London Borough of Hammersmith & Fulham

# Pension Fund Committee

## Agenda

**Tuesday 23 July 2024 at 7.00 pm**
**Conference Room 1,145 King Street (Ground Floor), Hammersmith, W6 9XY**

### MEMBERSHIP

| Administration | Opposition |
|---|---|
| Councillor Ross Melton (Chair)<br>Councillor Florian Chevoppe-Verdier<br>Councillor Laura Janes<br>Councillor Adam Peter Lang | Councillor Adrian Pascu-Tulbure |
| **To be appointed (co-opted members)** | |
| Michael Adam<br>Peter Parkin | |

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

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

Date Issued: 11th July 2024

Date Updated: 22nd July 2024

# Pension Fund Committee
## Agenda

| **Item** | | **Pages** |
|---|---|---|
| 1. | **APPOINTMENT OF VICE CHAIR** | |
| 2. | **APPOINTMENT OF CO-OPTED MEMBERS**<br>The Committee is asked to appoint Michael Adam and Peter Parkin as non-voting co-opted members for the 2024/25 Municipal Year. | |
| 3. | **MINUTES OF THE PREVIOUS MEETING**<br>To approve the open and exempt minutes of the meeting held on 20th February 2024 as an accurate record.<br><br>*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 - 10 |
| 4. | **DRAFT MINUTES OF THE PREVIOUS PENSIONS BOARD MEETING**<br>To note the minutes of the Pensions Boad meeting held on 27th February 2024. | 11 - 15 |
| 5. | **APOLOGIES FOR ABSENCE** | |
| 6. | **DECLARATIONS OF INTEREST**<br>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.<br><br>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.<br><br>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.

Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Standards Committee.

recommendation of a decision to be made by the Committee with reference to Fund employers that have ceased in the Fund but have a surplus at the time that they are ceasing to be a participating employer in the Fund. The recommendation is that the surpluses are processed as detailed in exempt appendix 1.

*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*.

## 14. 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.

**London Borough of Hammersmith & Fulham**

# Pension Fund Committee

## Minutes

**Tuesday 20 February 2024**

**PRESENT**

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

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

**Officers:** Phil Triggs (Tri borough Director of Treasury and Pensions), Sian Cogley (Pension Fund Manager), Mathew Dawson (Strategic Investment Manager), David Hughes (Tri borough Director of Audit Risk Fraud) and Eleanor Dennis (Head of Pensions)

Marian George (Independent Investment Advisor)

**External**
Andrew Singh and Jonny Moore (Isio Group)
Heather Brown and Darryl Murphy (Aviva Investors)

### 1. APOLOGIES FOR ABSENCE

Apologies of absence were received from Councillor Adam Peter Lang

### 2. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 3. MINUTES OF THE PREVIOUS MEETING

Marian George (Independent Investment Advisor) requested that the following be amended under page 64 under (Investment strategy statement):

*The word **liquid** to be placed with the word **illiquid** in the second and fourth lines as it affects the meaning.*

**RESOLVED**
That the open and exempt minutes of the meetings held on 15th November 2023 were approved.

## 4. 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 Q3 Pension Fund scheme year 2023/24. The Key Performance Indicators (KPIs) detailed in Appendix 1 of the pension administration report covered the period 1 September 2023 to 31st December 2023 inclusive.

During this period LPPA processed 1409 SLA cases, which was an increase of 254 cases from Q2 for the Hammersmith & Fulham (H&F) 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. LPPA did however take onboard constructive feedback on areas in which they needed to improve. This would continue to be closely managed by the Head of Pensions.

Councillor Florian Chevoppe-Verdier thanked Eleanor Dennis and her team for their hard work in achieving the improvement with LPPA's performance. Referring to page 13 of the agenda pack, he asked for further clarification about the changes in LPPA being constructive with the Council. In response Eleanor Dennis noted that LPPA had changed their operations director, who had been very responsive to issues and engaged well with the team. Additionally, service level agreement (SLA) performance was being reviewed on a weekly basis, ensuring improved planning was in place.

Councillor Adrian Pascu-Tulbure commented that he was pleased to see an improvement in performance, particularly the reduction in wait time for calls. He suggested that now would be a good time to measure performance for deaths against the targets set by the pension Fund. Eleanor Dennis noted that LPPA were planning to examine how they measure performance in 2024/25 and asses if the SLAs were realistic to achieve. An update would be provided at a future Commitete.

