

# Pension Fund Committee

## Agenda

Tuesday 20 February 2024 at 7.00 pm

145 King Street (Ground Floor), Hammersmith, W6 9XY

Watch the meeting live: <https://www.youtube.com/hammersmithandfulham>

### MEMBERSHIP

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

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

Date Issued: 12 February 2024

# Pension Fund Committee

## Agenda

<u>Item</u>		<u>Pages</u>
<b>1.</b>	<b>APOLOGIES FOR ABSENCE</b>	
<b>2.</b>	<b>DECLARATIONS OF INTEREST</b> <p>If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.</p> <p>At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.</p> <p>Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.</p> <p>Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Standards Committee.</p>	
<b>3.</b>	<b>MINUTES OF THE PREVIOUS MEETING</b> <p>To approve the open and exempt minutes of the meeting held on 15 November 2023 as an accurate record.</p> <p><i>This item includes appendices that contain exempt information. Discussion of the appendices will require passing the proposed resolution at the end of the agenda to exclude members of the public and press.</i></p>	<b>5 - 11</b>
<b>4.</b>	<b>KEY PERFORMANCE INDICATORS</b> <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 &amp; Fulham Fund. The Key Performance Indicators (KPIs) for the period September - December 2023, i.e., Quarter 3 (Q3) for the scheme year 2023/24.</p>	<b>12 - 26</b>

- 5. PENSION ADMINISTRATION UPDATE** 27 - 30
- This paper provides a summary of activity in key areas of pension administration for the Council's Pension Fund.
- 6. PENSION FUND CONSULTANT REVIEW** 31 - 39
- This paper provides the Pension Fund Committee with an update of the Investment Management Consultant (IMC) aims and objectives for the Fund's consultant, Isio, as per the requirements of the Competition and Markets Authority (CMA).
- 7. PENSION FUND BUSINESS PLAN OUTTURN 2022-23** 40 - 56
- This report provides the outturn for the 2022/23 Business Plan.
- 8. PENSION FUND BUSINESS PLAN 2024/25** 57 - 72
- The purpose of this report is to seek approval for the 2024/25 business plan, which presents strategic medium-term objectives and a budget forecast.
- 9. AVIVA PRESENTATION** 73 - 74
- This item provides the Pension Fund Committee with an opportunity to discuss the redemption process of the London Borough of Hammersmith and Fulham Pension Fund's allocation to Aviva with the fund manager.
- 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. PENSION FUND QUARTERLY UPDATE Q3 23-24** 75 - 83
- This paper provides the Pension Fund Committee with a summary of the Pension Fund's overall performance for the quarter ended 31 December 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.*
- 11. EXCLUSION OF THE PUBLIC AND PRESS (IF REQUIRED)**
- Local Government Act 1972 - Access To Information**  
**Proposed resolution:**
- 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



Wednesday 15 November 2023

### **PRESENT**

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

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

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

#### **(Isio Group)**

Jonny Moore

Andrew Singh

Marian George (Independent Investment Advisor)

### **1. ELECTION OF CHAIR**

As the Chair of the Committee, Councillor Ross Melton, sent his apologies. The Committee elected Councillor Adrian Pascu-Tulbure to Chair the meeting.

### **2. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Ross Melton and David Hughes.

### **3. DECLARATIONS OF INTEREST**

There were no declarations of interest.

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

#### **RESOLVED**

That the open and exempt minutes of the meetings held on 19<sup>th</sup> September and 24<sup>th</sup> October 2023 were approved.

Marian George (Independent Investment Advisor) requested some amendments to the exempt minutes (19<sup>th</sup> September 2023) which were noted in the closed session.

## **5. 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) for Q2 of the Pension Fund scheme year 2023/24. The Key Performance Indicators (KPIs) detailed in Appendix 1 of the pension administration report covered the period 1<sup>st</sup> July 2023 to 30<sup>th</sup> September 2023 inclusive. Whilst it was encouraging to see consistency of KPI performance from Q1 to Q2, it was disappointing that LPPA had not met their targets as promised across all case types. LPPA admit that there was improvement to be made and had acknowledged that this would take longer than hoped to achieve. This would continue to be closely managed by the Head of Pensions.

Councillor Adam Peter Lang thanked Eleanor Dennis for sharing the figures for the pensions opt out rate from the Local Government Association investigation. It was noted that there had been a significantly large number of members opting out of the pensions scheme across all LGPS Funds. He requested that Officers continued to monitor this matter.

Councillor Adam Peter Lang enquired how employer contribution for the pensions scheme was determined. In response Eleanor Dennis explained that the calculation varied across the board and was specific to the individual employer and their liabilities, economic stability, and membership.

Councillor Laura Janes expressed her concerns around the KPI's for active retirements, noting that Q2 only saw a small increase in comparison to Q1. She enquired when LPPA aimed to achieve their target of 95%. Eleanor Dennis noted that although the performance on this task area had seen some improvement, she agreed that this required further work. Based on the feedback received from LPPA the key challenges they faced relating to active retirement cases were mainly due to employers not engaging and data missing on leaver forms. The Head of Pensions and her team were working closely with LPPA to improve this process and mitigate any delays.

Councillor Florian Chevoppe-Verdier asked why there were no statistics in place for telephone helpdesk queries. In response, Eleanor Dennis confirmed that she would work with LPPA to provide the Committee with specific client Helpdesk data in the next report.

**Action: Eleanor Dennis**

Referring to page 32 of the agenda pack, Councillor Florian Chevoppe-Verdier requested that additional granular data be provided to the Committee in relation to the death in retirement figures. Eleanor Dennis noted that she had requested this information from LPPA but due to resource issues within

the organisation there had been a delay in receiving this. However, this would be circulated to the Committee outside of this meeting as soon as this was available.

**Action: Eleanor Dennis**

In response to a question asked by the Chair, Eleanor Dennis noted that she had drafted a formal letter to send to the Managing Director of LPPA. – This had been forwarded to Councillor Ross Melton to review and would also be circulated to the Committee for further comment.

**Action: Eleanor Dennis**

**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. 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.

Councillor Florian Chevoppe-Verdier expressed his concerns around the service and the lack of information provided by LPPA. Referring to page 40 of the agenda pack, he asked for further clarification on the type of complaints received. In response Eleanor Dennis explained that she had requested more details around the nature of the complaints from LPPA. However, from her understanding majority of the complaints received related to the service delivered by LPPA. Once this information was available it would be circulated to the Committee.

**Action: Eleanor Dennis**

Councillor Adam Peter Lang commented that it was unsatisfactory to note that LPPA were currently unable to confirm when they would be in a position to clear the backlog of the 25 unresolved complaints. He requested that a discussion be held with LPPA so that a timeline was provided of when these would be resolved. Eleanor Dennis confirmed that this had already been requested by LPPA and that she would confirm outside of the meeting once she had received a response. .

**Action: Eleanor Dennis**

The Chair noted that it seemed as though LPPA were struggling with capacity issues throughout their organisation. He asked how confident Officers were, that there was a suitable plan in place to deal with these types of challenges going forward. In response Eleanor Dennis noted that it was vital for LPPA to deliver their core KPI's. However, she felt that they were not focusing enough

on BAU their strategy. She would continue to hold discussions with the LPPA management team to work towards recovery.

Councillor Florian Chevoppe-Verdier noted that it would be useful for the Committee to determine how many hours the Pensions Administration Team spent supporting LPPA and was concerned regarding the cost of the LBHF pension team resourcing propping up the LPPA service. In response Eleanor Dennis explained that the Team continued to record issues including bereavement cases and fed these back to LPPA to resolve and improve. Disappointingly, the Team was on average going back to LPPA around 4 to 5 times per issue.

Peter Parkin (Co-opted Member) asked what measures had been taken by the Committee to hold LPPA accountable. Members outlined that the Committee had scrutinised LPPA very strongly over the past year. LPPA had also been invited to extraordinary meetings to present to the Committee. The Committee continued to keep them under review and scrutiny. In addition, the formal letter draft addressed to the Managing Director outlining all of the concerns that was with the Chair for comment would also be circulated to the Pensions Committee.

Peter Parkin (Co-opted Member) noted that Eleanor Dennis and her Team had been very helpful in providing direct pensions advice to his members. He noted that it was helpful for members to have an inhouse team to discuss their pension queries who were knowledgeable and responsive.

**RESOLVED:**

That the Committee noted the update.

**7. LOG OF RECOMMENDATIONS REPORT**

Eleanor Dennis (Head of Pensions) presented the report and noted that the implementation of the recommendations was carried out by Officers from LBHF Pensions, Tri borough Pensions & Treasury and Tri borough Risk, Audit and Fraud. It was noted that the Fund's Officers had been effective in completing these recommendations which had increased the Fund's robustness in all governance areas.

Michael Adam (Co-opted Member) and Marian George (Independent Investment Consultant) enquired how often should the Council hold an independent review for the Fund going forward. In response Officers noted that governance reviews should be revisited between 3-5 years as good practice. Eleanor Dennis noted that the timing of the next review would need to be carefully considered from a resourcing, cost and capacity perspective in the future but would not be carried out in the short or medium term.

**Action: Eleanor Dennis**

## **RESOLVED:**

That the Committee:

1. Noted that all recommendations were now complete and no there were no further outstanding actions.
2. That any future independent reviews were commissioned by LBHF to ensure that the risk, audit was owned by the Fund independently and aligned with Hammersmith & Fulham pension fund priorities.

## **8. PASSTHROUGH POLICY UPDATE**

Sian Cogley (Pension Fund Manager) presented the report and provided an overview and outlined the current policy and what would change under the implementation of a passthrough policy. The policy would be an appendix to the Fund's Funding Strategy Statement shown in Appendix 1. A consultation had 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. The LBHF Fund had only had one response from an employer, which was very positive.

Councillor Florian Chevoppe-Verdier asked if the consultation could be simplified to improve response input in the future. In response Eleanor Dennis said that other options would include attaching a covering letter alongside the full consultation to break down the main elements of the consultation. As well as potentially look at offering a webinar to verbally present the information to the Fund employers. However ultimately Fund employers would only see it as a priority to engage with issues that cost them more money.

## **RESOLVED:**

That the Committee approved 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 Chair.

## **9. INVESTMENT STRATEGY STATEMENT**

Sian Cogley (Pension Fund Manager) presented report and noted that following the review of the investment strategy that commenced in February 2023, this paper introduced the draft Investment Strategy Statement (ISS) for the LBHF Pension Fund, which was attached as Appendix 1 to this paper.

Councillor Florian Chevoppe-Verdier on behalf of Councillor Patricia Quigley passed on her congratulations to Officers on achieving the Pension Fund of the year award.

Peter Parkin (Co-opted Member) asked who from LBHF attended the award ceremony. In response Phil Triggs (Director of Treasury and Pensions) confirmed that the Tri-borough staff attended the event with no expectation of winning the award. Councillor Laura Janes asked that if the Council was



shortlisted in the future any representatives of the Committee and all Officers should be given the opportunity to attend.

Marian George (Independent Investment Advisor) felt that it was good practice for the Committee to review its own decision making from an investment perspective and this should be included as part of the annual business plan. She also suggested that the statement of the Fund's investment beliefs, which had been agreed at the Committee of 13 June 2023, would be a useful addition to the document. Sian Cogley agreed to include it in this document as an additional appendix to the Investment Strategy Statement.

Rereferring to page 64 of the agenda pack, the Chair enquired if it would be appropriate to include the Environmental, Social and Governance (ESG) considerations that had been successful over the past 18 months as part of the Fund's overall strategy. In response Sian Cogley noted that the dashboard was currently being reviewed and updated and once this was completed then the dashboard could be included as an additional appendix to the next Investment Strategy Statement.

