

Pensions Board

Agenda

Tuesday 27 February 2024

7.00 pm

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

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

MEMBERSHIP

Employer Representatives
Councillor Ashok Patel (Chair) Councillor Nikos Souslous
Scheme Member Representatives
William O'Connell Bruce Mackay Patsy Ishamel Andy Sharpe

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Date Issued: 19 February 2024

Pensions Board Agenda

27 February 2024

<u>Item</u>		<u>Pages</u>
1. APOLOGIES FOR ABSENCE		
2. DECLARATIONS OF INTEREST		
	<p>If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.</p> <p>At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.</p> <p>Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.</p> <p>Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Standards Committee.</p>	
3. MINUTES OF THE PREVIOUS MEETING		4 - 9
	<p>To agree the minutes of the meeting held on 7 June 2024 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>	
4. MINUTES OF THE PREVIOUS PENSION FUND COMMITTEE MEETINGS		10 - 38
	<p>To note the minutes of the Pension Fund Committee meetings held on</p>	

13th June, 31st July, 19th September, 24th October and 15th November,

*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.*

5. KEY PERFORMANCE INDICATORS 39 - 53

This paper sets out a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Council's Pension Fund.

6. PENSION ADMINISTRATION UPDATE 54 - 57

This paper provides a summary of activity in key areas of pension administration for the Council's Pension Fund.

7. PENSION FUND QUARTERLY UPDATE PACK 58 - 66

This paper provides the Pension Fund Board 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.*

8. 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

Pensions Board Minutes



Wednesday 7 June 2023

PRESENT

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

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

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

1. APOLOGIES FOR ABSENCE

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

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

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

RESOLVED

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

4. MINUTES OF PREVIOUS PENSION FUND COMMITTEE MEETINGS

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

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

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

RESOLVED

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

5. PENSION ADMINISTRATION UPDATE

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

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

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

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

ACTION: Eleanor Dennis

Noting from the report that the LPPA had acknowledged their unsatisfactory service but were committed to improving the service going forward with initiatives such as the introduction of a client relationship manager, a centralised mailbox and client forums in 2023, the Chair asked about the progress of these initiatives. Eleanor Dennis noted that the initiatives did not work out as expected, for example, the client relationship function was not effective and the centralised mailbox framework was pre-mature. Her team needed to process some issues/cases directly with the respective teams rather than via the client management forum such as those related

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

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

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

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

ACTION: Eleanor Dennis

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

ACTION: Eleanor Dennis

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

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

RESOLVED

The Board noted the contents of the report.

6. KEY PERFORMANCE INDICATORS

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

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

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

ACTION: Eleanor Dennis

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

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

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

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

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

RESOLVED

The Board noted the contents of the report.

7. PENSION FUND QUARTERLY UPDATE PACK

Exclusion of the public and press

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

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

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

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

Officers and members discussed the exempt appendices in private session.

RESOLVED

The Board noted the update.

8. DATE OF THE NEXT MEETING

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

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

See item 7.

Meeting started: 7.00 pm

Meeting ended: 7.46 pm

Chair

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Agenda Item 4

London Borough of Hammersmith & Fulham

Pension Fund Committee Minutes



Tuesday 13 June 2023

PRESENT

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

Co-opted members: Michael Adam and Iain Cassidy

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

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

1. **APOLOGIES FOR ABSENCE**

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

2. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED

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

CHANGE OF AGENDA ORDER

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

4. **KEY PERFORMANCE INDICATORS**

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

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

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

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

Noting that member surveys were conducted by sending emails after retirement, helpdesk interactions, bereavements, and joining the scheme, to allow LPPA to gather feedback and continue to improve the experience across the processing teams, Councillor Chevoppe-Verdier was keen to know about the outcome of these surveys. The Head of Pensions confirmed only a handful were received from LBHF members so unfortunately there was no qualitative data to share from these as they were such a small sample.

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

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

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

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

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

ACTION: Eleanor Dennis

RESOLVED

That the Committee noted the contents of this report.