Councillor Laura Janes commented that the report was very helpful and encouraging to see KPI's improving in the right direction. She enquired about the areas that were underperforming, including how LPPA planned to meet their KPI's in those areas and if they had shared a plan on when they would improve in those areas. Eleanor Dennis confirmed that regular client meetings were being held on a monthly basis to review SLA performance. LPPA were actively engaging with officers and gathering feedback from officers regarding any concerns or issues raised. Additionally, they had implemented more robust systems and made changes within the bereavement teams to ensure more effective ways of working. Given continued increase in the number of priorities such as McCloud, pensions dashboard and the employers monthly file submission they had not provided a timeline of when they would achieve targets in all areas. However were committed to continually improving KPI performance.

Councillor Ross Melton echoed thanks to the LBHF pensions team.

**RESOLVED**
That the Pension Fund Committee considered and noted the contents of this report.

## 5. 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. Engagement with employers had increased with 73% now having submitted a monthly file however 48% were not up to date.

Challenges included increasing complex legislation, data challenges, limited resources, and difficulty in engaging with employers. Therefore, implementation of solutions and improvements often took months or years to be fully adopted and the full benefits to be realised. It was noted that the LPPA budget 2024/25 would be brought to the next meeting. In addition, it was highlighted that the annual customer engagement event was scheduled for later this year and Eleanor Dennis would be attending this.

Referring to page 28 of the agenda pack, Councillor Florian Chevoppe-Verdier asked for further clarification to be provided on the nature of the complaints and how LPPA were providing clearer reporting to officers. Eleanor Dennis noted that LPPA received a total of 10 new complaints in December 2023, this primarily related to retirement cases. 4 complaints were carried over from Q2. The reporting allowed officers to review the number of cases closed or upheld within a particular month and the nature of the complaints raised. He also thanked Eleanor Dennis for continued commitment to the Fund and liaising with other clients to understand shared experiences.

**RESOLVED**
That the Pension Fund Committee considered and noted the contents of this report.

## 6. PENSION FUND CONSULTANT REVIEW

Sian Cogley (Pension Fund Manager) provided a summary of the key points. It was noted in line with best practice, the performance of the investment consultant against the objectives should be reviewed on an annual basis and the objectives updated at least every three years or when there had been a material change in investment approach. As shown in Appendix 1, the consultant's performance over the past year had been to a generally 'Excellent' standard and the Pension Fund remained pleased with the work that the consultant continued to carry out in advising the fund on its investment strategy.

Councillor Florian Chevoppe-Verdier asked for further clarification to be provided on who carried out the evaluation for the consultant review. In response Sian Cogley noted that that it was conducted by officers.

Marian George (Independent Investment Advisor) commented whilst it was good practice to measure the performance of the investment consultant, she suggested extending the practice to assess her role as an independent advisor by circulating a survey to the Committee.

**Action: Phil Triggs**

Michael Adam (Co-opted Member) enquired whether there was a set rule in place regarding the duration for which an investment consultant could be appointed before needing to select a different candidate. In response Phil Triggs (Tri borough Director of Treasury and Pensions) noted that there was no specific rule in place. However, once the current contract with Isio had expired, officers would explore the market for a refresh of available options and present them to the Committee.

The Chair asked for further clarification to be provided around how long Isio had been advising the Pension Fund. Phil Triggs confirmed that the Council's relationship with Deloitte started in 2012.

**RESOLVED**

That the Pension Fund Committee noted and commented on the report with a view to approving for the Pension Fund's investment consultant, Isio.

## 7. PENSION FUND BUSINESS PLAN OUTTURN 2022-23

Sian Cogley (Pension Fund Manager) provided a summary of the key points. The second business plan was presented to the Pension Fund Committee on 28 February 2022. This report compared the outturn against the forecast made at that time, and comments on each objective outlined.

Referring to Page 42 of the agenda, Councillor Adrian Pascu-Tulbure, commented that he had noticed a disparity between the expected and received contract fees. He requested additional clarification regarding this matter. Sian Cogley explained that officers had anticipated this at the time, due to transition in house with LPPA from Surrey County Council. She also mentioned that auditor fees were expected to increase by a third.

**RESOLVED**

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

## 8. PENSION FUND BUSINESS PLAN 2024/25

Sian Cogley (Pension Fund Manager) provided a summary of the key points. This was the third pension fund business plan presented to the Pension Fund Committee and sets out the short-term objectives and a financial forecast for 2023/24 and 2024/25. It was attached at Appendix 1.