Referring to page 60 of the agenda pack the Chair asked for further clarification to be provided on the difference between infrastructure and liquid strategies. Phil Triggs provided an overview on both of the strategies, noting that infrastructure strategies related to tangible assets. However, with a liquid strategy the cash was tied up for a good period of time within various different investment classes.

Councillor Florian Chevoppe-Verdier enquired if there was any risk around not having direct control on access to information and the way the Funds pooled assets operated when working with LCIV. In response Phil Triggs said that close working relationships were essential with the LCIV and officers sought to maintain these.

#### **RESOLVED:**

The Committee commented on the ISS and delegated authority to the Director of Treasury and Pensions, in consultation with the Chair to publish the final ISS.

### **10. QUARTERLY PERFORMANCE UPDATE**

Sian Cogley (Pension Fund Manager) introduced the report and noted that at the meeting of the 19<sup>th</sup> September 2023, the Committee agreed a 10% (£129m) allocation to Allspring Global. The first £43m of this commitment was due to be drawn by 15 November 2023. The Committee also 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 was due to be drawn by 29 November 2023.

Members discussed the exempt appendices 2a and 2b in the closed session at the end of the meeting.

## **RESOLVED**

That the Committee

1. Agreed 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. Noted the report.

### **11. DATE OF THE NEXT MEETING**

It was noted that the next meeting is due to take place 20<sup>th</sup> Feb 2024

### **12. 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: 8:55pm

Chair .....

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

**Report to:** Pension Fund Committee

**Date:** 20/01/2023

**Subject:** Key Performance indicators

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

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

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### SUMMARY

This paper sets out a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Hammersmith & Fulham Fund. The Key Performance Indicators (KPIs) for the period September - December 2023, i.e., Quarter 3 (Q3) for the scheme year 2023/24.

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### RECOMMENDATIONS

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

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**Wards Affected:** None

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

### Finance Impact

There are no direct financial implications as a result of this report. 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, 1<sup>st</sup> February 2024

## Legal Implications

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

Angela Hogan, Chief Solicitor (Contracts and Procurement) 2<sup>nd</sup> February 2024

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## Background Papers Used in Preparing This Report

None

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## DETAILED ANALYSIS

### Analysis of Performance

1. The KPIs have been set out in the discharge agreement between the LPPA (Local Pension Partnership Administration) and the London Borough of Hammersmith & Fulham (LBHF). The Head of Pensions ensures performance measures are discussed and reviewed between both parties on a monthly basis in accordance with Code 14 of the Pension Regulator’s Code of Practice that states that the scheme manager should hold regular meetings with their service providers to monitor performance.
2. This report covers the performance of our administration partner LPPA Q3 of the pension fund scheme year 2023/24. The KPI’s detailed in Appendix 1 of the pension administration report cover the period 01 September to 31 December 2023 inclusive.
3. During the period September to December 2023, quarter 3 (Q3), LPPA processed 1409 SLA cases, which was a increase of 254 cases from Q2 for the Hammersmith & Fulham Pension Fund. The overall quarterly KPI performance was 96.9%. However although performance was achieved in 90% of all cases it fell short of the target 95% in case types, estimates, refunds, deaths and active retirements.
4. There is no KPI measure for the telephone Helpdesk, in Q3 the average wait time fell to 2 minutes 26 compared to 4 minutes 12 compared in Q2 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 92.1% compared to 85.7% in Q2. The processing of deferred retirements saw a small improvement in Q3 with a KPI of 95.8% compared to a KPI of 95% in Q2.
6. Deaths – The processing of death cases saw a slight dip in performance with performance in Q3 seeing 92% of cases being completed on time, compared to 93.85% in Q2. The Head of Pensions continues to work with the LPPA team to improve this performance.
7. Transfers – There were a continued small decrease in the number of cases processed, of the 169 transfer cases (a decrease of 2 cases from Q1), and a good KPI performance in this area. Most of cases were processed within the SLA with 100% of transfer ins cases processed on time and consistent performance of transfer out cases 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 collaborate with LPPA to try to ensure they are able to sustain their improved SLA performance as well as to increase the quality in terms of the delivery of this service.

## **Summary**

10. The performance delivered by LPPA continues to show some signs of improvement and is consistent with Q2, although the Fund is disappointed to see performance below 95% 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 on areas in which they need to improve.
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 (Q3) September - December 2023**

OUR



TO BE  
THE PENSION  
ADMINISTRATOR  
OF CHOICE  
TO THE  
PUBLIC SECTOR



# LPP

Local Pensions Partnership  
Administration

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Hammersmith & Fulham Pension Fund

## Quarterly Administration Report

1st October – 31st December 2023

[lppapensions.co.uk](http://lppapensions.co.uk)

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# DEFINITIONS

## Page 6

### Casework Performance - All Cases

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

## Page 7

### Casework Performance - Standard

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

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

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.

## Page 9

### Helpdesk Performance

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

## OUR CORE VALUES

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

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

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



# Casework Performance

## In this section...

- Performance – all cases
- Performance standard

# CASEWORK PERFORMANCE

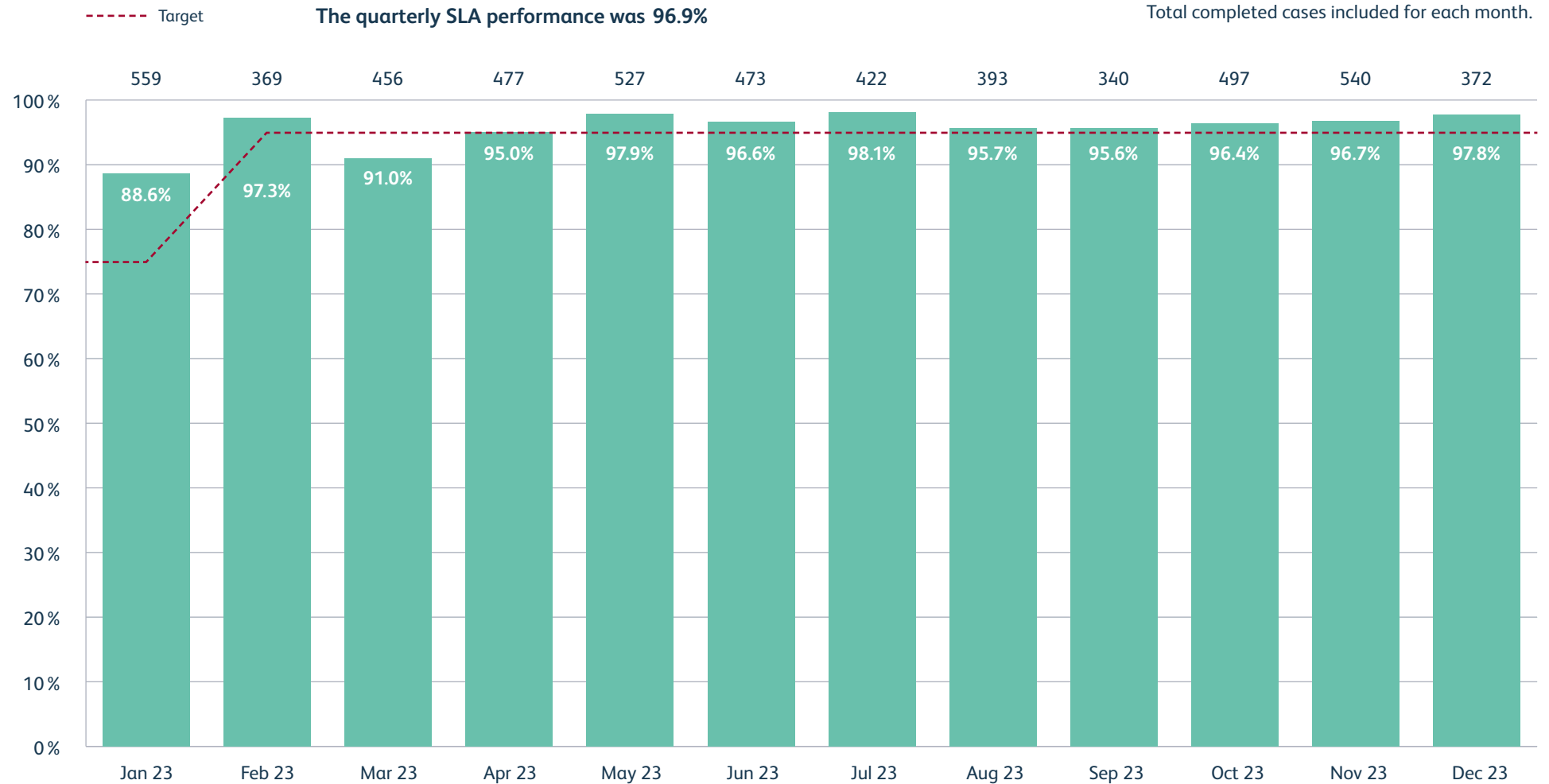
## Please note:

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



## PERFORMANCE – ALL CASES

CLIENT SPECIFIC



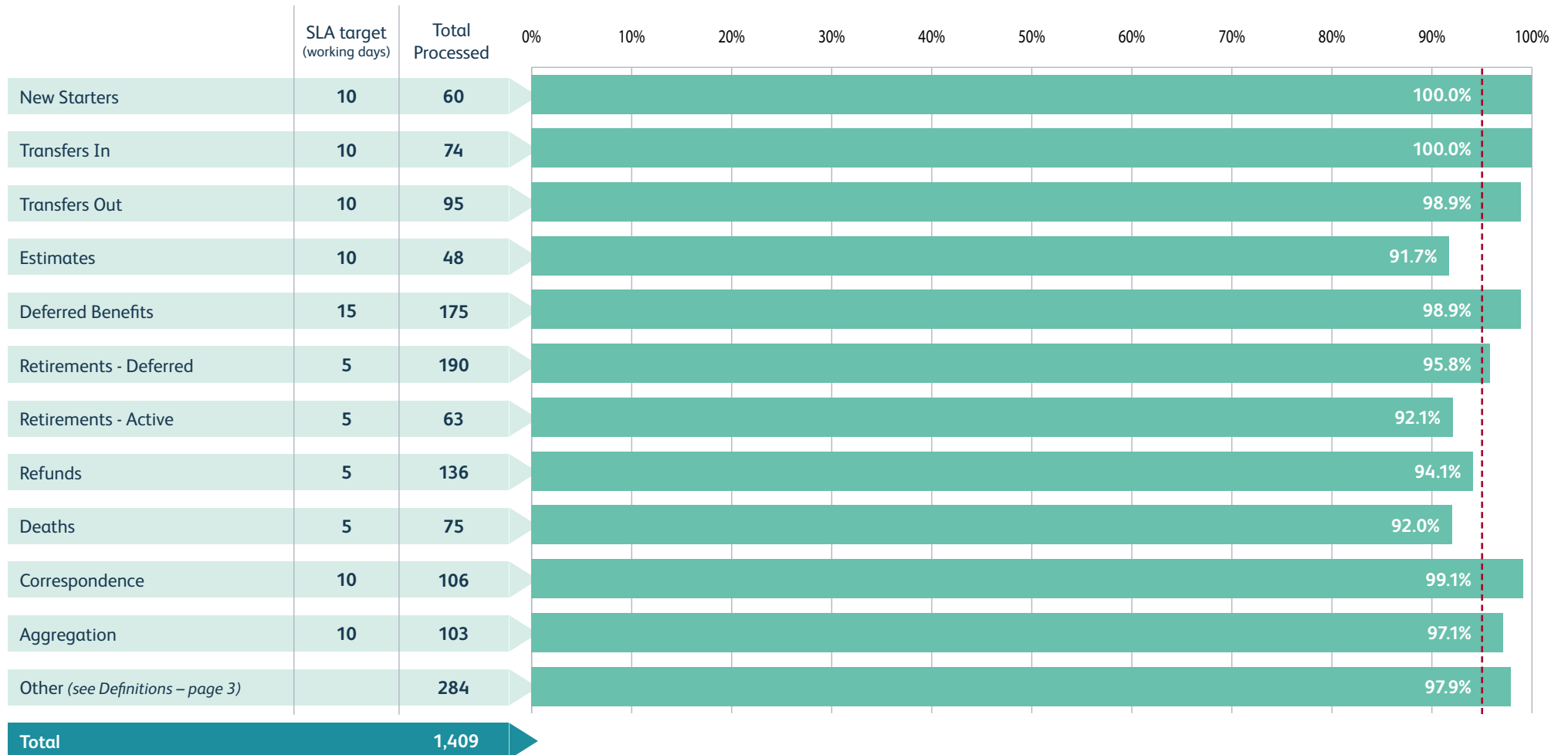
# CASEWORK PERFORMANCE



## PERFORMANCE STANDARD

## CLIENT SPECIFIC

--- Target (95 %)