5. PENSION ADMINISTRATION UPDATE

Eleanor Dennis (Head of Pensions) briefed members that the Hammersmith & Fulham Pension Fund (HFPPF) began its new partnership with the Local Pension Partnership Administration (LPPA) on 28 January 2022 and had completed a full 12 months of service. The service delivered by LPPA continued to face challenges that were monitored closely by the LBHF Head of Pensions. LPPA had acknowledged their unsatisfactory service and were committed to improving the service going forward with initiatives such as the introduction of a client relationship manager, a centralised mailbox and client forums in 2023.

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

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

ACTION: Eleanor Dennis

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

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

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

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

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

RESOLVED

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

6. DRAFT PENSION FUND STATEMENT OF ACCOUNTS

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

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

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

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

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

RESOLVED

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

7. PENSION FUND DRAFT INVESTMENT BELIEFS

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

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

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

RESOLVED

That the Committee commented on the draft investment beliefs statement.

8. PENSION FUND QUARTERLY UPDATE PACK

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

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

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

RESOLVED

That the Committee noted the update.

9. INVESTMENT STRATEGY UPDATE

Exclusion of the public and press

The Committee resolved, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following item of business, on the grounds that it contains the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the

exemption currently outweighs the public interest in disclosing the information.

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

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

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

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

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

RESOLVED

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

10. DATES OF FUTURE MEETINGS

The Committee noted the dates of future meetings:

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

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

See Item 6.

Meeting started: 7.04 pm
Meeting ended: 9.54 pm

Chair

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Pension Fund Committee Minutes



Monday 31 July 2023

PRESENT

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

Co-opted member: Michael Adam

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

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

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

1. APOLOGIES FOR ABSENCE

An apology for absence were received from Iain Cassidy.

2. DECLARATIONS OF INTEREST

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

3. RENEWABLE INFRASTRUCTURE AND FIXED INCOME MANAGERS

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

Exclusion of the public and press

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

the exemption currently outweighed the public interest in disclosing the information.

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

RESOLVED

The Committee agreed to

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

4. DATE OF THE NEXT MEETING

The Committee noted the dates of future meetings:

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

5. EXCLUSION OF THE PUBLIC AND PRESS

Please see item 3.

Meeting started: 7.38 pm
Meeting ended: 8.23 pm

Chair

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Pension Fund Committee Minutes



Tuesday 19 September 2023

PRESENT

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

Co-opted members: Michael Adam

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

Guests:

Kevin Humpherson (Advisor, Isio Group)

Jonny Moore (Advisor, Isio Group)

Marian George (Investment Consultant)

1. APOLOGIES FOR ABSENCE

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

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED

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

4. DRAFT MINUTES OF THE PREVIOUS PENSION BOARD MEETING

RESOLVED

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

5. KEY PERFORMANCE INDICATORS

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

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

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

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

ACTION: Eleanor Dennis

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

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

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

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

RESOLVED:

That the Committee noted the update.

6. PENSION ADMINISTRATION UPDATE

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

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

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

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

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

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

ACTION: Eleanor Dennis

RESOLVED

That the Committee noted the update.

7. COMMUNICATION POLICY

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

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

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

ACTION: Eleanor Dennis

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

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

RESOLVED

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

8. BUY AND MAINTAIN CREDIT MANAGER SELECTION

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

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

RESOLVED

That the Committee:

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

9. NEXT STEPS ON INVESTMENTS GOVERNMENT CONSULTATION

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

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

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

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

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

ACTION: Phil Triggs

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

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

RESOLVED

That the Committee noted the update.

10. DRAFT ANNUAL REPORT 2022/23

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

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

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

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

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

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

ACTION: Phil Triggs

RESOLVED:

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

11. INTERNAL AUDIT RESULTS

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

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

ACTION: Phil Triggs

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

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

ACTION: Sukvinder Kalsi

RESOLVED

That the Committee noted the update.

12. PENSION FUND QUARTERLY UPDATE PACK

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

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

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

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

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

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

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

RESOLVED

That the Committee noted the update.

13. DATES OF FUTURE MEETINGS

The Committee noted the dates of future meetings:

- 15 November 2023
- 20 February 2024

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

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

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

Chair

Contact officer: Amrita White
Committee Co-ordinator
Governance and Scrutiny
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Pension Fund Committee Minutes



Tuesday 24 October 2023

PRESENT

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

Co-opted members: Peter Parkin

Officers: Eleanor Dennis (Head of Pensions)

Guests:

Jo Darbyshire (LPPA)

William O'Connell (Pensions Board)

Patsy Ishmael (Pensions Board)

Bruce Mackay (Pensions Board)

1. **APOLOGIES FOR ABSENCE**

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

2. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

3. **KEY PERFORMANCE INDICATORS**

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

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

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

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

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

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

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

ACTION: Eleanor Dennis

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

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

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

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

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

ACTION: Eleanor Dennis

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

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

RESOLVED:

That the Committee noted the update.

4. PENSION ADMINISTRATION UPDATE

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

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

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

ACTION: Eleanor Dennis

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

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

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

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

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

RESOLVED:

That the Committee noted the update.

5. FUND EMPLOYER CESSATIONS

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

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

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

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

RESOLVED:

That the Pension Fund Committee:

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

6. DATE OF THE NEXT MEETING

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

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

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

Pensions Board members left the meeting.

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

Chair

Contact officer: Amrita White
Committee Co-ordinator
Governance and Scrutiny
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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 19th September and 24th October 2023 were approved.

Marian George (Independent Investment Advisor) requested some amendments to the exempt minutes (19th 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 1st July 2023 to 30th 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 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 19th 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 20th 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 Board

Date: 27/02/2023

Subject: Key Performance indicators

Report author: Eleanor Dennis, Head of Pensions

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

This paper sets out a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Hammersmith & Fulham Pension Fund. The Key Performance Indicators (KPIs) for the period April – December 2023, i.e., Quarter 1 (Q1) to Quarter 3 (Q3) inclusive only Q3 are shown in the Appendix 1. Q1 and Q2 are included in the Pension Fund Committee papers.

RECOMMENDATIONS

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

Wards Affected: None

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

Finance Impact

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

Sukvinder Kalsi, Director of Finance, 13th 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. 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) 13th February 2024

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Analysis of Performance

1. The KPIs have been set out in the discharge agreement between the LPPA (Local Pension Partnership Administration) and the London Borough of Hammersmith & Fulham (LBHF). The Head of Pensions ensures performance measures are discussed and reviewed between both parties on a monthly basis in accordance with Code 14 of the Pension Regulator’s Code of Practice that states that the scheme manager should hold regular meetings with their service providers to monitor performance.
2. This report covers the performance of our administration partner LPPA over Q3 and Q4 of the pension fund scheme year 2022/23. The KPI’s detailed in Appendix 1 of the pension administration report cover the period 01 October 2022 to 31 December 2022 and 01 January 2022 to 31 March 2023 inclusive.
3. During the period September to December 2023, quarter 3 (Q3), LPPA processed 1409 SLA cases, which was an 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.

Performance in key areas

4. 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% in Q3 compared to 85.7% in Q2 and 84.1% in Q1. 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 and 87.9%.
5. 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 but improved on the 85.7% delivered in Q1. The Head of Pensions continues to work with the LPPA team to improve this performance.
6. Transfers – There was 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 in Q1 and Q2 with 100% of transfer ins cases in Q3 processed on time and consistently good performance also for transfer out cases as 98.9% were processed on time in Q2 and Q3 and 96.3% in Q1.
7. Refunds – Performance on this case type is consistently good with 99.2% achieved in Q1 and 98.6% of cases processed on time in Q2 and Q3.
8. 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

9. We have seen an improvement in the pension administration service provided between Quarter 1 and Quarter 3 by LPPA. We remain hopeful that this will remain consistent and quality in service experienced by LBHF pension team will also improve. The Head of Pensions has had assurances from LPPA senior management team that quality will improve and that service delivery will be maintained at a target hitting level.
10. None

Risk Management Implications

11. None

Climate and Ecological Emergency Implications

12. None

Consultation

13. None

LIST OF APPENDICES

Appendix 1 – LPPA Q3 KPI report for Hammersmith & Fulham Pension Fund

OUR



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TO BE
THE PENSION
ADMINISTRATOR
OF CHOICE
TO THE
PUBLIC SECTOR



LPP

Local Pensions Partnership
Administration

Hammersmith & Fulham Pension Fund

Quarterly Administration Report

1st October – 31st December 2023

lppapensions.co.uk

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Helpdesk Calls Performance	8