An outturn report would be presented to the Pension Fund Committee to update members on progress and present outcomes with an outturn cost summary.

**RESOLVED**

That the Pension Fund Committee:

1. Considered the 2024/25 business plan (at Appendix 1).
2. Approved the 2024/25 attached business plan (included at Appendix 1).

## 9. AVIVA PRESENTATION

Phil Triggs (Tri borough Director of Treasury and Pensions) provided a summary of the key points. At the meeting of the 20th June 2022 the Pension Fund Committee decided to redeem their allocation from the Aviva Investors Infrastructure Income Fund. The redemption monies were due back to the Council's Pension Fund by 31 December 2023.

Officers had been informed that there would be a delay to the receipt of the full redemption. The first tranche of redemption payments (£5m) was paid on 30th January 2024, but the remainder of the redeemed monies would not be available to be paid back to the Fund until Q2 2024.

Michael Adam (Co-opted Member) asked for further clarification on the total value of the remaining redeemed monies to the Council. In response, officers confirmed that it was approximately £20mil.

Councillor Florian Chevoppe-Verdier enquired about the level of confidence officers had regrading Aviva's ability to meet their redemption deadline. In response Phil Triggs noted that his confidence level had diminished since his last engagement with Aviva. He suggested that the Committee needed to apply some pressure to address this concern when Aviva arrived.

Peter Parkin (Co-opted Member) enquired how the Council could protect itself from a similar situation occurring in the future. Phil Triggs explained that the initial appointment process for Aviva was robust and had a thorough due diligence process. The Investment Advisors, Isio, brought the recommendation to review the investment at the first inkling of the decline in product quality. Officers then brought the recommendation to disinvest to the Committee at the next meeting, who agreed with the recommendation and decided to divest. Officers and advisers would continue to apply the same high standard of monitoring in the future. Marian George and Andrew echoed his views.

Councillor Laura Janes requested that a short lessons learned/ review paper be brought to a Committee meeting upon receipt of the total outstanding redemption.

**Action: Phil Triggs**

*The remainder of the discussion was held in the exempt session.*

**RESOLVED**
That the Pension Fund Committee

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

## 10. PENSION FUND QUARTERLY UPDATE Q3 23-24

Sian Cogley (Pension Fund Manager) provided a summary of the key points. It was noted that this paper provided the Pension Fund Committee with a summary of the Pension Fund's overall performance for the quarter ended 31 December 2023.

**RESOLVED**
That the Pension Fund Committee

1. Agreed that Appendices 2a and 2b 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. Noted the contents of the report.

## 11. 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.

Meeting started: 7pm
Meeting ended: 10:15pm

Chair ...........................................................

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London Borough of Hammersmith & Fulham

# Pensions Board

## Minutes

**Tuesday 27 February 2024**

**PRESENT**

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

Co-opted members: Andy Sharp and William O'Connell
Bruce Mackay* Joined remotely.

Officers: Patrick Rowe (Strategic Finance Manager) and Eleanor Dennis (Head of Pensions)

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Patsy Ishmael.

**2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**3. MINUTES OF THE PREVIOUS MEETING**

**RESOLVED**
That the minutes of meeting held on 7th June 2023 were agreed as an accurate record.

**4. MINUTES OF THE PREVIOUS PENSION FUND COMMITTEE MEETINGS**

Referring to page 21 of the agenda pack, the Chair enquired about the McCloud remedy legislation and its implications. Eleanor Dennis (Head of Pensions) provided a brief summary of the McCloud remedy legislation, highlighting that McCloud remedy was implemented to remove age discrimination across public sector schemes. It was noted that Local Pensions Partnership Administration (LPPA) were being proactive in preparing for this. LPPA were working with the Fund and the Council's employers to ensure they had the data to comply with this requirement.

Referring to page 33 of the agenda pack, the Chair asked for further clarification to be provided regarding the KPI's not being met across all case types by LPPA between July – September 2023. In response Eleanor Dennis noted that the challenges included increasing complex legislation, data challenges, limited resources, the implementation of a new software platform and difficulty in engaging with employers, which meant some issues took longer to resolve. However, from the period September 2023 to December 2023 inclusive, the overall quarterly KPI performance had seen some improvement at 96.9%. This would continue to be closely managed by the Head of Pensions.

In response to a question asked by the Chair, