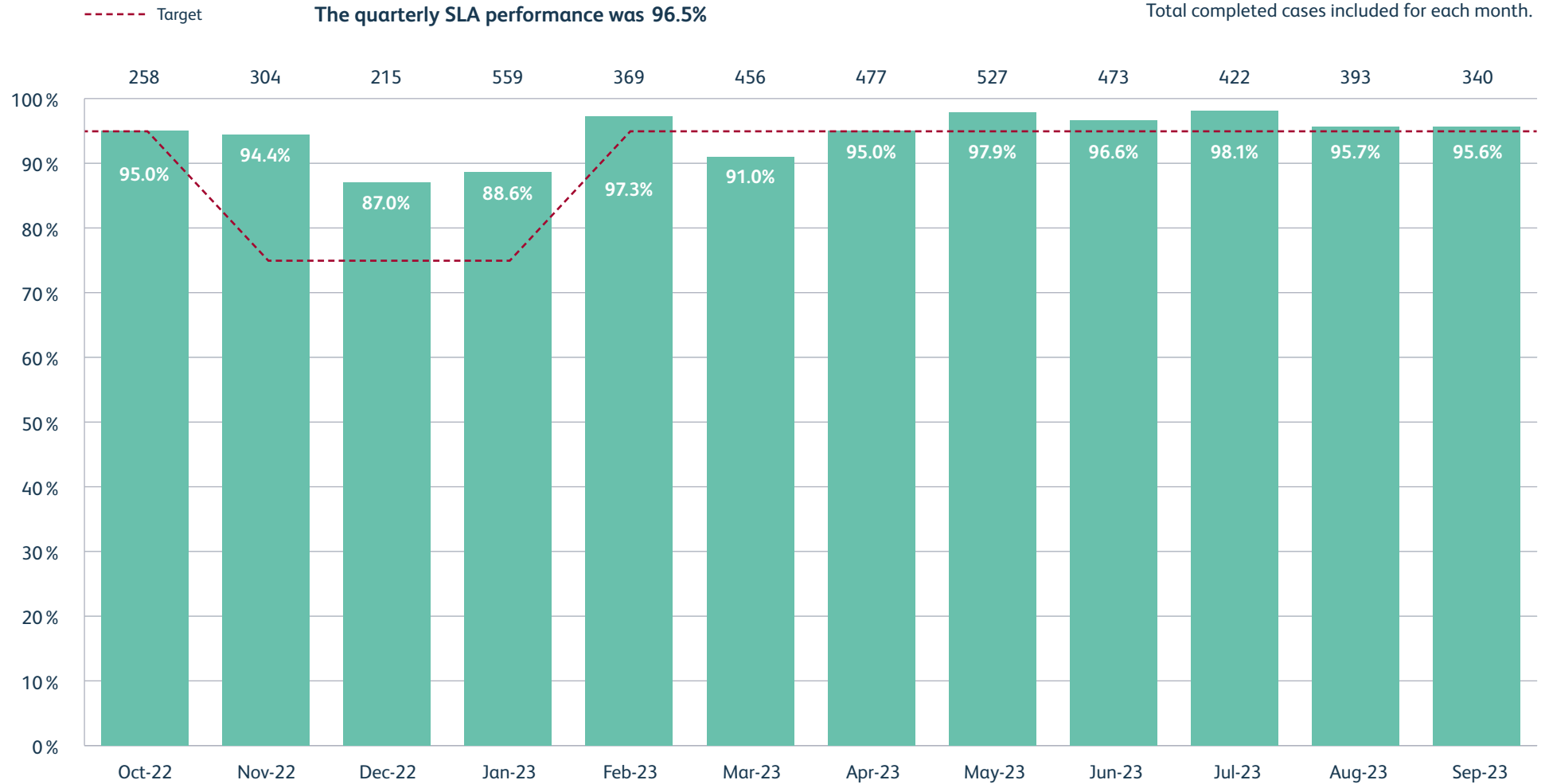
Please note:

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

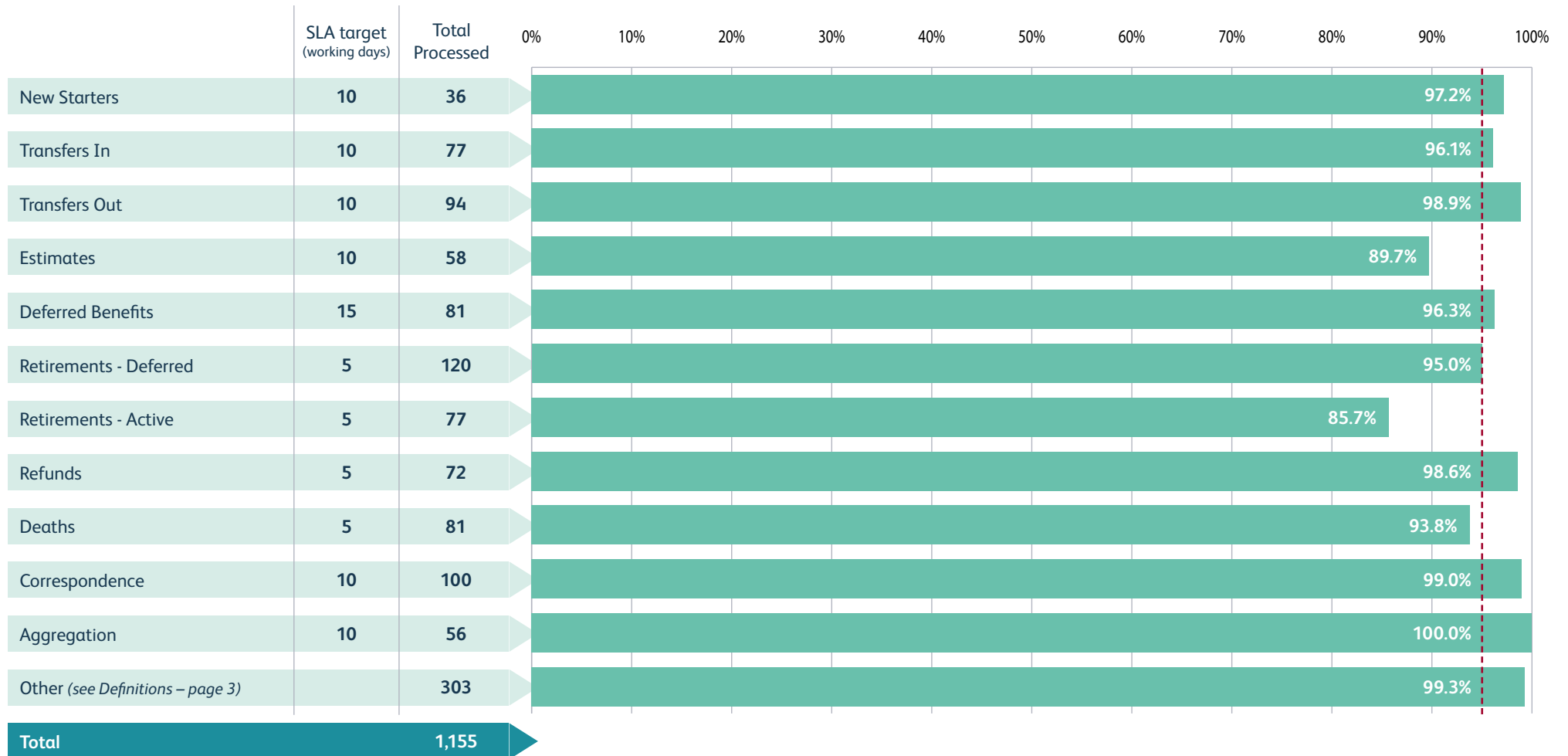


PERFORMANCE STANDARD

CLIENT SPECIFIC

----- Target (95%)

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Helpdesk Calls Performance

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

In this section...