# 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

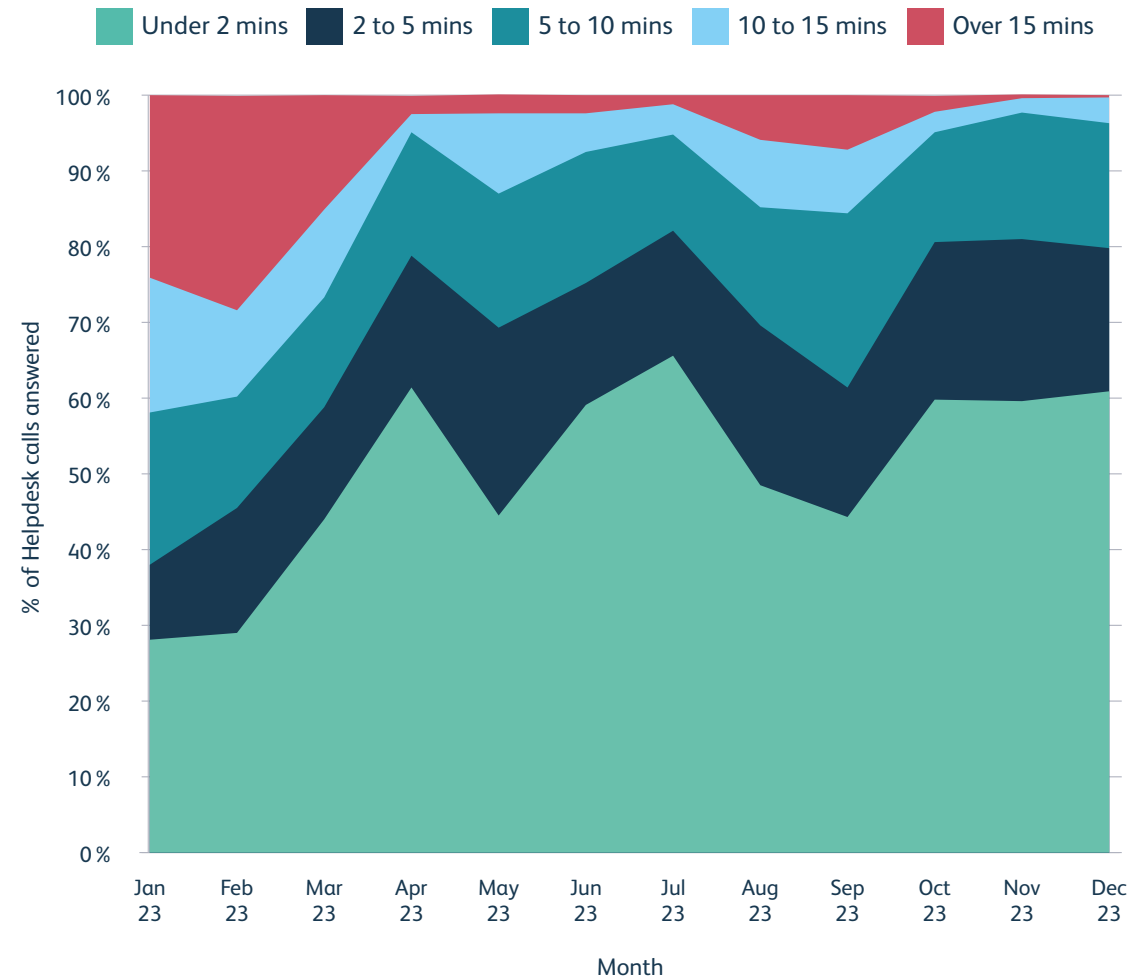


## WAIT TIME RANGE

CLIENT SPECIFIC

Page 23

	Under 2 mins	2 to 5 mins	5 to 10 mins	10 to 15 mins	Over 15 mins
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 %
Oct 23	59.8 %	20.8 %	14.5 %	2.7 %	2.1 %
Nov 23	59.6 %	21.4 %	16.7 %	1.9 %	0.5 %
Dec 23	60.9 %	18.9 %	16.5 %	3.4 %	0.3 %



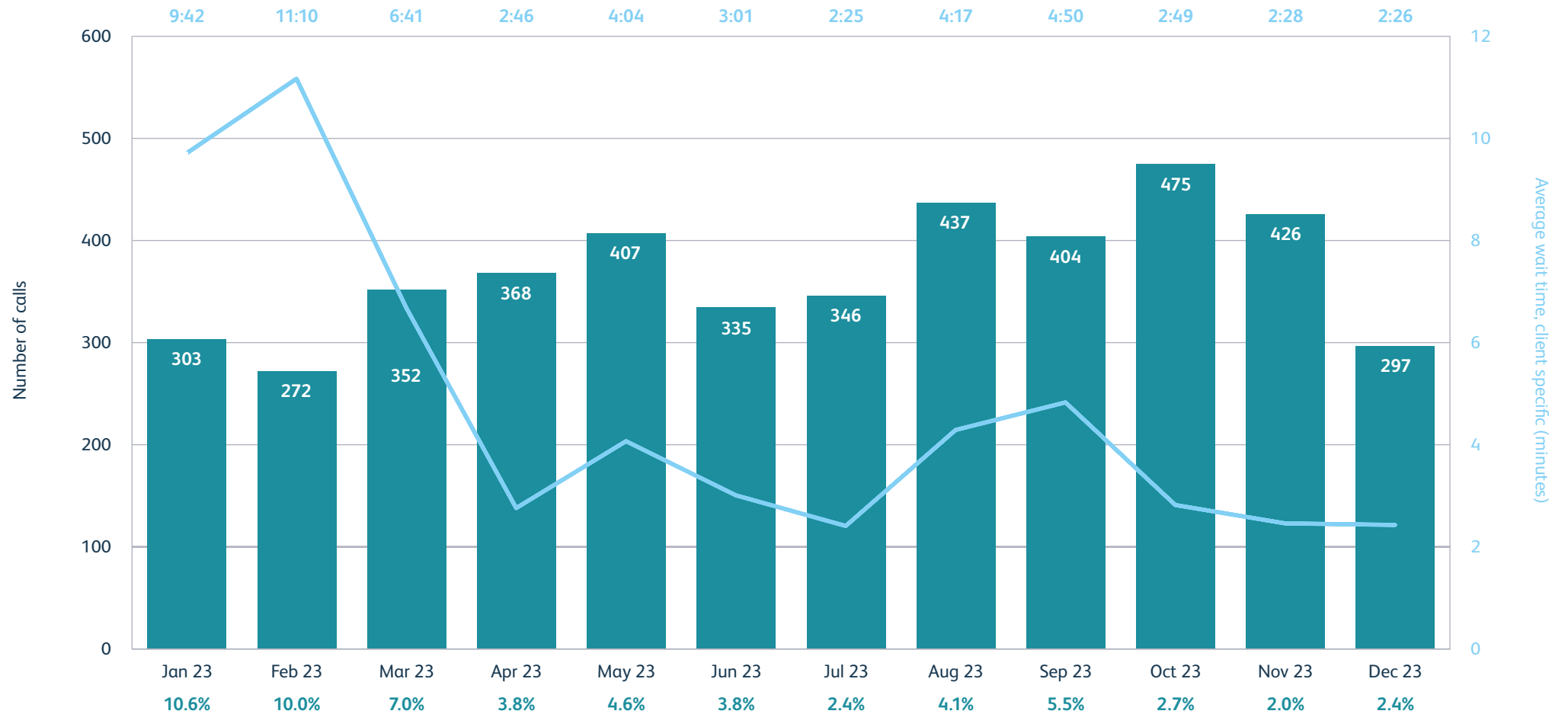
# HELPDESK CALLS PERFORMANCE



## CALLS ANSWERED

CLIENT SPECIFIC

— Average wait time (mm:ss)





# LPP

Local Pensions Partnership  
Administration

# Agenda Item 5

LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 20/02/2023

**Subject:** Pension Administration Update

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

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

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## SUMMARY

One of the key priorities for this LGPS Fund is to pay and administer the pensions of its members and their beneficiaries. The Hammersmith & Fulham Pension Fund (HFPF) delegates its administration duties to Local Pension Partnership Administration (LPPA). The Fund continues to strive to deliver an efficient and effective service to its stakeholders against a growing trend of an increasing numbers of tasks and challenges. Challenges include 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.

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## RECOMMENDATIONS

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

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**Wards Affected: None**

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

## **Finance Impact**

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

Sukvinder Kalsi, Director of Finance 1<sup>st</sup> February 2024

## **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) 2<sup>nd</sup> February 2024

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

**None**

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## **DETAILED ANALYSIS**

### **Analysis of Pension Administration**

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

1. The service delivered by LPPA continues have challenges that are monitored closely by the LBHF Head of Pensions. LPPA have acknowledged their unsatisfactory service and are committed to improving the service going forward with initiatives such as a client relationship manager, more robust training, more recruitment, a centralised mailbox and client forums.

### **Update on key areas**

2. Employers – Engagement with employers has increased with 73% now having submitted a monthly file however 48% are not up to date.
3. Communications – The number of calls to the LPPA Helpdesk rose slightly in Q3 with 1198 calls received on HFPF compared to 1110 received from the Fund

members in Q2. The average wait time fell again to 2 minutes 26 seconds in December after a peak in August of 4 minutes 17 seconds with an 2.4% abandonment rate across all calls.

4. Engagement –There continues to be a positive steady upward trend from all membership groups engaging with the online portal. Q3 saw 4939 members engaged compared to 4748 in Q2 and 4510 in Q1.
5. Regulatory – LPPA systems were updated in January with the required software to identify any McCloud cases, and it is now in the testing phase. LPPA continue to chase for any outstanding legacy data from respective employers.
6. Audit – Both the 2021/2022 and 2022/23 audits are being finalised. LPPA are working on a new process to ensure that audits are planned and managed more efficiently.
7. Overpayments – The LBHF pensions team continue to work with LPPA and the LBHF debt recovery teams to try to recover further outstanding overpayment funds.
8. Complaints – The number of complaints being worked on has decreased in Q3 to 14 from 25 in Q2. LPPA are starting to provide clearer reporting in this area.
9. Cyber Security – To ensure data is kept secure LPPA has implemented a range of controls and technologies. LPPA is also ISO 27001 accredited, and its systems are externally audited.

## **Conclusion**

The Head of Pensions continues to work with LPPA to improve the service and quality experienced by our stakeholders including members and beneficiaries.

## **Equality Implications**

10. None

## **Risk Management Implications**

11. None

## **Climate and Ecological Emergency Implications**

12. None

## **Consultation**

13. None

## **Appendices**

None

# Agenda Item 6

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 20 February 2024

**Subject:** Pension Fund Consultant Review

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

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

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### SUMMARY

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

This paper provides the Pension Fund Committee with an update of the Investment Management Consultant (IMC) aims and objectives for the Fund's consultant, Isio, as per the requirements of the Competition and Markets Authority (CMA).