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

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

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

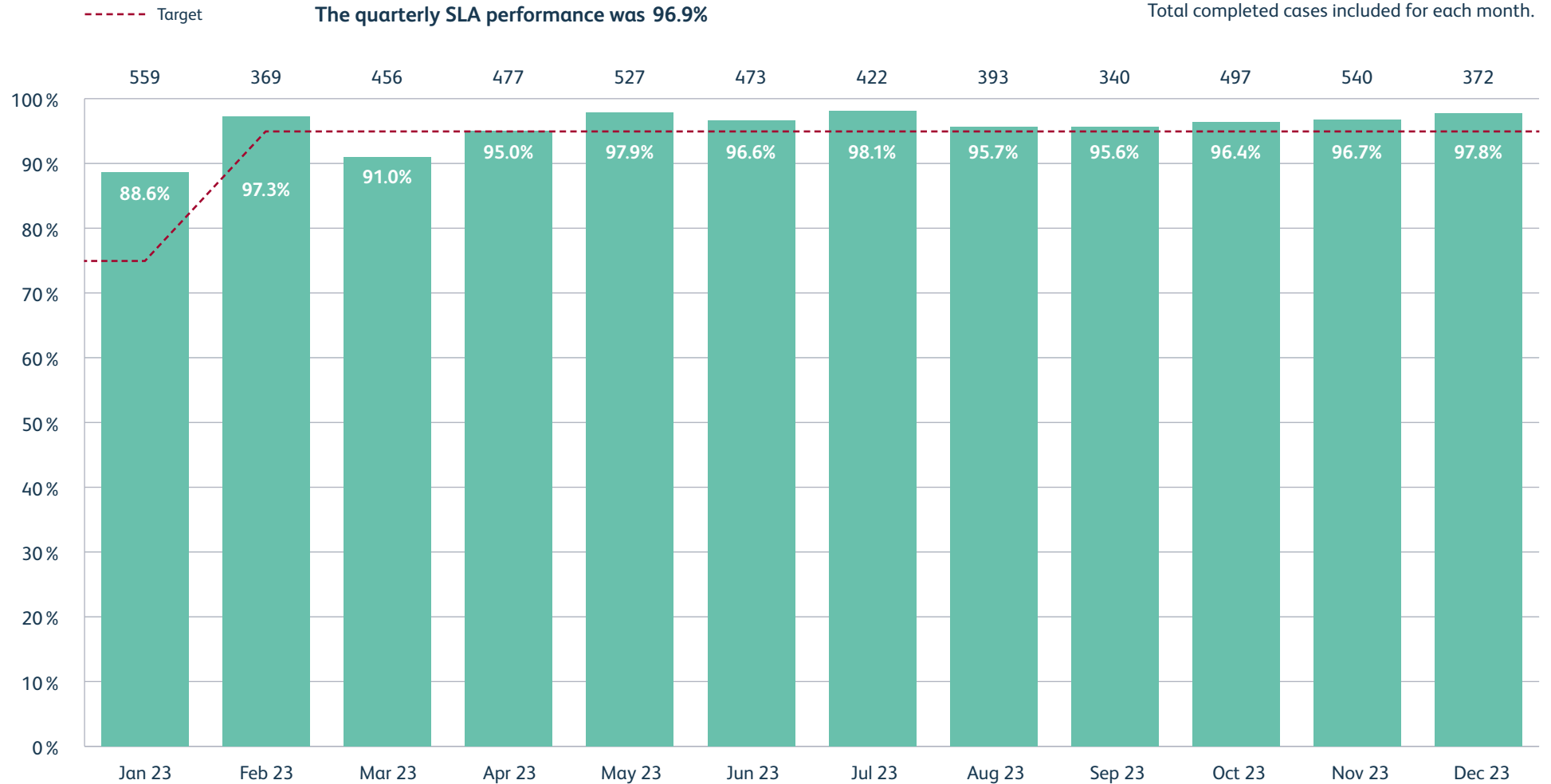
Please note:

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%)

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Helpdesk Calls Performance

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

In this section...