- Wait time range
- Calls answered

HELPDESK CALLS PERFORMANCE

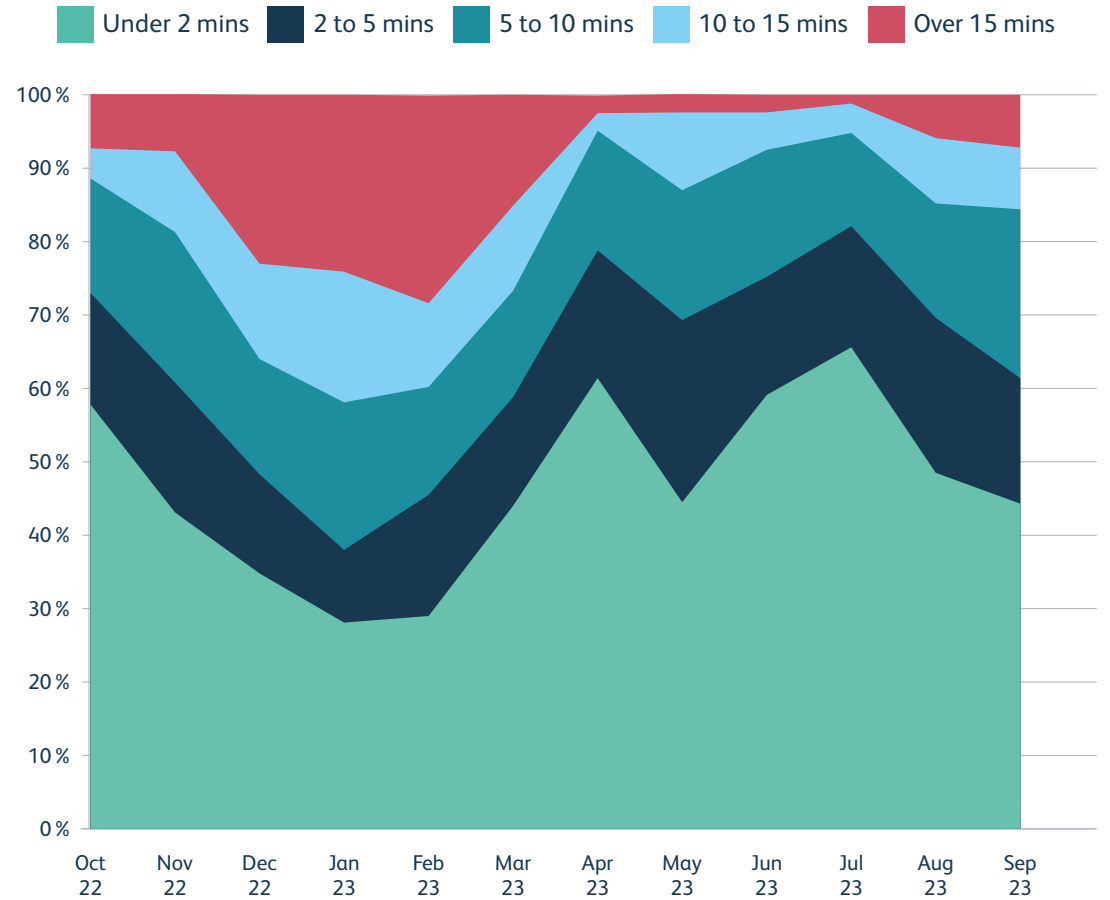


WAIT TIME RANGE

CLIENT SPECIFIC

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	Under 2 mins	2 to 5 mins	5 to 10 mins	10 to 15 mins	Over 15 mins
Oct 22	57.8%	15.2%	15.6%	4.1%	7.4%
Nov 22	43.1%	17.7%	20.5%	11.0%	7.8%
Dec 22	34.8%	13.5%	15.7%	13.0%	23.0%
Jan 23	28.1%	9.9%	20.1%	17.8%	24.1%
Feb 23	29.0%	16.5%	14.7%	11.4%	28.3%
Mar 23	44.0%	14.8%	14.5%	11.6%	15.1%
Apr 23	61.4%	17.4%	16.3%	2.4%	2.4%
May 23	44.5%	24.8%	17.7%	10.6%	2.5%
Jun 23	59.1%	16.1%	17.3%	5.1%	2.4%
Jul 23	65.6%	16.5%	12.7%	4.0%	1.2%
Aug 23	48.5%	21.1%	15.6%	8.9%	5.9%
Sep 23	44.3%	17.1%	23.0%	8.4%	7.2%



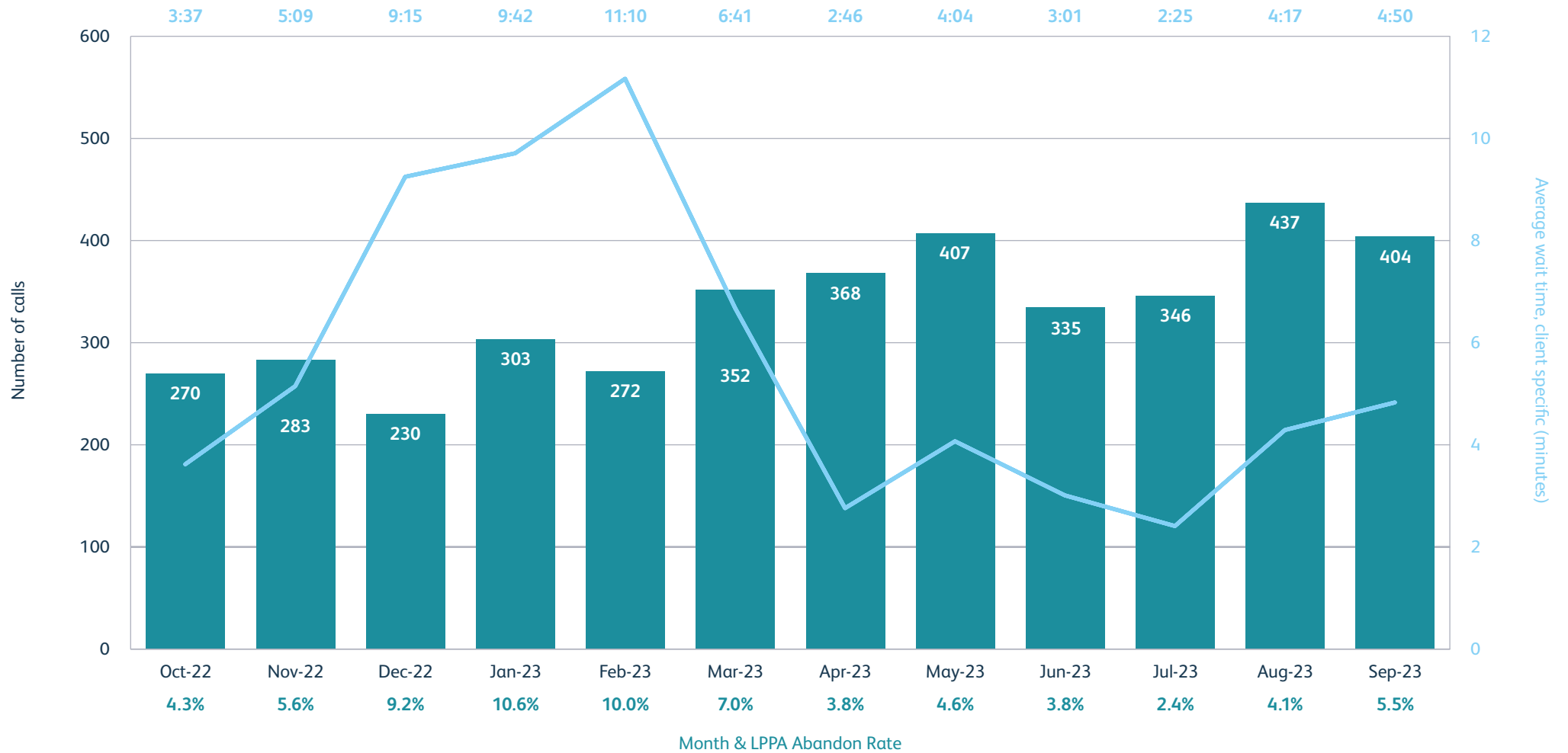
HELPDESK CALLS PERFORMANCE



CALLS ANSWERED

CLIENT SPECIFIC

Average wait time (mm:ss)