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### RECOMMENDATIONS

The Committee is requested to note and comment on the attached IMC aims and objectives with a view to approving for the Pension Fund's investment consultant, Isio.

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**Wards Affected:** None

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

### Financial Impact

None

### Legal Implications

None

## **DETAILED ANALYSIS**

### **Background**

1. In December 2019, the Competition and Markets Authority's (CMA) Investment Consultancy and Fiduciary Management Investigation Order 2019 came into effect, following an extensive review into the industry. This required all pension funds to set formal aims and objectives for their investment consultants.
2. A set of consultant objectives were originally drawn up for the Pension Fund investment advisor and approved by Committee on 26 November 2019. In line with best practice, the performance of the investment consultant against the objectives should be reviewed on an annual basis and the objectives updated at least every three years or when there has been a material change in investment approach.
3. A set of updated investment consultant aims objectives and a detailed assessment of the consultant's performance for review, comment and approval by the Pension Fund Committee is included in Appendix 1 to this paper.

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

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

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

2. The consultant scored an Excellent performance rating against all the objectives in this category by advising the Pension Fund on its investment strategy reviews throughout the year.
3. There has been a new objective added since the previous review regarding the integration of environmental, social and governance (ESG) factors, stewardship and wider sustainability considerations.

#### **Governance and Costs**

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

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

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

### **Monitoring**

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

### **Delivery**

7. The consultant had an Excellent performance rating against the majority of the objectives, although a couple areas of improvement were identified regarding the delivery of reports to officers and training needs. There has been an improvement between the reviews regarding the invoicing process relating to work carried out on behalf of the pension fund since the last review.
8. As shown in Appendix 1, the consultant's performance over the past year has been to a generally 'Excellent' standard and the Pension Fund remains pleased with the work that the consultant continues to carry out in advising the fund on its investment strategy.

### **LIST OF APPENDICES**

Appendix 1: Investment Consultant Review



## LBHF Pension Fund Investment Consultant Review 2022/23

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### Background

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

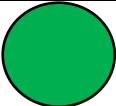
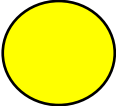
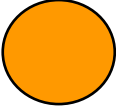
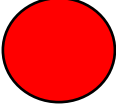
After conducting an extensive review into the pension fund consultancy and fiduciary management industry, the CMA produced a report, detailing several recommendations to improve pension fund governance, with a number of concerns expressed around fees and conflicts of interest.

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

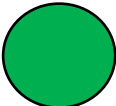
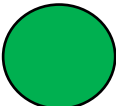
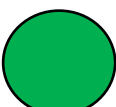
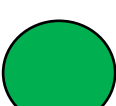
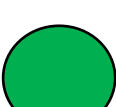
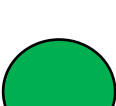
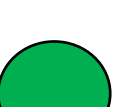
### Performance Against Aims and Objectives

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

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

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

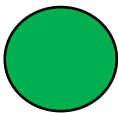
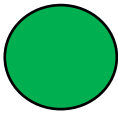
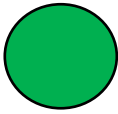
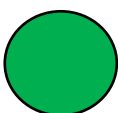
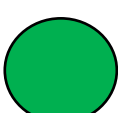
**LBHF Pension Fund**  
**Investment Consultant Review 2022/23**

<b>1. Assistance in Achieving the Fund's Objectives</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	Any proposed change in investment strategy or investment managers has a clear rationale linked to the Fund's objectives with specific reference to improving the efficiency of the investment strategy in terms of risk adjusted returns.		Review of investment strategy during 2022/23 FY, and manager selections which reflect the new asset allocation.
b)	All advice considers funding implications and the ability of the Fund to meet its long-term objectives.		The results of the actuarial valuation taken into consideration when agreeing the revised asset allocation. This will be revisited in 2025.
c)	The investment consultant has an appropriate framework in place to recognise opportunities to reduce risk.		The investment consultant has the required due diligence processes in place to reduce risks.
d)	The investment consultant has contributed to the Fund's cashflow management process ensuring that the Fund's benefit obligations are met in a cost-efficient manner.		The Fund cashflow management is run in-house. However, the consultant may suggest appropriate income strategies to match the shortfall in cash.
e)	The investment consultant undertakes specific tasks such as the selection of new managers and asset liability studies as commissioned.		The consultant has drawn up shortlists and arranged interviews for the manager selections during the year.
f)	The investment consultant has complied with prevailing legislation, the constraints imposed by the Investment Strategy Statement, the detailed Investment Management Agreements and the policy agreed with the Committee when considering the investment of the Fund's assets.		The investment consultant and the Pension Fund have a contract in place.
g)	The investment consultant has assisted the Committee in implementing an investment strategy which adds value through the integration of environmental, social and governance (ESG) factors, stewardship and wider sustainability considerations, into their investment		These factors above those required by regulation were taken into account for the asset manager selections during the year and reporting quarterly.

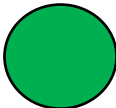
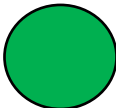
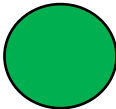
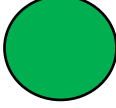
**LBHF Pension Fund**  
**Investment Consultant Review 2022/23**

	and risk management arrangements.		
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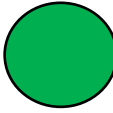
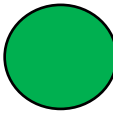
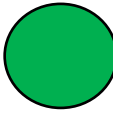
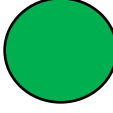
## 2. Governance and Costs

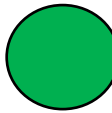
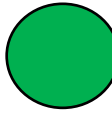
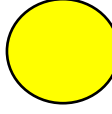
Reference	Objectives	Performance Rating	Comments
a)	Assist the Committee to implement the Fund's investments on a more competitive fee basis, through negotiation and periodic benchmarking of fees.		The investment consultant produces a quarterly investment report which includes fees benchmarking.
b)	Cost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

**LBHF Pension Fund  
Investment Consultant Review 2022/23**

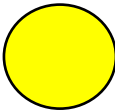
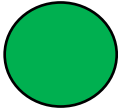
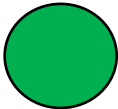
<b>3. Proactivity/Keeping informed</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	Advise the Committee on appropriate new investment opportunities.		The consultant provides training to the Committee on new asset classes.
b)	Recognition of the dynamism of investment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

**LBHF Pension Fund  
Investment Consultant Review 2022/23**

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

<b>5. Delivery</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	The investment consultant has formed a strong working relationship with the Committee, Council Officers and other key stakeholders.		There is a good working relationship between the investment consultant and Officers/Committee members.
b)	Reports and educational material are pitched at the right level, given the Committee's understanding.		The reports and training matters are clear, easily understandable and concise to meet the needs of the Committee.
c)	Provides training/explanation which aids understanding and improves the Committee's governance.		Training provided by the consultant is of an excellent standard, but there could be a greater

**LBHF Pension Fund**  
**Investment Consultant Review 2022/23**

			frequency reference ideas and the delivery to the Committee. Officers will liaise with the consultant reference this issue.
d)	Meeting papers are provided in a timely fashion, with all required detail and accuracy.		Papers are usually received by the Pension Fund Officers sufficiently in advance of the Committee meetings. On occasion some reports may require slight revisions to include more detail This has improved from Satisfactory to Good since the last review.
e)	The investment consultant works within agreed budgets and is transparent with regard to advisory costs, itemising additional work with fees in advance.		The consultant sends regular invoices with an itemised breakdown. This has improved from Good to Excellent since the last review.
f)	The investment consultant works collaboratively with the scheme's actuary and other advisors or third parties including the global custodian.		The consultant works with the custodian to calculate the quarterly fund performance and liaises with the actuary on the funding level.

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

**Report to:** Pension Fund Committee

**Date:** 20 February 2024

**Subject:** Pension Fund Business Plan Outturn 2022-23

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

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

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### SUMMARY

This report provides the outturn for the 2022/23 Business Plan.

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### RECOMMENDATIONS

1. That the Pension Fund Committee note the 2022/23 business plan outturn, shown as Appendix 1.

**Wards Affected:** None

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

### Financial Impact

None

### Legal Implications

None

## **DETAILED ANALYSIS**

### **Background**

1. The Myners Report to HM Treasury, compiled by Lord Myners, and published in March 2001, recommended that local authority pension funds should approve an annual business plan in respect of the objectives required for the next one to three years.
2. The second business plan was presented to the Pension Fund Committee on 28 February 2022. This report compares the outturn against the forecast made at that time, and comments on each objective outlined.

### **LIST OF APPENDICES**

Appendix 1: LBHF Pension Fund Business Plan Outturn 2022/23

Annex 1: LBHF Pension Fund Business Plan 2022/23



**London Borough of Hammersmith and Fulham Fund**

**Pension Fund Business Plan Outturn 2022/23**

**Background**

At the Pension Fund Committee meeting on the 28<sup>th</sup> February 2022, the Committee approved a business plan for 2021/22, identifying the key issues affecting the Pension Fund over the medium term and a timetable of activities needed to help achieve the strategic objectives. The business plan listed the investment process and pension administration tasks to be carried out during 2021/22 and 2022/23 and the target date when these should be achieved.

The 2022/23 business plan is shown as Annex 1.

**Outturn 2022/23**

This report sets out the outturn results of the pension fund business plan implementation, setting out each individual action required (in line with the original approved business plan shown as Annex 1) and the commentary where necessary of the outcome results of the year's work of the Pension Fund investment and administration staff.

## 2022/23 Budget Outturn

	Company Name (If Applicable)	2022/23 Budget	2022/23 Estimate*	2022/23 Outturn	2022/23 Variance
		£000	£000	£'000	£'000
Administration					
Contract Fees		245	245	448	(203)
Other costs		5	5	0	5
		250	250	448	(198)
Governance and Oversight					
Employees		590	590	553	37
Investment advisory services	Deloitte (now Isio)	165	165	96	69
Governance and compliance		160	160	85	75
External audit	Grant Thornton	35	35	45	(10)
Actuarial fees	Hymans Robertson	95	95	40	55
		1046	1046	819	227
Investment Management					
Management, Performance and Transaction fees					0
	Legal & General	318	318	367	(49)
	LCIV Absolute Return	3,179	3,179	2,736	443
	Standard Life Property	287	287	219	68
	Oak Hill Advisors	984	984	481	503
	Partners Group	1,400	1,400	939	461
	Aviva	168	168	149	19
	LCIV Global Bond Fund	362	362	171	191
	Abrdn MSPC	164	164	172	(8)
	Morgan Stanley	1,004	1,004	860	144
	Man Group	120	120	301	(181)
	Alpha Real Capital	250	250	69	181
	Darwin Alternatives	220	220	331	(111)
	Northern Trust	35	35	112	(77)
	LCIV	570	570	105	465
		9,061	9,061	7,014	2,047
Total		10,357	10,357	8,283	2,073

\* Estimate was based on charges made as at period 9 and approximate adjustments were made

## **Outturn: Administration and Communication**

Action 1: Annual review and publication of the Pensions Administration strategy

Outcome: **Achieved**

Comments: The strategy was approved by the Committee in 15 November 2022.

Action 2: Compliance and reporting of key service performance indicators (KPIs)

Outcome: **Achieved**

Comments: These are reported quarterly at Committee meetings.

Action 3: Review and publication of communication policy

Outcome: **Achieved**

Comments: The strategy was approved in the 15 November 2023.

Action 4: Annual report and accounts published on website.