- Wait time range
- Calls answered

HELPDESK CALLS PERFORMANCE



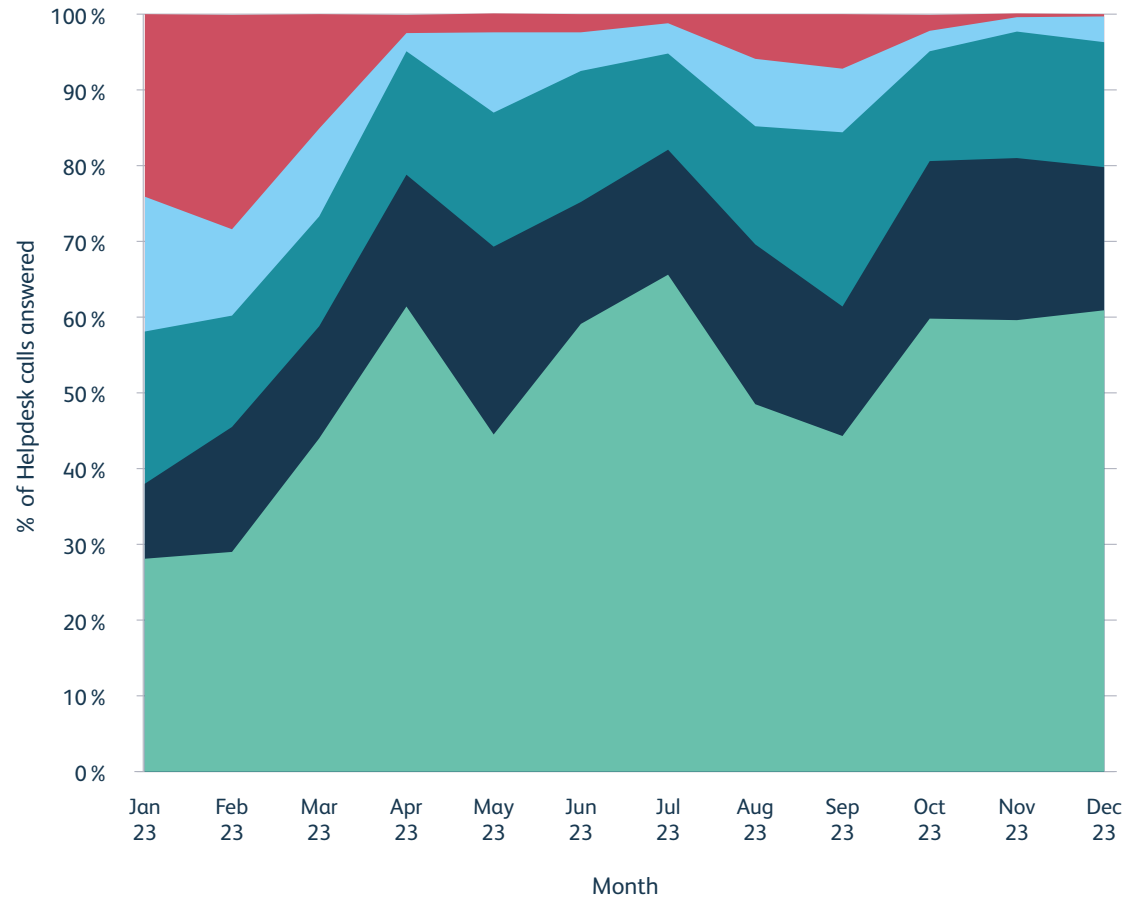
WAIT TIME RANGE

CLIENT SPECIFIC

Page 51

	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%

■ Under 2 mins
 ■ 2 to 5 mins
 ■ 5 to 10 mins
 ■ 10 to 15 mins
 ■ Over 15 mins



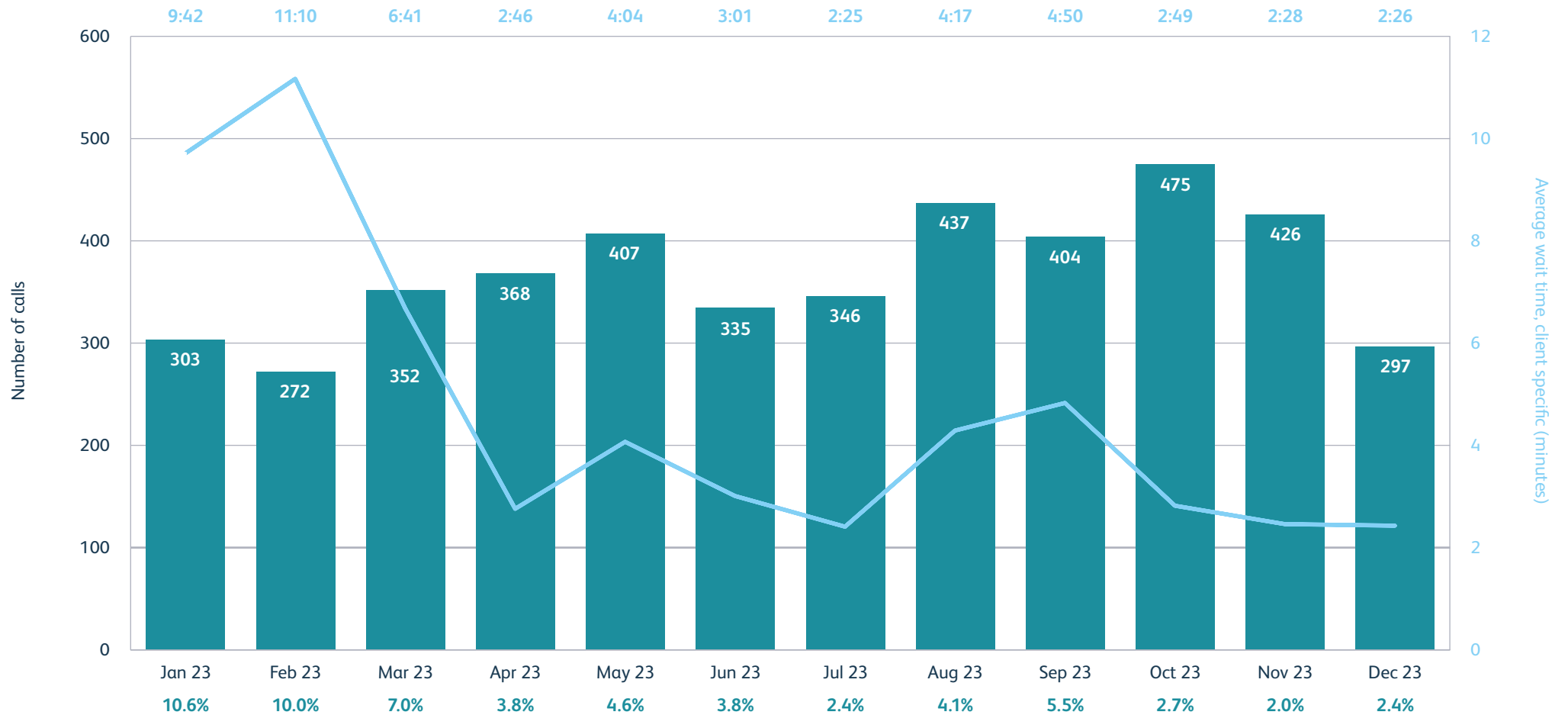
HELPDESK CALLS PERFORMANCE



CALLS ANSWERED

CLIENT SPECIFIC

— Average wait time (mm:ss)



LPP

Local Pensions Partnership
Administration

Agenda Item 6

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Board

Date: 27/02/2024

Subject: Pension Administration Update

Report author: Eleanor Dennis, Head of Pensions

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

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

RECOMMENDATIONS

The Pension Board is asked to consider and note the contents of this report and agree the increase pension administration providers increased budget.

Wards Affected: None

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

Finance Impact

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

Sukvinder Kalsi, Director of Finance 13th 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. This report seeks approval for an increase in the budget to be paid to LCC for 22/23 from £384,084 plus VAT to £399,000 plus VAT because of increased IT and resourcing costs and to £399,000 in 23/24 for the additional work anticipated for regulatory change for the pensions dashboard and Mc Cloud judgement, as well as further investment in the training and development of staff. Clause 5.1 of the Discharge Agreement with LCC deals with how the budget is set annually – by LCC sending a proposed budget for the next financial year to be agreed by the Council. This report finalises the process and recommends that the budget proposed by LCC is agreed.