LPP

Local Pensions Partnership
Administration

LPP

Local Pensions Partnership
Administration

Hammersmith & Fulham Committee Q2 Supplementary Data

15th November 2023



**WORKING
TOGETHER**



**COMMITTED TO
EXCELLENCE**



**FORWARD
THINKING**



**DOING THE
RIGHT THING**

July 2023

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

July-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	Total
Aggregation	0	0	0	0	0	0	0	0
Correspondence	0	0	0	0	0	0	0	0
Deaths	0	0	0	0	0	0	0	0
Deferred Benefits	0	0	0	0	0	1	0	1
Estimates	0	0	0	0	0	0	0	0
New Starters	0	0	0	0	0	0	0	0
Other	0	0	1	0	0	0	0	1
Refunds	0	0	0	0	0	0	1	1
Retirements - Active	0	0	0	0	0	1	3	4
Retirements - Deferred	0	0	0	0	0	0	0	0
Transfers In	0	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0	1	1
Total	0	0	1	0	0	2	5	8

August 2023

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

August-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	Total
Aggregation	0	0	0	0	0	0	0	0
Correspondence	0	0	0	0	0	0	0	0
Deaths	0	0	0	0	0	0	2	2
Deferred Benefits	0	0	0	0	0	0	2	2
Estimates	0	0	0	0	0	1	2	3
New Starters	1	0	0	0	0	0	0	1
Other	0	0	0	0	0	0	0	0
Refunds	0	0	0	0	0	0	0	0
Retirements - Active	0	0	0	0	0	1	3	4
Retirements - Deferred	0	0	0	0	0	0	4	4
Transfers In	0	0	0	0	0	0	1	1
Transfers Out	0	0	0	0	0	0	0	0
Total	1	0	0	0	0	2	14	17

Sept 2023

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

Sept-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	Total
Aggregation	0	0	0	0	0	0	0	0
Correspondence	0	0	0	0	0	0	1	1
Deaths	0	0	0	0	0	0	3	3
Deferred Benefits	0	0	0	0	0	0	0	0
Estimates	0	0	0	1	2	0	0	3
New Starters	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	1	0	1
Refunds	0	0	0	0	0	0	0	0
Retirements - Active	0	0	0	0	0	0	3	3
Retirements - Deferred	0	0	0	0	0	1	1	2
Transfers In	0	0	0	0	0	0	2	2
Transfers Out	0	0	0	0	0	0	0	0
Total	0	0	0	1	2	2	10	15

Additional Information

Missed SLA cases for Deaths
5 cases missed the SLA in Q2, and all of these were payments to next of kin.

	Process	Number of Days Missed		Month Completed
	LG Death in Retirement	82		Aug-23
	LG Death in Retirement	28		Aug-23
	LG Death in Retirement	61		Sep-23
	LG Death in Retirement	20		Sep-23
	LG Death in Retirement	16		Sep-23

Additional Information

Retirements

In total 17 cases missed the SLA in Q2. 7 of them were payment tasks. No trends for delays on any of these other than bottleneck at the checking stage. For the payments in summary:

	Process	Number of Days Missed		Month Completed
	LG Trivial Commutation Payment	16		Jul-23
	LG Retirement	15		Jul-23
	LG Retirement	10		Jul-23
	LG Retirement	22		Aug-23
	LG Deferred Retirement	59		Aug-23
	LG Deferred Retirement	21		Sep-23
	LG Deferred Retirement	7		Sep-23

Agenda Item 5

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 15/11/2023

Subject: Pension Administration Update

Report author: Eleanor Dennis, Head of Pensions

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

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

RECOMMENDATIONS

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

Wards Affected: None

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

Finance Impact

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

Sukvinder Kalsi, Director of Finance 2nd November 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) 6th November 2023

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Analysis of Pension Administration

The Hammersmith & Fulham Pension Fund began its new partnership with the Local Pension Partnership Administration (LPPA) on 28 January 2022.

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 – An online employer forum will be held by LPPA in November 2023. LPPA continue to roll out better portal functionality. However the LPPA have been slow to engage with employers in house team and the engagement of the monthly submissions are currently stagnant at around 55%.

3. Communications – The number of calls to the LPPA Helpdesk rose slightly in Q2 with 1187 calls received on HFPPF compared to 1110 received from the Fund members in Q1. The average wait time fell again to 4 minutes 4 seconds with an 4% abandonment rate.
4. Engagement – There continues to be a positive trend from all membership groups engaging with the online portal. The end of Q2 saw 4748 members registered with the online portal. This is up by 238 from the end of Q1.
5. Regulatory – The department for levelling up has issued a draft priority policy for use by Funds and administrators that they hope to finalise before the end of the year. The intention is for this policy to help Fund stagger the processing of McCloud cases.
6. Audit – LPPA recognise that there have been challenges in this years scheme audit due to LPPA providing incorrect data, no data and delays. LPPA have apologised for the poor service the Fund has experienced and plan to review the exercise across all their Funds. There are no outstanding requests for data from the auditor.
7. Overpayments – The pensions team are working with LPPA to look at legacy pension bereavement overpayments. Overpayments totalling over £143,020(spread over 10 cases. The largest of which was a legacy case for over £127,000.), has been written off. However the LBHF pension team have been able to recover £11,210.21. The pension team continue to work with LPPA and the LBHF debt recovery teams to try to recover further outstanding overpayment funds.
8. Complaints – Unfortunately the number of complaints received has increased, as 25 were received in Q2 so there is a backlog in this area. LPPA are currently unable to confirm when they will be in a position to clear the backlog.

Conclusion

The pension administration service delivered by LPPA continues to show some signs of improvement, although the Fund is disappointed to see poor delivery in key areas of active retirements and deaths and continued inconsistent quality. LPPA do however to take onboard constructive feedback on areas in which they need to improve.

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

9. None

Risk Management Implications

10. None

Climate and Ecological Emergency Implications

11. None

Consultation

12. None

Appendices

None

Agenda Item 6

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 15/11/2023

Subject: Log of Recommendations

Report author: Eleanor Dennis, Head of Pensions

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

An independent review of the London Borough of Hammersmith & Fulham pension fund presented 32 recommendations. All recommendations were reviewed by the Pension Fund Committee and the relevant recommendations implemented.

The timing of implementation coincided with LBHF own internal review of pension services and the decision to implement a sovereign inhouse pensions team and change of the Fund's provider of pension administration services.

All recommendations that were agreed by the PFC to be implemented have now been completed.

RECOMMENDATIONS

1. To note that all recommendations are now complete and no further outstanding actions.
2. That any future independent reviews are commissioned by LBHF to ensure that the risk, audit is owned by the Fund independently and align with Hammersmith & Fulham pension fund priorities.

Wards Affected: None

Our Values	Summary of how this report aligns to the H&F Values
-------------------	--

Being ruthlessly financially efficient	That the pension Fund implements any reviews in an efficient and cost effective way.
--	--

Financial Impact

All the recommendations were implemented within the approved Pensions Services Budgets.

Sukvinder Kalsi, Director of Finance, 2nd November 2023

Legal Implications

None

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Proposals and Analysis of Options

1. An independent review was carried out on the Hammersmith & Fulham Pension Fund in 2020, which was commissioned by the Tri borough Pensions & Treasury Team.
2. LBHF own internal governance made a decision to set up a Pensions Taskforce of senior officers from HR, Finance, Procurement, Tri borough Risk, Audit and Treasury prior to the independent review.
3. The report made 32 recommendations that were reviewed by the Pension Fund Committee in 2021.
4. It was concluded that six of the recommendations would not be progressed for the reasons detailed in Appendix 1.
5. Implementation of the recommendations was carried out by officers from LBHF Pensions and Tri borough Pensions & Treasury and Tri borough Risk, Audit and Fraud.
6. The time to implement some of the recommendations was longer than initially envisaged and were superseded due to decisions and actions made by the LBHF Pensions Taskforce. As well as the Fund priorities identified by the newly onboarded LBHF sovereign pension team and administration provider.