Outcome: **Partially Achieved**

Comments: While the accounts and annual report were produced within the statutory timeframes, there have been resourcing issues with the Fund's external auditor which caused delays to the Fund obtaining an external audit opinion and publishing the accounts and annual report online.

Action 5: Freedom of information (FOI) requests responded to within statutory deadline.

Outcome: **Partially Achieved**

Comments: All requests have been responded to, although some have fallen outside of the statutory deadline due to the complexity of the request and the dependence on external parties to provide information. Where this occurred, it was never significantly delayed.

## **Outturn: Actuarial / Funding**

Action 1: Provide employers with IAS19/FRS102 funding statements in line with employer year end.

Outcome: **Achieved**

Comments: We are limited in how quickly we can produce these reports as we need to first finalise the investment values and payment figures. However, we have still been able to provide our employers with the reports in a timely manner suitable to them.

Action 2: Funding level to be reported to Pension Fund Committee quarterly.

Outcome: **Achieved**

Comments: This is provided as part of the quarterly update and reported at every opportunity.

Action 3: Monitor and reconcile employer contributions remittances with the pension fund bank statement.

Outcome: **Achieved**

Comments: This is carried out on a monthly basis and always achieved.

Action 4: Member training to cover actuarial funding issues.

Outcome: **Achieved**

Comments: Hyman Robertson delivered training to all Tri-Borough boards and committees on 31/01/22

Action 5: Funding strategy reviewed and updated.

Outcome: **Achieved**

Comments: The strategy is subject to constant review, with new asset classes introduced. It was formally reviewed following the post triennial valuation targets in the meeting of the 28 February 2023.

#### **Outturn: Pension Fund Committee**

Action 1: Train and develop all members to enable them to perform their duties effectively.

Outcome: **Achieved**

Comments: Officers have conducted training events on the 29 March 2023 and 7 September 2023: these sessions were recorded to allow members to refer back to them at any time.

Action 2: Committee papers to be issued to members five working days prior to meeting, and minutes to be circulated in a timely manner.

Outcome: **Achieved**

Comments: In line with statutory duties, the Council publishes papers for all public committees on its website at least five clear working days in advance of the meetings. Minutes are circulated to members and officers following the meeting and published on the Council's website.

Action 3: Committee meetings should include the investment advisor as appropriate.

Outcome: **Achieved**

Comments: All Committee meetings included our investment advisor.

Action 4: Manager monitoring reports to be presented to Pension Fund Committee members.

Outcome: **Achieved**

Comments: These are included as part of the quarterly update pack.

Action 5: Pension Fund Committee to receive quarterly investment monitoring reports.

Outcome: **Achieved**

Comments: These are included as part of the quarterly update pack.

Action 6: Review and implement asset allocation, rebalancing where necessary.

Outcome: **Partially Achieved**

Comments: Investment allocations and variances to investment allocation policy are reported quarterly to the Pension Fund Committee. The Pension Fund does not have a specific rebalancing policy so rebalancing cannot take place without specific Committee approval. However, rebalancing was recently undertaken as part of the investment strategy review approved by the Committee in the meeting of 28 February 2023.

Action 7: Review, implement and publish the Investment Strategy Statement.

Outcome: **Achieved**

Comments: The Investment strategy statement has been reviewed and published following the completion of the 2022 triennial valuation.

Action 8: Respond to all government consultations and report to the Pension Fund Committee as necessary.

Outcome: **Achieved**

Comments: All consultations were answered and reported.

### **Outturn: Local Pension Board**

Action 1: Provide Pensions Board members with access to training offered to Pension Fund Committee members.

Outcome: **Achieved**

Comments: Bespoke training arranged by officers is available to both Board and Committee members.

Action 2: Comply with any requests from the Pensions Board with regard to any aspect of the Scheme Manager function.

Outcome: **Achieved**

Comments: All requests were followed up.

Action 3: Pass on recommendations made by the Pension Fund Committee to the Pensions Board within a reasonable period of time.

Outcome: **Achieved**

Comments: All recommendations were passed on.

### **Outturn: Risk Management**

Action 1: Monitor Pension Fund expenses for the year against the agreed forecast.

Outcome: **Achieved**

Comments: Breakdowns of outturn against budget is provided above.

Action 2: Produce an Annual Statement of Accounts and achieve an unqualified audit.

Outcome: **Partially Achieved**

Comments: While the accounts were produced within the statutory timeframes, there have been resourcing issues with the Fund's external auditor which has caused delays to the Fund obtaining an external audit opinion and publishing the accounts and annual report online.

Action 3: Ensure ongoing risk assessments of the management of the Fund.

Outcome: **Achieved**

Comments: these are included as part of the quarterly update pack and are reviewed by committee and board on that basis.

Action 4: Review MiFID documentation to ensure the Fund retains its professional investor status.

Outcome: **Achieved**

Comments: Documentation is updated as and when required.

Action 5: Obtain independent internal controls assurance reports for investment managers and fund global custodian.

Outcome: **Achieved**

Comments: This is carried out and compiled as part of the year-end close down process.

Action 6: Approve the Risk Register

Outcome: **Achieved**

Comments: This is carried out as part of the quarterly review and approved each quarter.

#### **Outturn: Further Information**

Action 1: Review the performance of the Fund's investment advisor against its stated aims and objectives.

Outcome: **Achieved**

Comments: This was taken to Committee on 20 February 2024

**London Borough of Hammersmith and Fulham Fund**

**Pension Fund Business Plan 2022/23**

**Introduction**

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

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

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

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

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



## 2021/22 Forecast Expenditure

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

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

## Administration and Communication

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

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

### Objectives

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

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

## Actuarial / Funding

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

### Objectives:

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

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

## Pension Fund Committee

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

### Objectives

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

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

## Pensions Board

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

### Objectives

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

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

## Risk Management

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

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

### Objectives

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

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

### Further Information

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

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

### Timetable

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

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

# Agenda Item 8

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 20 February 2023

**Subject:** Pension Fund Business Plan 2024/25

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

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

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### SUMMARY

The purpose of this report is to seek approval for the 2024/25 business plan, which presents strategic medium-term objectives and a budget forecast.

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### RECOMMENDATIONS

1. That the Pension Fund Committee carefully considers the 2024/25 business plan (at Appendix 1).
2. That the Pension fund committee approves the 2024/25 attached business plan (included at Appendix 1).

**Wards Affected:** None

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

### Financial Impact

None

### Legal Implications

None



## **DETAILED ANALYSIS**

### **Background**

1. The Myners Report to HM Treasury, compiled by Lord Myners and published in March 2001, recommended that local authority pension funds should approve an annual business plan in respect of the objectives required for the next one to three years.
2. This is the third LBHF pension fund business plan presented to the Pension Fund Committee and sets out the short-term objectives and a financial forecast for 2024/25. It is attached at Appendix 1.
3. An outturn report will be presented to the Pension Fund Committee to update members on progress and present outcomes with an outturn cost summary.

### **LIST OF APPENDICES**

Appendix 1: LBHF Pension Fund Business Plan 2024/25.

Annex 1: CMA

**London Borough of Hammersmith and Fulham Fund**

**Pension Fund Business Plan 2024/25**

**Introduction**

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

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

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

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

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

## 2024/25 Forecast Expenditure

	Company Name (If Applicable)	2022/23	2023/24	2024/25
		Actual	Estimate*	Estimate
		£000	£000	£'000
Administration				
Contract Fees		448	468	511
Other costs		2	5	5
		450	473	516
Governance and oversight				
Employees		553	423	444
Investment advisory services	Isio	96	117	146
Governance and compliance		85	160	160
External audit	Grant Thornton	45	87	104
Actuarial fees	Hymans Robertson	40	95	95
		819	882	949
Investment Management				
Management, Performance and Transaction fees				
	Legal & General	367	386	405
	LCIV Absolute Return	2,736	2,545	2,672
	Standard Life Property	219	241	253
	Oak Hill Advisors	481	499	524
	Partners Group	939	751	601
	Aviva	149	130	136
	LCIV Global Bond Fund	171	-	-
	Abrdn MSPC	172	129	136
	Morgan Stanley	860	883	927
	Man Group	301	373	392
	Alpha Real Capital	69	201	211
	Darwin Alternatives	331	208	219
	Quinbrook		495	679
	Allspring Global Investments		710	851
	LCIV Buy and Maintain Short		116	139
	LCIV Buy and Maintain Long		116	139
	Northern Trust	112	123	136
	LCIV	105	110	115
		7,014	8,016	8,535
Total		8,283	9,371	10,001

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

## Administration and Communication

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

The administration of the Fund is currently undertaken by the Local Pension Partnership Administration and has been in effect from 28 January 2022.

### Objectives

1. Ensure the scheme is run in accordance with agreed service standards and in compliance with Regulations;
2. Deliver a high-quality, cost-effective pension administration service;
3. Collaborative working with outsourced parties;
4. Consistent monitoring of the performance of the LPPA team.

	Actions	Timeline	Responsibility
A	Annual review and publication of the Pensions Administration strategy	31/3/24	Eleanor Dennis Sukvinder Kalsi
B	Compliance and reporting of key service performance indicators (KPIs)	31/3/24	Eleanor Dennis, Sukvinder Kalsi
C	Review and publication of communication policy	31/3/24	Eleanor Dennis, Sukvinder Kalsi
D	Annual report and accounts published on website	1/12/2024	Siân Cogley Mat Dawson
E	Freedom of information (FOI) requests responded to within statutory deadline	Ongoing	Eleanor Dennis, Siân Cogley Mat Dawson

## Actuarial / Funding

The Fund is responsible for commissioning triennial actuarial valuations of the Pension Fund regarding the funding status and level of employers' contributions necessary to fully fund the Pension Fund. Actuarial services are currently provided by Hymans Robertson LLP and will next be subject to tender from 1 April 2026.

### Objectives:

1. Monitor the funding level of the Scheme, including a formal actuarial valuation every three years (next valuation as at 31 March 2025);
2. Monitor and reconcile contribution payments to the Scheme by the employers and scheme members;
3. Understand legislative changes which will impact on funding.

	Actions	Timeline	Responsibility	Overseen by
A	Provide employers with IAS19/FRS102 funding statements in line with employer year end.	March 24 July 24 August 24	Siân Cogley	Mat Dawson
B	Funding level to be reported to Pension Fund Committee quarterly.	Quarterly	Siân Cogley	Mat Dawson
C	Monitor and reconcile employer contributions remittances with the pension fund bank statement.	Monthly	Alastair Paton	Mat Dawson
D	Member training to cover actuarial funding issues.	Ongoing	Patrick Rowe	Phil Triggs
E	Funding strategy reviewed and updated	March 25	Mat Dawson /Phil Triggs	Pension Fund Committee

## Pension Fund Committee

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

### Objectives

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

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

## Pensions Board

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

### Objectives

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

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

## Risk Management

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

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

### Objectives

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

	Actions	Timeline	Responsibility	Overseen by
A	Monitor Pension Fund expenses for the year against the agreed forecast.	March 24	Siân Cogley	Mat Dawson
B	Produce an Annual Statement of Accounts and achieve an unqualified audit.	September 24	Siân Cogley	Mat Dawson
C	Ensure ongoing risk assessments of the management of the Fund.	Ongoing	Siân Cogley	Mat Dawson
D	Review MiFID documentation to ensure the Fund retains its professional investor status.	Ongoing	Siân Cogley	Mat Dawson
E	Obtain independent internal controls assurance reports for investment managers and fund global custodian.	March 24	Siân Cogley	Mat Dawson
F	Approve the Risk Register	Quarterly	Phil Triggs	Pensions Board



## Further Information

As per the requirements of the Competition Markets Authority (CMA), the Pension Fund must establish aims and objectives for its investment consultant. A set of consultant objectives were drawn up for the investment advisor, Deloitte (now Isio), and approved by the Pension Fund Committee in February 2022.