Angela Hogan, Chief Solicitor (Contracts and Procurement) 13th February 2024

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Analysis of Pension Administration

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

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

a centralised mailbox, training academy and client and employer forums in 2023.

Update on key areas

2. Employers – Engagement from employers on monthly files being submitted has increased to 73% however 48% are not up to date. LPPA have been slow to engage with employers and it is hoped this does not impact on ABS exercise.
3. Complaints – Unfortunately the number of complaints being worked on by LPPA has increased, 25 were received in Q2. The number of complaints being worked on decreased in Q3 to 14 from 25 in Q2. LPPA are starting to provide clearer reporting in this area which will help the Fund to have a better visibility of activity in this area.
4. Communications – The number of calls to the LPPA Helpdesk rose slightly in Q3 to 1198 from 1187 calls received in Q2 compared to 1110 received in Q1. The service provision continues to improve, in Q3 average call wait times were 2 minutes which LPPA are successfully bringing down.
5. Helpdesk - The average wait time fell in Q2 to 4 minutes 4 seconds in Q2 and continued to fall in Q3 to 2 minutes 34 seconds after a peak in August of 4 minutes 17 seconds with an 2.4% abandonment rate across all calls.
6. Engagement – There continues to be a positive trend from all membership groups engaging with the online portal. The end of Q3 saw 4939 members registered with the online portal. This is up by 429 from the end of Q1.
7. 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.
8. Cyber security – LPPA understands the importance of keeping our members data safe and has implemented a number of procedures and technologies to maintain this data securely.
9. 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. LPPA had a recent audit carried out by KPMG which was satisfactory.
10. Overpayments – The LBHF pensions team continue to work with LPPA and the LBHF debt recovery teams to try to recover further outstanding overpayment funds.
11. Pension Administration services budget – The LPPA budget is in line with the agreed costs for 23/24 of £468,115. However the costs for 24/25 look to be significantly higher due to busy legislative directives such as pensions dashboard, McCloud, increased membership numbers. As well as increased wage inflation and higher third party costs, which will be presented to the Pension Fund Committee for consideration and approval.

Conclusion

The pension administration service delivered by LPPA continues to show some signs of improvement, although the Fund is disappointed to see delivery under target in key areas of active retirements and deaths and some continued issues with quality. LPPA do however to take onboard constructive feedback and are keen to improve.

Equality Implications

12. None

Risk Management Implications

13. None

Climate and Ecological Emergency Implications

14. None

Consultation

15. None

Appendices

None

Agenda Item 7

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pensions Board

Date: 27 February 2024

Subject: Pension Fund Quarterly Update Pack

Report author: Ruby Vuong, Tri-Borough Shared Service Pension Fund Manager

Responsible Director: Phil Triggs, Director of Treasury and Pensions

SUMMARY

This paper provides the Pension Fund Board 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. The Pension Fund Board is recommended to note the update.
-

Wards Affected: None.

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

Financial Impact

None

Legal Implications

None

DETAILED ANALYSIS

LBHF Pension Fund Quarterly Update: 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=eyJrljoiYjc2ZTEyZjltODI0Yi00NzY2LWJkNTMtODAwYjNINWNjYTQ5IiwidCI6IjUwZDhjMTE1LWl3N2YtNDM5NS1hM2JhLTNiNDk3Y2FmMGQ4OCIsImMiOiJh9>

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 to trending up. 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	F'cast
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	Annual	Monthly
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	Total	Total
Balance b/f	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
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	3,909	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	F'cast
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	Annual	Monthly
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	Total	Total
Balance b/f	15,305	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	↓	TOLERATE 1) Partners for the pool have similar expertise and like-mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. 2) Monitor the ongoing fund and pool proposals are comprehensive and meet government objectives. 3) Fund representation on key officer groups. 4) Ongoing Shareholder Issue remains a threat 5) LCIV new CEO Dean Bowden has now started as of January 2023.	2	20	31/12/2023
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) The 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 its 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 (LGIIM) 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 RMP 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 sums, 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 to 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 firming up 3) Fund Managers have to provide annual SAE16 and ISAE3402 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