7. The Pension Fund Committee were updated at each meeting on officer progress and ratified any further decisions.
8. The Fund's officers have been effective in completing these recommendations which has increased the Fund robustness in all governance areas.

Conclusion

9. The report allowed the Fund to focus on improvements. However, the timing led to challenges and inefficiencies against LBHF pension fund agenda of priorities and improvements.
10. Future independent reviews will be commissioned by LBHF officers to ensure the implementation of any recommendations are carried out in the most efficient way and aligned with LBHF's own risks, priorities and governance and delivery expectations managed.

LIST OF APPENDICES

Appendix 1 – Completed Log of recommendations.

Recommendations Log					
Recommendation number	Recommendation	Timeline Immediacy	Timeline date	Status	Comments
1	The Council give consideration to the removal of all reference to the Pensions function from the Terms of Reference of the Audit and Pensions Committee and that this Committee be renamed the Audit Committee.	Immediate	03-Mar-21	Complete	Agreed at Annual Council on 28 April 2021
2	The Council give consideration to revising the Constitution to place all responsibility for the LGPS pensions function with the Pension Fund Sub-Committee and that this be renamed "The Pension Fund Committee" and that its elected member membership be 6 voting councillors.	Immediate	03-Mar-21	Complete	Agreed at Annual Council on 28 April 2021
3	To amend the Responsibilities of the Pension Fund Sub-Committee (The Pension Fund Committee) as set out in Appendix 2 of this report.	Immediate	03-Mar-21	Complete	Agreed at Annual Council on 28 April 2021
4	The Pension Fund Sub-Committee (The Pension Fund Committee) actively seek to co-opt one or two non-administering authority non-voting members in order that Employers beyond the LBHF may participate in the decision making forum of the LBHF Pension Fund.	not Immediate	2023/2024	Complete	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 is ongoing for the scheme year 23/24 and it is hoped an appointment will be made soon.
5	The Pension Fund Sub-Committee (The Pension Fund Committee) actively seek to co-opt a non-voting Employee representative.	closed and not to be progressed.	2022/2023	Complete	The Head of Pensions has actioned the appointment of employee and union representative, Peter Parkin
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 was 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 was brought to the September 2023 meeting and agreed by PFC.
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. This has been revised and agreed by the PFC in October 2022.
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 nor is it a decision for the Pension Fund committee to make.
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. A Investment advisor was appointed and will attend meeting on 28 Feb 22.

Agenda Item 7

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 15 November 2023

Subject: Passthrough Policy Update

Report author: Siân Cogley, Pension Fund Manager

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

Pass-through is a method whereby certain risks are shared between the letting authority and the new contractor participating in the Fund. The passthrough policy will be an appendix to the Fund's Funding Strategy Statement shown in Appendix 1. This report seeks to outline the current policy and what would change under the implementation of a passthrough policy as well as give an update on the consultation process.

RECOMMENDATIONS

The Committee is requested to approve the draft Appendix to the Funding Strategy Statement and, subject to any comments or amendments, delegate final approval to the Head of Pensions in consultation with the Chairman.

Wards Affected: None

Our Values	Summary of how this report aligns to the H&F Values
Being ruthlessly financially efficient	The result of the triennial valuation shows an improved funding level, with the Council (as a single employer within the fund) now being 103% funded at the 2022 valuation, the passthrough policy implementation should continue to support employers with their funding position.

1. Background

1.1 Under the Fund's current admissions policy for new contractors, the following principles apply:

- all past service pension benefits in respect of outsourced members are transferred from the letting authority to the new contractor;
- the contractor is set up on a "fully funded" basis using ongoing assumptions;
- the starting contribution rate is the cost of future service benefits only;
- the contribution rate is reviewed and adjusted at every formal valuation;
- any early retirement strains and augmentation costs that arise are met by the contractor via an additional lump sum contribution;
- a bond or other form of indemnity is taken out by the contractor and maintained throughout the term of the membership within the Fund;
- and at the point of cessation, the resulting cessation valuation may lead to the payment of a cessation debt by the employer (or an exit credit by the Fund).

1.2 Following cessation, the contractor exits the Fund with no further obligations other than paying any cessation debt. The assets and liabilities left behind by the departing contractor revert back to the letting authority (as required under the LGPS Regulations).

2. Pass-through

2.1 Authorities opting to outsource services may do so to enhance service delivery, boost efficiency, lower costs, and aid in workforce planning. In the traditional outsourcing model, all pension risks are shifted from the letting authority to the contractor during the contract period. However, this transfer can complicate matters for contractors and dilute the impact of guarantees provided by entities like the Department of Education.

2.2 The traditional approach often leads to uncertainty for contractors, especially in volatile market conditions where unexpected costs may arise. Bidders may incorporate these uncertainties into their contract prices, undermining the purpose of outsourcing. To address this, letting authorities may offer pass-through options to contractors. Pass-through mechanisms help mitigate cost uncertainties for contractors, potentially ensuring better pricing for outsourced services.

2.3 Regardless of the approach (standard or pass-through), the letting authority maintains long-term responsibility for risks, including guaranteeing all pension obligations if the contractor faces insolvency.

3. Benefits and Risks

3.1 Letting Authority:

Benefits:

- Negotiating power: the letting authority may negotiate better contract terms, ensuring favourable financial arrangements and project conditions.
- Clarity in responsibilities: pass-through provides easier understanding of pension responsibilities for the letting authority, reducing confusion and ensuring compliance.
- Retained surpluses: the letting authority retains upside potential, allowing them to keep surpluses at the end of the contract, enhancing financial gains.
- Streamlined tendering: pass-through leads to a clearer and more consistent tendering process, making it easier for the letting authority to evaluate and select contractors.

Risks:

- Balance sheet Impact: assets and liabilities remain on the accounting balance sheet, potentially affecting financial reporting and assessments.
- Loss of cessation debt: there is a risk of losing a potential cessation debt at the end of the contract, which could impact future financial planning.
- Cost of benefit changes: depending on the design, the letting authority might be required to meet the cost of changes to LGPS benefits, such as strains related to early retirements and augmentations, leading to unforeseen financial burdens.
- Contract mispricing: there is a risk of mispricing the contract, especially if the fixed rate was set too low in hindsight, leading to financial challenges during the contract period.

3.2 For the Contractor:

Benefits:

- Less pension risk: the contractor bears less pension risk, providing financial stability and predictability.
- Certainty of contributions: there is a greater certainty of contributions, ensuring financial planning and budgeting are more straightforward.
- No cessation debt: there is no potential cessation debt to pay at the end of the contract, reducing financial liabilities.
- Reduced administrative costs: the absence of a market risk bond requirement reduces administrative costs for the contractor, streamlining operations.

Risks:

- Loss of exit credit: the contractor faces the risk of losing a potential exit credit at the end of the contract, impacting future financial benefits.
- Overpayment of pension costs: there is a potential for overpaying pension contributions during the contract period, leading to financial inefficiencies.

3.3 Administering Authority:

Benefits:

- Ease of administration: implementing the approach leads to ease of administration, simplifying processes and reducing administrative burden.
- Time and cost reduction: there is a reduction in time and costs associated with monitoring and administering bonds, leading to operational efficiency.

Risks:

- New documentation requirements: the administering authority needs to create new documentation, including maintaining a clear policy on pass-through, adding administrative workload.
- Benefits not Realised: if implemented as a 'default' or 'optional' approach, the benefits may not be realised if letting authorities defer to traditional admissions approaches, potentially undermining the intended advantages.

4. Consultation

4.1 Consultation has been undertaken with all employer bodies of the Fund. The consultation opened on 21 July 2023 and ran for seven weeks, closing on 8 September 2023.

4.2 The LBHF Fund has only had one response from an employer, which was very positive.

4.3 The response highlighted issues that the employer is currently facing and the hope that those issues would be solved by having a pass-through policy. The employer stated they hope that implementing a pass-through policy would encourage more companies to bid for a competitive tender which would help them with their current catering services tender and hope to see the policy approved so they could feed the information into the tender process.