In line with best practice, the performance of the investment consultant against the objectives should be reviewed on an annual basis and the objectives updated at least every three years, or when there has been a material change in the investment approach. Annex 1 details these objectives and assessed performance as at January 2024.

## Timetable

<b>PENSIONS BOARD</b>	
Meeting Date	Report Deadline
6 <sup>th</sup> Feb 2024	26 <sup>th</sup> Jan 2024
5 <sup>th</sup> Jun 2024	27 <sup>th</sup> May 2024
12 <sup>th</sup> Feb 2025	3 <sup>rd</sup> Feb 2025

<b>Pension Fund Committee</b>	
Meeting Date	Report Deadline
20 <sup>th</sup> Feb 2024	5 <sup>th</sup> Feb 2024
11 <sup>th</sup> June 2024	30 <sup>th</sup> May 2024
10 <sup>th</sup> Sep 2024	29 <sup>th</sup> Aug 2024
26 <sup>th</sup> Nov 2024	14 <sup>th</sup> Nov 2024
5 <sup>th</sup> Mar 2025	21 <sup>st</sup> Feb 2025

## LBHF Pension Fund Investment Consultant Review 2022/23

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### Background

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

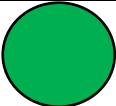
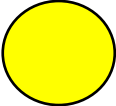
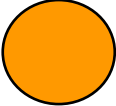
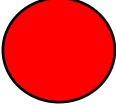
After conducting an extensive review into the pension fund consultancy and fiduciary management industry, the CMA produced a report, detailing several recommendations to improve pension fund governance, with a number of concerns expressed around fees and conflicts of interest.

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

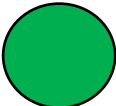
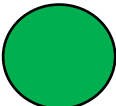
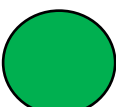
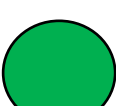
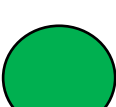
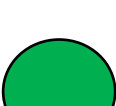
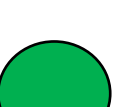
### Performance Against Aims and Objectives

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

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

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

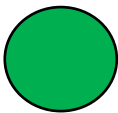
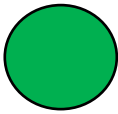
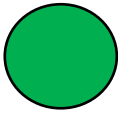
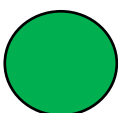
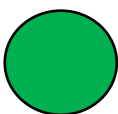
**LBHF Pension Fund**  
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<b>1. Assistance in Achieving the Fund's Objectives</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	Any proposed change in investment strategy or investment managers has a clear rationale linked to the Fund's objectives with specific reference to improving the efficiency of the investment strategy in terms of risk adjusted returns.		Review of investment strategy during 2022-23 FY, and manager selections which reflect the new asset allocation.
b)	All advice considers funding implications and the ability of the Fund to meet its long-term objectives.		The results of the actuarial valuation taken into consideration when agreeing the revised asset allocation. This will be revisited in 2025.
c)	The investment consultant has an appropriate framework in place to recognise opportunities to reduce risk.		The investment consultant has the required due diligence processes in place to reduce risks.
d)	The investment consultant has contributed to the Fund's cashflow management process ensuring that the Fund's benefit obligations are met in a cost-efficient manner.		The Fund cashflow management is run in-house. However, the consultant may suggest appropriate income strategies to match the shortfall in cash.
e)	The investment consultant undertakes specific tasks such as the selection of new managers and asset liability studies as commissioned.		The consultant has drawn up shortlists and arranged interviews for the manager selections during the year.
f)	The investment consultant has complied with prevailing legislation, the constraints imposed by the Investment Strategy Statement, the detailed Investment Management Agreements and the policy agreed with the Committee when considering the investment of the Fund's assets.		The investment consultant and the Pension Fund have a contract in place.
g)	The investment consultant has assisted the Committee in implementing an investment strategy which adds value through the integration of environmental, social and governance (ESG) factors, stewardship and wider sustainability considerations, into their investment		These factors above those required by regulation were taken into account for the asset manager selections during the year and reporting quarterly.

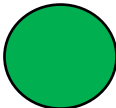
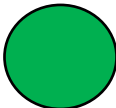
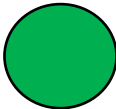
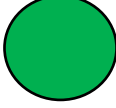
**LBHF Pension Fund**  
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	and risk management arrangements.		
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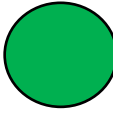
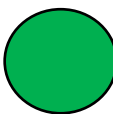
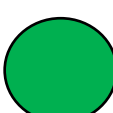
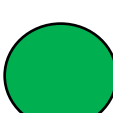
## 2. Governance and Costs

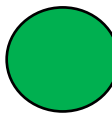
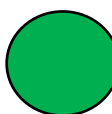
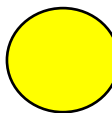
Reference	Objectives	Performance Rating	Comments
a)	Assist the Committee to implement the Fund's investments on a more competitive fee basis, through negotiation and periodic benchmarking of fees.		The investment consultant produces a quarterly investment report which includes fees benchmarking.
b)	Cost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

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

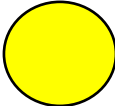
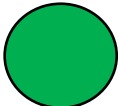
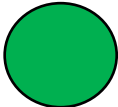
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<b>4. Monitoring</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	The investment consultant provides insightful monitoring focused on the reasoning behind performance.		The investment consultant produces a quarterly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

<b>5. Delivery</b>			
<b>Reference</b>	<b>Objectives</b>	<b>Performance Rating</b>	<b>Comments</b>
a)	The investment consultant has formed a strong working relationship with the Committee, Council Officers and other key stakeholders.		There is a good working relationship between the investment consultant and Officers/Committee members.
b)	Reports and educational material are pitched at the right level, given the Committee's understanding.		The reports and training matters are clear, easily understandable and concise to meet the needs of the Committee.
c)	Provides training/explanation which aids understanding and improves the Committee's governance.		Training provided by the consultant is of an excellent standard, but there could be a greater frequency in its delivery to the Committee.

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d)	Meeting papers are provided in a timely fashion, with all required detail and accuracy.		Papers are usually received by the Pension Fund Officers sufficiently in advance of the Committee meetings. On occasion some reports may require slight revisions to include more detail. This has improved from Satisfactory to Good since the last review.
e)	The investment consultant works within agreed budgets and is transparent with regard to advisory costs, itemising additional work with fees in advance.		The consultant sends regular invoices with an itemised breakdown. This has improved from Good to Excellent since the last review.
f)	The investment consultant works collaboratively with the scheme's actuary and other advisors or third parties including the global custodian.		The consultant works with the custodian to calculate the quarterly fund performance and liaises with the actuary on the funding level.

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

# Agenda Item 9

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 20 February 2024

**Subject:** Aviva Presentation

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

**Responsible Director:** Phil Triggs, Director of Treasury and Pensions

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### SUMMARY

This item provides the Pension Fund Committee with an opportunity to discuss the redemption process of the London Borough of Hammersmith and Fulham Pension Fund's allocation to Aviva with the fund manager.

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### RECOMMENDATIONS

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

**Wards Affected:** None.

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

### Financial Impact

None

### Legal Implications

None



**BACKGROUND**

1. At the meeting of the 20 June 2022 the Pension Fund Committee decided to redeem their allocation from the Aviva Investors Infrastructure Income Fund.
2. In Q3 of the 2022 financial year, Aviva confirmed that the redemption notice was received and that total redemptions (three) for this annual window amount to less than 10% of the NAV threshold, therefore no additional time has been flagged outside the standard liquidity procedures.
3. The redemption monies were due back to the London Borough of Hammersmith and Fulham Pension Fund by 31 December 2023.
4. Officers have been informed that there will be a delay to the receipt of the full redemption. The first tranche of redemption payments (£5m) was paid on 30 January 2024, but the remainder of the redeemed monies will not be available to be paid back to the Fund until Q2 2024.

**Risk Management Implications**

None

**List of Appendices**

Appendix 1: Presentation (EXEMPT)

# Agenda Item 10

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 20 February 2024

**Subject:** Pension Fund Quarterly Update Q3 23-24

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

**Responsible Director:** Phil Triggs, Director of Treasury and Pensions

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### SUMMARY

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

- overall performance for the quarter ended 31 December 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.

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

### Financial Impact

None

## Legal Implications

None

## DETAILED ANALYSIS

### LBHF Pension Fund Quarterly Update: Q3 2023/24

1. This report and attached appendices make up the pack for the quarter three (Q3) review ended 31 December 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 31 December 2023, the market value of the assets increased by £33.4 m to £1,307.3m.
  - The Fund has underperformed its benchmark net of fees by 0.28%, delivering an absolute return of 3.34% over the quarter.
  - The Total Fund delivered a positive return of 5.71% on a net of fees basis over the year to 31 December 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 September 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=eyJrIjojYjc2ZTEyZjltODI0Yi00NzY2LWJkNTMtODAwYjNINWNjYTQ5IiwidCI6IjUwZDhjMTE1LWI3N2YtNDM5NS1hM2JhLTNiNDY2FmMGQ4OCIsImMiOiJh9>  

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. This commitment was funded in full in December 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. This commitment was funded in full in December 2023.
9. Regarding the redemption of all units in the Aviva Infrastructure Income Fund, these monies were due back to the fund by 31 December 2023. Unfortunately, the first tranche of redemption payments (£5m) was not paid until January 2024 and, in the latest update from Aviva, they confirmed that the remainder of the redeemed monies will not be available to be paid back to the Fund until Q2 2024.

### **Risk Management Implications**

1. These are included in the risk registers.
2. There have been no new risks identified on the risk register.
3. There have been no changes in the risk scores on the risk register.
4. One risk has a change in trend:
  - i. Risk 7 – LCIV has inadequate resources to monitor investment strategy. This has been amended from trending down. It was moved to trending up in the September 2023 meeting due to the departure of Jason as CIO at the LCIV. The LCIV has now appointed Aoifinn Devit as CIO. Between this appointment and other updates we have received on staffing, officers have assessed this to be at a lower level of risk.