LIST OF APPENDICES

Appendix 1: LB Hammersmith and Fulham PF FSS Appendix F Pass-through Policy Draft July 2023

Appendix F

London Borough of Hammersmith and Fulham Pension Fund Policy on pass-through (DRAFT)

Effective date of policy	
Date approved	
Next review	

Introduction

The purpose of this policy is to set out the administering authority's approach to admitting new contractors into the fund on a pass-through basis.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

F.1. Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To set out the fund's approach to admitting new contractors, including the calculation of contribution rates and how risks are shared under the pass-through arrangement.
- To outline the process for admitting new contractors into the fund.

F.2. Background

Employees outsourced from local authorities, police and fire authorities or from independent schools (generally academies, regulated by the Department for Education (DfE)) must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the Local Government Pension Scheme (as per the Best Value Authorities Staff Transfer (Pensions) Direction 2007). This is typically achieved by employees remaining in the LGPS and the new employer becoming an admitted body to the Fund and making the requisite employer contributions.

Pass-through is an arrangement whereby the letting authority (the local authority or the independent school) retains the main risks of fluctuations in the employer contribution rate during the life of the contract, and the risk that the employer's assets may be insufficient to meet the employees' pension benefits at the end of the contract.

F.3. Guidance and regulatory framework

The [Local Government Pension Scheme Regulations 2013](#) (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Schedule 2 Part 3 sets out the entities eligible to join the fund as an admitted body, their key responsibilities as an admitted body and the requirements of the admission agreement.
- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and provides a definition of the primary rate and the secondary rate.
- Regulation 64 - covers the requirements for a cessation valuation following the exit of a participating employer from the fund.

Statement of principles

This statement of principles covers the admission of new contractors to the fund on a pass-through basis. Each case will be treated on its own merits, but in general:

- In the absence of a preferred approach from the letting authority, pass-through is the default approach for the admission of all new contractors (with fewer than 100 members) to the fund from the effective date of this policy. For the avoidance of doubt, this would apply to contracts established by councils, police & fire authorities, and academy trusts (“the letting authority”).
- The contractor’s pension contribution rate is set equal to the total contribution rate payable by the letting authority. This will change from time to time in line with changes to the letting authority’s contribution rate (i.e. following future actuarial valuations). For the avoidance of doubt, the total contribution rate is the sum of the primary and secondary contribution rates.
- The contractor will meet the cost of additional liabilities arising from (non-ill health) early retirements and augmentations.
- Ill health experience will be pooled with the letting authority and no additional strain payments will be levied on the contractor in respect of ill health retirements.
- The contractor will not be required to obtain an indemnity bond.
- There will be no notional transfer of assets to the contractor within the Fund. This means that all assets and liabilities relating to the contractor’s staff will remain the responsibility of the letting authority during the period of participation.
- At the end of the contract (or when there are no longer any active members participating in the fund, for whatever reason), the admission agreement will cease and no further payment will be required from the contractor (or the letting authority) to the fund, save for any outstanding regular contributions and/or invoices relating to the cost of early retirement strains and/or augmentations. Likewise, no “exit credit” payment will be made from the Fund to the contractor (or letting authority).
- The terms of the pass-through agreement will be documented by way of the admission agreement between the administering authority, the letting authority, and the contractor.
- All existing admission agreements are unaffected by this policy.

The principles outlined above are the default principles which will apply; however, the letting authority may request the specific details of a particular agreement to differ from the principles outlined above.

The administering authority is not obliged to agree to a departure from the principles set out in this policy, but will consider such requests and engage with the letting authority to reach agreement.

Policy and process

F.4. Compliance

Adherence to this policy is the responsibility of the relevant responsible service manager for any given outsourcing.

The administering authority and the fund actuary must always be notified that an outsourcing has taken place, regardless of the number of members involved.

F.5. Contribution rates

The contribution rate payable by the contractor over the period of participation will be set equal to the total rate payable by the letting authority from time to time. This means that the contractor's contribution rate will change once every three years, following the triennial actuarial valuation, but not between those times. Even then, this would always be in line with changes in the letting authority contribution rate.

F.6. Risk sharing and cessation valuation

The letting authority will retain the risk of the contractor becoming insolvent during the period of admission and so no indemnity bond will be required from contractors participating in the Fund on a pass-through basis. The letting authority is effectively guaranteeing the contractor's participation in the fund.

A cessation valuation is required when a contractor no longer has any active members in the fund. This could be due to a contract coming to its natural end, insolvency of a contractor or the last active member leaving employment or opting out of the LGPS.

Where a pass-through arrangement is in place, the fund assets and liabilities associated with outsourced employees are retained by the letting authority. At the end of the admission, the cessation valuation will therefore record nil assets and liabilities for the ceasing employer and therefore no cessation debt or exit credit is payable to or from the Fund.

The contractor will be required to pay any outstanding regular contributions and/or unpaid invoices relating to the cost of (non-ill health) early retirement strains and/or augmentations at the end of the contract.

However, in some circumstances, the winning bidder will be liable for additional pension costs that arise due to items over which it exerts control. The risk allocation is as follows:

Risks	Letting authority	Contractor/ Admitted body
Surplus/deficit prior to the transfer date	✓	
Interest on surplus/deficit	✓	
Investment performance of assets held by the Fund	✓	
Changes to the financial assumptions *		✓
Changes to longevity/demographic assumptions *		✓
Exchange of pension for tax free cash	✓	
Ill health retirement experience	✓	
Strain costs attributable to granting early retirements (not due to ill health) (e.g. redundancy, efficiency, waiving actuarial reductions on voluntary early retirements)		✓
Greater/lesser level of withdrawals	✓	
Rise in average age of contractor's employee membership	✓	
Changes to LGPS benefit package *		✓
Excess liabilities attributable to the contractor granting pay rises that exceed those assumed in the last formal actuarial valuation of the Fund	✓	
Award of additional pension or augmentation		✓

* These elements would be picked up at the next triennial valuation, if the contractor is still active in the Fund at that time, and would feed through into the letting authority's total contribution rate and hence the contractor's contribution rate.

Note that the effect of risks allocated to the letting authority may feed into the contribution rate payable by the letting authority (and under the terms of this policy, by the contractor/admitted body) at the next valuation.

F.7. Accounting valuations

Accounting for pensions costs is a responsibility for individual employers.

It is the administering authority's understanding that contractors may be able to account for such pass-through admissions on a defined contribution basis and therefore no formal FRS102 / IAS19 report may be required (contractors are effectively paying a fixed rate and are largely indemnified from the risks inherent in providing defined benefit pensions).

As the letting authority retains most of the pension fund risk relating to contractors, it is the administering authority's understanding that these liabilities (and assets) should be included in the letting authority's FRS102 / IAS19 disclosures.

The administering authority expect employers to seek approval to the treatment of pension costs from their auditor.

F.8. Application

Letting authorities may request terms which differ from those set out in this policy and any such request will be considered by the administering authority.

All existing admission agreements (i.e. which commenced prior to the effective date of this policy) are unaffected by this policy.

F.9. Process

The procurement department at each letting authority that has responsibility for staff/service outsourcing must be advised of this policy. The process detailed below must be adhered to by the letting authority and (where applicable) the winning bidder.

- **Tender Notification** - The letting authority must publicise this pass-through policy as part of its tender process to bidders. This should confirm that the winning bidder will not be responsible for ensuring that the liabilities of outsourced employees are fully funded at the end of the contract, and that the winning bidder will only be responsible for paying contributions to the fund during the period of participation and meeting the cost of (non-ill health) early retirement strains, and the cost of benefit augmentations (assuming the terms of this policy are adhered to). It should also advise the employer contribution rate as detailed in paragraph 3.2.
- **Initial notification to Pension Team** – The letting authority must contact the administering authority when a tender (or re-tender) of an outsourcing contract is taking place and staff (or former staff) are impacted. The administering authority must be advised prior to the start of the tender and the letting authority must also confirm that the terms of this policy have been adhered to.
- **Confirmation of winning bidder** – The letting authority must immediately advise the administering authority of the winning bidder.
- **Request for winning bidder to become an admitted body** – The winning bidder (in combination with the letting authority), should request to the administering authority that it wishes to become an admitted body within the fund.
- **Template admission agreement** – a template pass-through admission agreement will be used for admissions under this policy. It will set out all agreed points relating to the employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the administering authority, will the wording within the template agreement be

changed. All admission agreements must be reviewed (including any changes) by the administering authority and possibly its legal advisors.

- **Signed admission agreement** - Signing of the admission agreement can then take place between an appropriate representative of the winning bidder, the lead finance officer of the letting authority, and the administering authority. It is at this point the fund can start to receive contributions from the contractor and its employee members (backdated if necessary).
- **Commercial contract** – Once the admission agreement has been signed, the winning bidder is then able to enter the fund. It is the letting authority’s responsibility to ensure that the commercial contract reflects the pension arrangements in the admission agreement.

F.10. Cost

The letting authority will be liable to meet any additional costs incurred by the administering authority as a result of any deviation from the fund’s standard processes and agreements for pass-through arrangements, which includes (but is not limited to) the actuarial fees.

1 Related Policies

The fund’s approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically “Section 2 – How does the fund calculate employer contributions?”.

The treatment of new employers joining the fund is set out in the Funding Strategy Statement, specifically “Section 5 – What happens when an employer joins the fund?”

The treatment of employers exiting the fund is set out in the Funding Strategy Statement, specifically “Section 7 – What happens when an employer leaves the fund?”

Report to: Pension Fund Committee

Date: 15 November 2023

Subject: Investment Strategy Statement

Report author: Siân Cogley, Pension Fund Manager

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

SUMMARY

- 1.1 The Local Government Pension Scheme (LPGS) Management and Investment of Funds Regulations 2016 requires LGSP funds to publish an Investment Strategy Statement (ISS). Attached is a draft ISS for 2023, which sets out the Fund’s policy on investment, risk management, pooling and ethical, social and governance (ESG) issues for both its own investments and those being managed through the London CIV.
 - 1.2 Following the review of the investment strategy that commenced in February 2023, this paper introduces the draft Investment Strategy Statement for the LBHF Pension Fund, which is attached as Appendix 1 to this paper.
-

RECOMMENDATIONS

The Committee is invited to comment on the Investment Strategy Statement (ISS) and delegate authority to the Director of Treasury and Pensions, in consultation with the Chairman to publish the final ISS.

Wards Affected: None

Our Values	Summary of how this report aligns to the H&F Values
Being ruthlessly financially efficient	Being an outperforming investor means that as part of the Pension Fund’s fiduciary duty, its investments should be able to assist in making a positive financial contribution, sharing prosperity and lessening the financial impact on council taxpayers

Financial Impact

The financial implications of the introduction of this policy will be continually monitored to ensure that members' pensions are safeguarded.

Legal Implications

None

DETAILED ANALYSIS

1. Overview of the Investment Regulations: Investment Strategy Statement

- 1.1. The ISS sets out the requirements of the LGPS legislation and the Committee's terms of reference.
- 1.2. The six main objectives of the legislation are then detailed in relation to the London Borough of Hammersmith and Fulham Pension Fund's policies and strategies. There are:
 - 1.3. Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments – this sets out how the Fund's investment strategy deals with diversification and investment return to meet the long-term objectives of the Fund;
 - 1.4. Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment – this sets out how the Committee assesses the suitability of Investments and measures that suitability;
 - 1.5. Objective 7.2(c): The authority's approach to risk, including ways in which risks are to be measured and managed – this sets out how the Committee assesses the different types of risk in order to establish what is acceptable to ensure that the Fund meets its obligations;
 - 1.6. Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles – this sets out the Committee's approach to pooling and also what the London Collective Investment Vehicle (London CIV) can offer in terms of investment opportunities;
 - 1.7. Objective 7.2(e): How social, environmental and governance (ESG) considerations are taken into account in the selection, non-selection, retention and realisation of investments – this sets out how the Fund meets these obligations and also how potential investments with the London CIV will comply with these obligations;
 - 1.8. Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments - this sets out how the Fund meets these obligations and also how potential investments with the London CIV will be dealt with.

1.9. The ISS also deals in turn with the Fund's compliance with the CIPFA Pensions Panel Principles for investment decision making in the LGPS (Appendix A, ISS). These six principles cover a range of factors as follows:

- 1.9.1. Effective decision-making
- 1.9.2. Clear objectives
- 1.9.3. Risk and liabilities
- 1.9.4. Performance assessment
- 1.9.5. Responsible ownership
- 1.9.6. Transparency and reporting

1.10. The Fund's compliance with the Stewardship Code (2020) guidance is set out within Appendix B of the ISS. The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code.

1.11. 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.

2. Equality Implications

2.1. None

3. Risk Management Implications

3.1. The ISS presented sets out the requirements of regulation in regard to the London Borough of Hammersmith and Fulham Pension Fund.

4. Other Implications

4.1. None

5. Consultation

5.1. None

List of Appendices:

Appendix 1: LBHF Investment Strategy Statement 2023/24

Investment Strategy Statement 2023/24

1. Purpose of the Investment Strategy Statement

- 1.1. This is the Investment Strategy Statement (ISS) adopted by the London Borough of Hammersmith and Fulham Pension Fund (“the Fund”), which is administered by the London Borough of Hammersmith and Fulham Council (“the Administering Authority”).

Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the London Borough of Hammersmith and 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.

- 1.2. 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.
- 1.3. The Pension Fund Committee (“the Committee”) of the London Borough of Hammersmith and 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 tax payers, who ultimately have to meet any shortfall in the assets of the Fund, as well as to the contributors and beneficiaries of the Fund.
- 1.4. 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.
- 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.

1.5. 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.

1.6. The Director of Finance, Director of Treasury and Pensions, 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.

1.7. 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).

1.8. 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.

2. Objective 7.2 (A) – A requirement to investment fund money in a wide range of instruments

2.1. 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.

2.2. 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.

2.3. This approach to diversification has seen the Fund dividing its assets into four broad categories as shown in the table below:

Asset Category	Asset Allocation	Review Range
Equities	40.0%	+/-3.0%
Active	13.0%	
Passive	27.0%	
Low Risk Growth	25.0%	+/-2.0%
Buy and Maintain Bonds	15.0%	
Multi-Asset	10.0%	
Secure Income	20.0%	+/-1.0%
Infrastructure	8.5%	
Illiquid Strategies	11.5%	
Inflation Protection	15.0%	+/-1.0%
Ground Rents	7.5%	
Affordable Housing	2.5%	
Property	5.0%	

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.

- 2.4. 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.
- 2.5. 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.
- 2.6. 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.

3. Objective 7.2 (B) The authority's assessment of the suitability of particular investments and types of investment

- 3.1. 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
- 3.2. 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.
- 3.3. 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, the 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.
- 3.4. The Committee relies on external advice in relation to the collation of the statistics for review.
- 4. Objective 7.2 (C) The authority's approach to risk, including ways in which risks are to be measured and managed**
- 4.1. 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.
 - **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.
- 4.2. 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.
- 4.3. 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.
- 4.4. 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.
- 4.5. 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.
- 4.6. 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.
- 4.7. 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.
- 4.8. 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.
- 4.9. The Fund targets a return of 4.1%, 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.
- 4.10. 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.
- 4.11. At each review of the Investment Strategy Statement, the assumptions on risk and return, and their impact on asset allocation will be reviewed.

5. Objective 7.2 (D) The authority's approach to pooling investments, including the use of collective investment vehicles

- 5.1. 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.

- 5.2. The Fund is a shareholder and participating scheme of the London Collective Investment Vehicle (London 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 £45 billion of assets under management, of which £14.3 billion is managed directly with 22 active funds as of 30 September 2023.
- 5.3. As at the 31 March 2023, the Fund had transitioned assets into the London CIV with a value of £908 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, that are invested with the pool as at 31 March 2023:

Asset Class	Availability on LCIV	Investment with LCIV
Global Equities		
MSCI Low Carbon Fund (LGIM)	Contract negotiated on behalf of LCIV clients	£399.8m
LCIV Global Sustain (Morgan Stanley)	Yes	£185.9m
Multi Asset		
LCIV Absolute Return (Ruffer)	Yes	£232.3m
Fixed Income		
LCIV Global Bonds (PIMCO)	Yes	£90.1m

- 5.4. 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.
- 5.5. The Committee is aware that transitioning certain investment assets to the London CIV could incur significant costs. While 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.
- 5.6. 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.

Governance structure of the London CIV

- 5.7. The governance structure of the London CIV has been designed to ensure that there are both formal and informal routes to engage with all the London boroughs as both shareholders and investors. The governance structure of the London CIV includes a Shareholder Committee which acts on behalf of the Shareholders as a consultative body. It comprises of 12 Committee Members made up of eight Local Authority Committee Chairs (or Leaders of London Local Authorities), four Local Authority Treasurers and the Chair of the Board of London CIV. It also comprises of two Non-Executive Directors and as two further nominated observers, a Trade Union representative and a Local Authority Treasurer. This arrangement replaced the Pensions CIV Sectoral Joint Committee (PCSJC) as confirmed in a letter to the Fund dated 13 June 2018. In addition, the London CIV hosts an AGM each

year and a general meeting to approve the London CIV's budget. The Fund attends these meetings with the Chair of the Pension Committee representing the Fund.

5.8. As an AIFM, London CIV must comply with the Alternative Investment Manager Directive ("AIFMD") and falls under the regulatory scrutiny and reporting regime of the Financial Conduct Authority ("FCA"). This includes the requirement for robust systems and processes and for these to be documented appropriately in policies and manuals. Risk management is a particular focus for the FCA and London CIV has developed a risk framework and risk register covering all areas of its operations, including fund management. This is achieved through a combination of the London Councils' Sectoral Joint Committee, comprising nominated Member representatives from the London boroughs, and the Investment Advisory Committee formed from nominated borough officers, which includes both London borough treasurers and pension officers from several boroughs. At the company level it is the Board of Directors that is responsible for decision making within the company, which includes decisions to appoint and remove investment managers.

6. 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

6.1. 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.

6.2. 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.

6.3. While 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.

6.4. 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.

6.5. 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.

6.6. 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, while 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.

6.7. 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, while enhancing investment returns for the Fund, thereby safeguarding members' futures.

Policy implementation – Selection process

6.8. 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) and the Stewardship Code;
- 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

6.9. 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.

6.10. 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

6.11. While 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 include 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.

6.12. 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.
- 6.13. 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.
- 6.14. 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.
- 6.15. In preparing and reviewing its Investment Strategy Statement, the Fund will consult with the relevant stakeholders including, but not limited to:
- pension fund employers;
 - local pension board;
 - advisers/consultants to the fund;
 - investment managers.

Policy Implementation - Training

- 6.16. 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.

7. Objective 7.2 (F) The exercise of rights (including voting rights) attached to investments

- 7.1. 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.
- 7.2. 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.
- 7.3. The Fund is a member of the Local Authority Pension Fund Forum (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 helps in magnifying the voice and influence of pension fund assets owners.
- 7.4. Further information on the ongoing voting and engagement activities of the Fund are covered in the Fund's Responsible Investment Policy. The Committee expects investment managers, including the London CIV pool company, to comply with the Stewardship Code (2020) and this is monitored on an annual basis. Additional information regarding the fund's approach are included in Appendix A and B.

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

Compliance with CIPFA Pensions Panels Principles

Appendix A

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

Administrating authorities should ensure that:

- decisions are taken by persons or organisations with the skills, knowledge advice 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 while 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 advice 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.

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 while minimising the fluctuations in the employer contribution rates, thereby keeping costs to council tax payers 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 tax payers;
- 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 includes 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.

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

Appendix B

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, it expects any directly appointed fund managers and the pool company (London CIV) to comply and this is monitored on an annual basis.

Report to: Pension Fund Committee

Date: 15 November 2023

Subject: Pension Fund Quarterly Update Pack

Report author: Siân Cogley, Pension Fund Manager

Responsible Director: Phil Triggs, Director of Treasury and Pensions

SUMMARY

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

- overall performance for the quarter ended 30 September 2023;
 - cashflow update and forecast;
 - assessment of risks and actions taken to mitigate these.
-

RECOMMENDATIONS

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

Wards Affected: None.

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

Financial Impact

None

Legal Implications

None

DETAILED ANALYSIS

LBHF Pension Fund Quarterly Update: Q2 2023/24

1. This report and attached appendices make up the pack for the quarter two (Q2) review ended 30 September 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 September 2023, the market value of the assets decreased by £11.5m to £1,273.9m.
 - The Fund has underperformed its benchmark net of fees by 0.41%, delivering an absolute return of -0.59% over the quarter.
 - The Total Fund delivered a positive return of 3.31% on a net of fees basis over the year to 30 September 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 30 June 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=eyJrljoiYjc2ZTEyZjltODI0Yi00NzY2LWJkNTMtODAwYjNINWNjYTQ5IiwidCI6IjUwZDhjMTE1LWl3N2YtNDM5NS1hM2JhLTNiNDM3Y2FmMGQ4OCIsImMiOiJh9>

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 meeting of the 19 September 2023, the Committee agreed a 10% (£129m) allocation to Allspring Global. The first £43m of this commitment is due to be drawn by 15 November 2023.

8. At the meeting of the 19 September 2023, Committee agreed a 5% (£64.5m) allocation to LCIV Insight Buy and Maintain Bonds, with a 2.5% allocation to each of the short and long duration sub-funds. The full commitment is due to be drawn by 29 November 2023.
9. Regarding the redemption of all units in the Aviva Infrastructure Income Fund, these monies are due back to the fund by 31 December 2023. A latest update from Aviva confirmed that the sales process is ongoing and that they expect some redemption monies to be paid in December, while some may slip into early 2024.

Risk Management Implications

1. These are included in the risk registers.
2. There have been no new risks identified on the risk register. However, following this quarter's review, the wording has been updated to: '*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, **current events in the Middle East.***'
3. There have been no changes in the risk scores on the risk register.
4. One risk has a change in trend:
 - i. Risk 10 – Increased scrutiny on environmental, social and governance (ESG) issues. This has changed from trending neutral to trending up. This is because of the publication of the TNFD (Taskforce on Nature Related Financial Disclosures) recommendations that were recently released in September 2023. The Department for Work and Pensions' (DWP) Taskforce on Social Factors (TSF) has also launched an industry consultation on a new guide, which outlines more than 30 recommendations as to how the pensions industry can better incorporate social factors into investment decisions. With two industry wide publications it is likely we will see heightened scrutiny of the Fund's 2030 Net Zero goal. The Fund still awaits draft government regulations reference climate change reporting for the LGPS, due to take effect from 1 April 2024.

LIST OF APPENDICES

Appendix 1:	Scorecard as at 30 September 2023
Appendix 2a:	Isio Quarterly Performance Report for Quarter Ended 30 September 2023 (EXEMPT)
Appendix 2b:	Isio Quarterly Report for Quarter Ended 30 September 2023 (EXEMPT)
Appendix 3:	Cashflow Monitoring Report
Appendix 4:	Pension Fund Risk Register

Scorecard at 30 September 2023

London Borough of Hammersmith and Fulham Pension Fund Quarterly

Monitoring Report

	Mar 22* £000	Mar 23 £000	Jun 23 £000	Sep 23 £000	Report reference/Comments
Value (£m)	1,325	1,281	1,285	1,274	IRAS reports.
% return quarter	-0.81%	2.47%	0.42%	-0.59%	
% Return one year	9.83%	-1.74%	4.34%	3.31%	
LIABILITIES					
Value (£m)	1,267	1,021	975	934	Hymans Robertson LLP Estimated Funding Update
Surplus/(Deficit) (£m)	58	260	310	340	
Funding Level	105%	125%	132%	136%	
CASHFLOW					
Cash balance	2,841	8,805	9,889	13,651	Appendix 3
Variance from forecast	(9,695)	5,610	1,010	3,391	
MEMBERSHIP					
Active members	3,859	5,150	5,268	5,173	Reports from Pension Fund Administrator
Deferred beneficiaries	7,765	6,218	6,933	6,940	
Pensioners	5,579	5,960	5,884	5,928	
RISK					
No. of new risks				0	Appendix 4: Risk Register
No. of ratings changed				0	
LGPS REGULATIONS					
New consultations	None	None	1	None	This was the Pooling Consultation Paper
New sets of regulations	None	None	None	None	

*Updated following final Triennial Valuation results.

Pension Fund Current Account Cashflow Actuals and Forecast for period Jul - Sep-23

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-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
Balance b/f	6,894	4,585	5,827	5,826	4,319	3,798	2,686	1,173	6,657	5,543	3,728	3,113	£000s	£000s
Contributions	842	2,703	2,801	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	29,746	2,479
Pensions	(2,965)	(3,044)	(3,011)	(3,007)	(3,021)	(3,013)	(3,013)	(3,015)	(3,014)	(3,316)	(3,115)	(3,148)	(36,681)	(3,057)
Lump Sums	(929)	(2,177)	(787)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(9,293)	(774)
Net TVs in/(out)	867	258	833	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(742)	(62)
Net Expenses/other transactions	(125)	(1,060)	(255)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(3,240)	(270)
Net Cash Surplus/(Deficit)	(2,309)	(3,319)	(420)	(1,507)	(1,521)	(1,513)	(1,513)	(1,515)	(1,514)	(1,816)	(1,615)	(1,648)	(20,208)	(1,684)
Distributions		4,560	419		1,000	400		1,000	400		1,000	400	9,179	1,147
Net Cash Surplus/(Deficit) including investment income	(2,309)	1,241	(1)	(1,507)	(521)	(1,113)	(1,513)	(515)	(1,114)	(1,816)	(615)	(1,248)	(11,029)	(919)
Transfers (to)/from Custody Cash								6,000					6,000	1,000
Balance c/f	4,585	5,827	5,826	4,319	3,798	2,686	1,173	6,657	5,543	3,728	3,113	1,865	49,118	81

Current account cashflow actuals compared to forecast in Jul - Sep-23

	Jul-23		Aug-23		Sep-23		Jul - Sep-23
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Contributions	2,600	842	2,600	2,703	2,600	2,801	(1,454)
Pensions	(3,324)	(2,965)	(3,354)	(3,044)	(3,160)	(3,011)	818
Lump Sums	(4,029)	(929)	(600)	(2,177)	(600)	(787)	1,336
Net TVs in/(out)	(600)	867	(300)	258	(300)	833	3,158
Expenses/other transactions	(300)	(125)	(200)	(1,060)	(200)	(255)	(740)
Distributions			650	4,560	3,909	419	420
Transfers (to)/from Custody Cash							
Total	(5,653)	(2,309)	(1,204)	1,241	2,249	(1)	3,539

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 Jul - Sep-23

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-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
Balance b/f	15,305	15,344	13,280	13,651	13,660	13,669	13,678	13,687	7,696	7,705	7,714	7,723	£000s	£000s
Sale of Assets														
Purchase of Assets	(3)	(38,486)	(3,574)										(42,062)	(14,021)
Net Capital Cashflows	(3)	(38,486)	(3,574)										(42,062)	(3,505)
Distributions		1,368	3,885										5,253	657
Interest	45	54	60	9	9	9	9	9	9	9	9	9	240	20
Management Expenses														
Foreign Exchange Gains/Losses	(3)	(1)											(5)	(2)
Class Actions														
Other Transactions														#DIV/0!
Net Revenue Cashflows	42	1,421	3,945	9	9	9	9	9	9	9	9	9	5,489	457
Net Cash Surplus/(Deficit) excluding withdrawals	39	(37,064)	371	9	9	9	9	9	9	9	9	9	(36,573)	(3,048)
Contributions to Custody Cash		35,000												
Withdrawals from Custody Cash								(6,000)					(6,000)	(500)
Balance c/f	15,344	13,280	13,651	13,660	13,669	13,678	13,687	7,696	7,705	7,714	7,723	7,732	(42,573)	(3,548)

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, current events in the Middle East.	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	30/09/2023	
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	30/09/2023	
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	30/09/2023	
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	30/09/2023	
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	30/09/2023	
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	30/09/2023	

Asset and Investment Risk	7	London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	3	3	2	8	2	16	16		TREAT 1) Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work carried out by the London CIV. 2) Officers continue to monitor the ongoing staffing issues and the quality of the performance reporting provided by the London CIV.	2	16	30/09/2023
Liability Risk	8	Impact of economic and political decisions on the Pension Fund's employer workforce.	5	2	1	8	2	16	16		TOLERATE 1) The Fund Actuary uses prudent assumptions on future of employees within workforce. 2) Employer responsibility to flag up potential for major bulk transfers outside of the LBHF Fund. 3) Officers to monitor the potential for a significant reduction in the workforce as a result of the public sector financial pressures.	2	16	30/09/2023
Asset and Investment Risk	9	Failure to keep up with the pace of change regarding economic, policy, market and technology trends relating to climate change	3	2	1	6	3	18	18		TREAT 1) Officers regularly receive updates on the latest ESG policy developments from the fund managers. 2) The Pensions Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which engages with companies on a variety of ESG issues including climate change.	2	12	30/09/2023
Asset and Investment Risk	10	Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in July 2019, the full impact of this decision is uncertain. TCFD regulations impact on LGPS schemes currently under consultation and expected to come into force during 2023. Reporting expected to come into effect from December 2024.	3	2	4	9	3	27	27		TREAT 1) Review ISS in relation to published best practice (e.g. Stewardship Code, Responsible Investment Statement) 2) The Fund currently holds investments all it passive equities in a low carbon tracker fund, and is invested in renewable infrastructure. 3) The Fund's actively invests in companies that are contributing to global sustainability through its Global Core Equity investment 4) The Fund has updated its ESG Policy and continues to review its Responsible Investment Policy 5) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors. 6) Officers attend training sessions on ESG and TCFD requirements.	2	18	30/09/2023
Asset and Investment Risk	11	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	5	3	3	11	2	22	22		TREAT 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Officers, alongside the Fund's advisor, set fund specific benchmarks relevant to the current position of fund liabilities. 3) Fund manager targets set and based on market benchmarks or absolute return measures.	1	11	30/09/2023
Asset and Investment Risk	12	Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	20	20		TREAT 1) At time of appointment, the Fund ensures advisers have appropriate professional qualifications and quality assurance procedures in place. 2) Committee and officers scrutinise, and challenge advice provided routinely.	1	10	30/09/2023
Asset and Investment Risk	13	Financial failure of third party supplier results in service impairment and financial loss.	5	4	1	10	2	20	20		TREAT 1) Performance of third party suppliers regularly monitored. 2) Regular meetings and conversations with global custodian (Northern Trust) take place. 3) Actuarial and investment consultancies are provided by two different providers.	1	10	30/09/2023
Asset and Investment Risk	14	Failure of global custodian or counterparty.	5	3	2	10	2	20	20		TREAT 1)At time of appointment, ensure assets are separately registered and segregated by owner. 2)Review of internal control reports on an annual basis. 3)Credit rating kept under review.	1	10	30/09/2023

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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023

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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023

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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023

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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023

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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
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	30/09/2023
Reputational Risk	56	Financial loss of cash investments from fraudulent activity	3	3	5	11	2	22	22	↔	TREAT 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. 2) Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal audit assist in the implementation of strong internal controls. Processes recently firm up 3) Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	11	30/09/2023
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	30/09/2023
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	30/09/2023

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	30/09/2023
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	30/09/2023
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	30/09/2023