### **List of Appendices**

Appendix 1:	Scorecard as at 31 December 2023
Appendix 2a:	Isio Quarterly Performance Report for Quarter Ended 31 Dec 23 (EXEMPT)
Appendix 2b:	Isio Fee Benchmarking Report 31 Dec 2023 (EXEMPT)
Appendix 3:	Cashflow Monitoring Report
Appendix 4:	Pension Fund Risk Register

## Scorecard at 31 December 2023

## London Borough of Hammersmith and Fulham Pension Fund Quarterly

## Monitoring Report

	Mar 23 £000	Jun 23 £000	Sep 23 £000	Dec 23 £000	Report reference/Comments
Value (£m)	1,281	1,285	1,274	1,307	IRAS reports.
% return quarter	2.47%	0.42%	-0.59%	3.34%	
% Return one year	-1.74%	4.34%	3.31%	5.71%	
LIABILITIES					
Value (£m)	1,021	975	934	1,037	Hymans Robertson LLP Estimated Funding Update
Surplus/(Deficit) (£m)	260	310	340	270	
Funding Level	125%	132%	136%	126%	
CASHFLOW					
Cash balance	8,805	9,889	13,651	7,510	Appendix 3
Variance from forecast	5,610	1,010	3,391	2,114	
MEMBERSHIP					
Active members	5,150	5,268	5,173	5,018	Reports from Pension Fund Administrator
Deferred beneficiaries	6,218	6,933	6,940	7,060	
Pensioners	5,960	5,884	5,928	6,091	
RISK					
No. of new risks				0	Appendix 4: Risk Register
No. of ratings changed				0	
LGPS REGULATIONS					
New consultations	None	1	None	None	This was the Pooling Consultation Paper
New sets of regulations	None	None	None	None	

Pension Fund Current Account Cashflow Actuals and Forecast for period Oct - Dec-23

	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	F'cast Annual Total	F'cast Monthly Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast
Balance b/f	7,713	6,155	5,500	9,624	7,610	6,031	3,978	9,859	7,176	4,825	1,974	8,212	£000s	£000s
Contributions	5,873	6,059	6,531	5,500	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	63,963	5,330
Pensions	(6,524)	(6,448)	(6,268)	(6,413)	(6,377)	(6,353)	(7,019)	(6,583)	(6,651)	(6,751)	(6,662)	(6,688)	(78,737)	(6,561)
Lump Sums	(2,315)	(1,173)	(862)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(9,750)	(812)
Net TVs in/(out)	1,048	155	(639)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(2,136)	(178)
Net Expenses/other transactions	361	43,875	(151)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	42,284	3,524
Net Cash Surplus/(Deficit)	(1,558)	42,467	(1,389)	(2,013)	(2,477)	(2,453)	(3,119)	(2,683)	(2,751)	(2,851)	(2,762)	(2,788)	15,625	1,302
Distributions		653	512		897	400			400			400	3,262	544
Net Cash Surplus/(Deficit) including investment income	(1,558)	43,120	(877)	(2,013)	(1,580)	(2,053)	(3,119)	(2,683)	(2,351)	(2,851)	(2,762)	(2,388)	18,887	1,574
Transfers (to)/from Custody Cash		(43,775)	5,000				9,000				9,000		(20,775)	(4,155)
Balance c/f	6,155	5,500	9,624	7,610	6,031	3,978	9,859	7,176	4,825	1,974	8,212	5,824	76,770	(2,581)

Current account cashflow actuals compared to forecast in Oct - Dec-23

	Oct-23		Nov-23		Dec-23		Oct - Dec-23
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Contributions	2,600	5,873	2,600	6,059	2,600	6,531	10,663
Pensions	(6,293)	(6,524)	(6,318)	(6,448)	(6,303)	(6,268)	(327)
Lump Sums	(600)	(2,315)	(600)	(1,173)	(600)	(862)	(2,550)
Net TVs in/(out)	(300)	1,048	(300)	155	(300)	(639)	1,464
Expenses/other transactions	(200)	361	(200)	43,875	(200)	(151)	44,684
Distributions			600	653		512	(3,344)
Transfers (to)/from Custody Cash			12,000	(43,775)		5,000	(50,775)
Total	(4,793)	(1,558)	7,782	(655)	(894)	4,123	(185)

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
- Redemption in November was from PIMCO and paid into bank and then withdrawn to Custodian. For the final tranche in December, the redemption was made direct to Custodian.

Pension Fund Custody Invested Cashflow Actuals and Forecast for period Oct - Dec-23

	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	F'cast Annual Total	F'cast Monthly Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast
Balance b/f	15,305	58,877	130,077	2,935	2,944	6,953	6,962	7,971	11,980	11,989	11,998	7,007	£000s	£000s
Sale of Assets	2	78,575	34,800				10,000						123,377	30,844
Purchase of Assets	(3)	(43,000)	(157,000)										(200,003)	(66,668)
Net Capital Cashflows	(1)	35,575	(122,200)				10,000						(76,626)	(6,385)
Distributions		653			4,000			4,000			4,000		12,653	1,406
Interest	546	40	59	9	9	9	9	9	9	9	9	9	725	60
Management Expenses														
Foreign Exchange Gains/Losses	27	(68)											(41)	(14)
Class Actions														
Other Transactions														#DIV/0!
Net Revenue Cashflows	573	625	59	9	4,009	9	9	4,009	9	9	4,009	9	13,337	1,111
Net Cash Surplus/(Deficit) excluding withdrawals	572	36,200	(122,141)	9	4,009	9	10,009	4,009	9	9	4,009	9	(63,289)	(5,274)
Contributions to Custody Cash	43,000	35,000												
Withdrawals from Custody Cash			(5,000)				(9,000)				(9,000)		(23,000)	(1,917)
Balance c/f	58,877	130,077	2,935	2,944	6,953	6,962	7,971	11,980	11,989	11,998	7,007	7,016	(86,289)	(7,191)

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	31/12/2023	
Liability Risk	2	There is insufficient cash available to the Fund to meet pension payments due to reduced income generated from underlying investments, leading to investment assets being sold at sub-optimal prices to meet pension obligations.	5	4	3	12	3	36	36	↔	TREAT 1) Cashflow forecast maintained and monitored. Cashflow position reported to sub-committee quarterly. 2) The Fund receives quarterly income distributions from some of its investments to help meet its short term pensions obligations. 3) The fund will review the income it receives from underlying investments and make suitable investments to meet its target income requirements.	2	24	31/12/2023	
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	↓	TORELATE 1) Partners for the pool have similar expertise and like-mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. 2) Monitor the ongoing fund and pool proposals are comprehensive and meet government objectives. 3)Fund representation on key officer groups. 4) Ongoing Shareholder Issue remains a threat 5) LCIV new CEO Dean Bowden has now started as of January 2023.	2	20	31/12/2023	
Asset and Investment Risk	4	Investment managers fail to achieve benchmark/ outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.25m.	5	3	2	10	4	40	40	↔	TREAT 1) The Investment Management Agreements (IMAs) clearly state LBHF's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. Outperformance for the year is 3% 3) The Pension Fund Committee is positioned to move quickly if it is felt that targets will not be achieved. 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.	2	20	31/12/2023	
Asset and Investment Risk	5	Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	5	3	2	10	3	30	30	↔	TREAT 1) Proportion of total asset allocation made up of equities, fixed income, property funds and other alternative asset funds, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Actuarial valuation and strategy review take place every three years post the actuarial valuation. 4) IAS19 data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data.	2	20	31/12/2023	
Asset and Investment Risk	6	Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales	3	2	1	6	3	18	18	↑	TOLERATE 1) Officers consult and engage with DLUHC, LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Uncertainty surrounding new DLUHC guidance	3	18	31/12/2023	
Asset and Investment Risk	7	London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	3	3	2	8	2	16	16	↓	TREAT 1) Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work carried out by the London CIV. 2) Officers continue to monitor the ongoing staffing issues and the quality of the performance reporting provided by the London CIV.	2	16	31/12/2023	
Liability Risk	8	Impact of economic and political decisions on the Pension Fund's employer workforce.	5	2	1	8	2	16	16	↔	TOLERATE 1) The Fund Actuary uses prudent assumptions on future of employees within workforce. 2) Employer responsibility to flag up potential for major bulk transfers outside of the LBHF Fund. 3) Officers to monitor the potential for a significant reduction in the workforce as a result of the public sector financial pressures.	2	16	31/12/2023	
Asset and Investment Risk	9	Failure to keep up with the pace of change regarding economic, policy, market and technology trends relating to climate change	3	2	1	6	3	18	18	↔	TREAT 1) Officers regularly receive updates on the latest ESG policy developments from the fund managers. 2) The Pensions Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which engages with companies on a variety of ESG issues including climate change.	2	12	31/12/2023	
Asset and Investment Risk	10	Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in July 2019, the full impact of this decision is uncertain.  TCFD regulations impact on LGPS schemes currently under consultation and expected to come into force during 2023. Reporting expected to come into effect from December 2024.	3	2	4	9	3	27	27	↑	TREAT 1) Review ISS in relation to published best practice (e.g. Stewardship Code, Responsible Investment Statement) 2) The Fund currently holds investments all it passive equities in a low carbon tracker fund, and is invested in renewable infrastructure. 3) The Fund's actively invests in companies that are contributing to global sustainability through its Global Core Equity investment 4) The Fund has updated its ESG Policy and continues to review its Responsible Investment Policy 5) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors. 6) Officers attend training sessions on ESG and TCFD requirements.	2	18	31/12/2023	
Asset and Investment Risk	11	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	5	3	3	11	2	22	22	↔	TREAT 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Officers, alongside the Fund's advisor, set fund specific benchmarks relevant to the current position of fund liabilities. 3) Fund manager targets set and based on market benchmarks or absolute return measures.	1	11	31/12/2023	
Asset and Investment Risk	12	Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	20	20	↔	TREAT 1) At time of appointment, the Fund ensures advisers have appropriate professional qualifications and quality assurance procedures in place. 2) Committee and officers scrutinise, and challenge advice provided routinely.	1	10	31/12/2023	
Asset and Investment Risk	13	Financial failure of third party supplier results in service impairment and financial loss.	5	4	1	10	2	20	20	↔	TREAT 1) Performance of third party suppliers regularly monitored. 2) Regular meetings and conversations with global custodian (Northern Trust) take place. 3) Actuarial and investment consultancies are provided by two different providers.	1	10	31/12/2023	
Asset and Investment Risk	14	Failure of global custodian or counterparty.	5	3	2	10	2	20	20	↔	TREAT 1)At time of appointment, ensure assets are separately registered and segregated by owner. 2)Review of internal control reports on an annual basis. 3)Credit rating kept under review.	1	10	31/12/2023	
Asset and Investment Risk	15	Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	20	20	↔	TREAT 1) Adequate contract management and review activities are in place. 2) Fund has processes in place to appoint alternative suppliers at similar price, in the event of a failure. 3) Fund commissions the services of Legal & General Investment Management (LGIM) as transition manager. 4) Fund has the services of the London CIV.	1	10	31/12/2023	
Liability Risk	16	Failure to identify GMP liability leads to ongoing costs for the pension fund.	3	2	1	6	1	6	6	↔	TREAT 1) GMP to be identified as a Project as part of the Service Specification between the Fund and LPPA.	1	6	31/12/2023	
Liability Risk	17	Rise in ill health retirements impact employer organisations.	2	2	1	5	2	10	10	↔	TREAT 1) Engage with actuary re assumptions in contribution rates.	1	5	31/12/2023	
Liability Risk	18	Rise in discretionary ill-health retirements claims adversely affecting self-insurance costs.	2	2	1	5	2	10	10	↔	TREAT 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations.	1	5	31/12/2023	

Liability Risk	19	Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 1.7%.  Inflation continues to rise in the UK and globally due to labour shortages, supply chain issues, and high energy prices.	5	3	2	10	5	50	50	↔	TREAT 1) The fund holds investments in index-linked bonds (RPI protection which is higher than CPI) and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection. 2) Officers continue to monitor the increases in CPI inflation on an ongoing basis. 3) Short term inflation is expected due to a number of reasons on current course.	3	30	31/12/2023
Liability Risk	20	Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	2	22	22	↔	TOLERATE 1) The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. 2) The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.	2	22	31/12/2023
Liability Risk	21	Employee pay increases are significantly more than anticipated for employers within the Fund.  Persistently high inflation will potentially lead to unexpectedly high pay awards.	4	4	2	10	3	30	30	↔	TOLERATE 1) Fund employers continue to monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 3) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014). 4) Pay rises generally remain below inflation.	2	20	31/12/2023
Liability Risk	22	Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	4	2	1	7	2	14	14	↔	TOLERATE 1) Review "budgets" at each triennial valuation and challenge actuary as required. 2) Charge capital cost of ill health retirements to admitted bodies at the time of occurring. 3) Occupational health services provided by the Council and other large employers to address potential ill health issues early.	2	14	31/12/2023
Liability Risk	23	Impact of increases to employer contributions following the actuarial valuation.	5	5	3	13	2	26	26	↔	TREAT 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will stabilise employer rates when valuation concludes March 2023.	1	13	31/12/2023
Regulatory and Compliance Risk	24	Changes to LGPS Regulations	3	2	1	6	3	18	18	↔	TREAT 1) Fundamental change to LGPS Regulations implemented from 1 April 2014 (Change from final salary to CARE scheme). 2) Future impacts on employer contributions and cash flows will be considered during the 2019 actuarial valuation process. 3) Fund will respond to several ongoing consultation processes. 4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulations 8 (compulsory pooling) to be monitored.	2	12	31/12/2023
Liability Risk	25	Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	1	10	10	↔	TOLERATE 1) Political power required to effect the change.	1	10	31/12/2023
Liability Risk	26	Transfers out of the scheme increase significantly due to members transferring their pensions to DC funds to access cash through new pension freedoms.	4	4	2	10	1	10	10	↔	TOLERATE 1) Monitor numbers and values of transfers out being processed. If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values. 2) Evidence has shown that members have not been transferring out of the CARE scheme at the previously anticipated rates.	1	10	31/12/2023
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 sum, rather than percentage of payroll to maintain monetary value of contributions. 3) Cashflow position monitored monthly.	1	9	31/12/2023
Liability Risk	28	The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	4	2	1	7	4	28	28	↔	TREAT 1) Review at each triennial valuation and challenge actuary as required. 2) Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	2	14	31/12/2023
Regulatory and Compliance Risk	29	Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	4	2	1	7	2	14	14	↑	TREAT 1) Maintain links with central government and national bodies to keep abreast of national issues. 2) Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	7	31/12/2023
Employer Risk	30	Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	5	3	1	9	3	27	27	↔	TREAT 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	2	18	31/12/2023
Employer Risk	31	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.  Current economic conditions will cause strain on smaller employers.	5	3	3	11	2	22	22	↔	TREAT 1) Transferee admission bodies required to have bonds in place at time of signing the admission agreement. 2) Regular monitoring of employers and follow up of expiring bonds.	1	11	31/12/2023
Resource and Skill Risk	32	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	1	3	3	7	2	14	14	↔	TREAT 1) Change to LPPA has increased resilience in the administration service 2) Ongoing monitoring of contract and KPIs	2	14	31/12/2023
Resource and Skill Risk	33	Poor reconciliation process leads to incorrect contributions.	2	1	1	4	3	12	12	↔	TREAT 1) Reconciliation is undertaken by the pension fund team. Officers to ensure that reconciliation process notes are understood and applied correctly the team. 2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process.	2	8	31/12/2023
Resource and Skill Risk	34	Failure to detect material errors in bank reconciliation process.	2	2	2	6	2	12	12	↔	TREAT 1) Pensions team to continue to work closely with staff at HCC to smooth over any teething problems relating to the newly agreed reconciliation process.	1	6	31/12/2023
Resource and Skill Risk	35	Failure to pay pension benefits accurately leading to under or over payments.	2	2	2	6	2	12	12	↔	TREAT 1) There are occasional circumstances where under/over payments are identified. Where underpayments occur, arrears are paid as soon as possible, usually in the next monthly pension payment. Where an overpayment occurs, the member is contacted, and the pension corrected in the next month. Repayment is requested and sometimes this is collected over several months.	1	6	31/12/2023
Resource and Skill Risk	36	Unstructured training leads to under developed workforce resulting in inefficiency.	2	2	2	6	2	12	12	↔	TREAT 1) Implementation and monitoring of a Staff Training and Competency Plan as part of the Service Specification between the Fund and LPPA. 2) Officers regularly attend training seminars and conferences 3) Designated officer in place to record and organise training sessions for officers and members	1	6	31/12/2023
Resource and Skill Risk	37	Lack of guidance and process notes leads to inefficiency and errors.	2	2	1	5	2	10	10	↔	TREAT 1) The team will continue to ensure process notes are updated and circulated amongst colleagues in the Pension Fund and Administration teams.	1	5	31/12/2023
Resource and Skill Risk	38	Lack of productivity leads to impaired performance.	2	2	1	5	2	10	10	↔	TREAT 1) Regular appraisals with focused objectives for pension fund and admin staff.	1	5	31/12/2023
Resource and Skill Risk	39	Failure by the audit committee to perform its governance, assurance and risk management duties	3	2	1	6	3	18	18	↔	TREAT 1) Audit Committee performs a statutory requirement for the Pension Fund with the Pension Fund Committee being a sub-committee of the audit committee. 2) Audit Committee meets regularly where governance issues are regularly tabled.	2	12	31/12/2023



Resource and Skill Risk	40	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	4	3	3	10	2	20	20	↔	TREAT 1) Person specifications are used at recruitment to appoint officers with relevant skills and experience. 2) Training plans are in place for all officers as part of the performance appraisal arrangements. 3) Shared service nature of the pensions team provides resilience and sharing of knowledge. 4) Officers maintain their CPD by attending training events and conferences.	1	10	31/12/2023
Resource and Skill Risk	41	Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	3	27	27	↔	TREAT 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval) 2) Comprehensive training packages will be offered to members. 3) Co-opted members boost resilience.	2	18	31/12/2023
Resource and Skill Risk	42	Loss of 'Elective Professional Status' with any Fund managers and counterparties resulting in reclassification of fund from professional to retail client status impacting Fund's investment options and ongoing engagement with the Fund managers.	4	2	2	8	2	16	16	↔	TREAT 1) Keep quantitative and qualitative requirements under review to ensure that they continue to meet the requirements. 2) Training programme and log are in place to ensure knowledge and understanding is kept up to date. Two half day events have taken place in 22/23 and a third will take place before the end of March 2023. 3) Existing and new Officer appointments subject to requirements for professional qualifications and CPD.	1	8	31/12/2023
Resource and Skill Risk	43	Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding	2	2	1	5	4	20	20	↔	TREAT 1) Succession planning processes are in place. 2) Ongoing training of Pension Fund Committee members. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.	1	5	31/12/2023
Administrative and Communicative Risk	44	The Pension Fund is recruiting for a brand new retained HR and Pensions administration team, with finding candidates for all positions likely to be a challenge.	4	3	3	10	2	20	20	↔	TREAT 1) A task force of key stakeholders has been assembled. Officers to feed into the internal processes necessary for the setup of an effective retained pensions team 2) Recruitment is almost complete for the retained team 3) Officers have received handover pack from the departing RBKC retained pensions team. 4) Members have chosen the new service provider as the London Pensions Partnership, with a project team established to manage the transition, which has almost fully completed. 5) A number of staff have been recruited with few posts unfilled.	2	20	31/12/2023
Administrative and Communicative Risk	45	COVID-19 affecting the day to day functions of the Pensions Administration services including customer telephony service, payment of pensions, retirements, death benefits, transfers and refunds.	2	3	3	8	1	8	8	↔	TOLERATE 1) The Pensions Administration team have shifted to working from home 2) The administrators have prioritised death benefits, retirements including ill health and refunds. If there is any spare capacity the administrators will prioritise transfers and divorce cases. 3) Revision of processes to enable electronic signatures and configure the telephone helpdesk system to work from home. 4) Since the original outbreak the administrator has been able to return to business as usual	1	8	31/12/2023
Administrative and Communicative Risk	46	Failure of fund manager or other service provider without notice resulting in a period of time without the service being provided or an alternative needing to be quickly identified and put in place.	5	2	2	9	2	18	18	↔	TREAT 1) Contract monitoring in place with all providers. 2) Procurement team send alerts whenever credit scoring for any provider changes for follow up action. 3) Officers to take advice from the investment advisor on fund manager ratings and monitoring investment	2	18	31/12/2023
Administrative and Communicative Risk	47	Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	2	3	7	3	21	21	↔	TREAT 1) Process notes are in place. 2) Development of team members and succession planning improvements to be implemented. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs.	2	14	31/12/2023
Administrative and Communicative Risk	48	Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	4	4	3	11	2	22	22	↔	TREAT 1) Update and enforce admin strategy to assure employer reporting compliance. TOLERATE 1) Northern Trust provides 3rd party validation of performance and valuation data. Admin team and members can interrogate data to ensure accuracy.	1	11	31/12/2023
Administrative and Communicative Risk	49	Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	1	3	4	8	2	16	16	↔	TREAT 1) Contract in place with HCC to provide service, enabling smooth processing of supplier payments. 2) Process in place for LPPA to generate lump sum payments to members as they are due. 3) Officers undertaking additional testing and reconciliation work to verify accounting transactions.	1	8	31/12/2023
Administrative and Communicative Risk	50	Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	16	16	↔	TREAT 1) Disaster recovery plan in place as part of the service specification between the Fund and new provider LPPA 2) Ensure system security and data security is in place 3) Business continuity plans regularly reviewed, communicated and tested 4) Internal control mechanisms ensure safe custody and security of LGPS assets. 5) Gain assurance from the Fund's custodian, Northern Trust, regarding their cyber security compliance.	1	8	31/12/2023
Administrative and Communicative Risk	51	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	1	2	4	7	2	14	14	↔	TREAT 1) In the event of a pension payroll failure, we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers.	1	7	31/12/2023
Administrative and Communicative Risk	52	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	1	1	1	3	3	9	9	↔	TREAT 1) Pension administration records are stored on the LPPA servers who have a disaster recovery system in place and records should be restored within 24 hours of any issue. 2) All files are backed up daily.	2	6	31/12/2023
Regulatory and Compliance Risk	53	Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation.	3	3	5	11	2	22	22	↔	TREAT 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2) LBHF IT data security policy adhered to. 3) Implementation of GDPR 4) Project team in place to ensure smooth transition	1	11	31/12/2023
Regulatory and Compliance Risk	54	Failure to comply with recommendations from the Local Pensions Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator	1	3	5	9	2	18	18	↔	TREAT 1) Ensure that a cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	9	31/12/2023
Reputational Risk	55	Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	3	2	5	10	2	20	20	↔	TREAT 1) Third parties regulated by the FCA and separation of duties and independent reconciliation processes are in place. 2) Review of third party internal control reports. 3) Regular reconciliations of pensions payments undertaken by Pension Finance Team. 4) Periodic internal audits of Pensions Finance and HR Teams.	1	10	31/12/2023
Reputational Risk	56	Financial loss of cash investments from fraudulent activity	3	3	5	11	2	22	22	↔	TREAT 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. 2) Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal audit assist in the implementation of strong internal controls. Processes recently firmed up 3) Fund Managers have to provide annual SAE16 and SAE3402 or similar documentation (statement of internal controls).	1	11	31/12/2023
Reputational Risk	57	Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	5	2	4	11	2	22	22	↔	TREAT 1) Officers maintain knowledge of legal framework for routine decisions. 2) Eversheds retained for consultation on non-routine matters.	1	11	31/12/2023

Reputational Risk	58	Inaccurate information in public domain leads to damage to reputation and loss of confidence	1	1	3	5	3	15	15	↔	TREAT 1) Ensure that all requests for information (Freedom of Information, member and public questions at Council, etc) are managed appropriately and that Part 2 Exempt items remain so. 2) Maintain constructive relationships with employer bodies to ensure that news is well managed.	2	10	31/12/2023
Reputational Risk	59	Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non-compliant process	2	2	3	7	2	14	14	↔	TREAT 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process. 2) Pooled funds are not subject to OJEU rules.	1	7	31/12/2023
Regulatory and Compliance Risk	60	Non-compliance with regulation changes relating to the pension scheme or data protection leads to fines, penalties and damage to reputation.	3	3	2	8	2	16	16	↔	TREAT 1) The Fund has generally good internal controls regarding the management of the Fund. These controls are assessed on an annual basis by internal and external audit as well as council officers. 2) Through strong governance arrangements and the active reporting of issues, the Fund will seek to report all breaches as soon as they occur in order to allow mitigating actions to take place to limit the impact of any breaches.	1	8	31/12/2023
Regulatory and Compliance Risk	61	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests	3	3	4	10	2	20	20	↔	TREAT 1) Publication of all documents on external website. 2) Officers expected to comply with ISS and investment manager agreements. 3) Local Pension Board is an independent scrutiny and assistance function. 4) Annual audit reviews.	1	10	31/12/2023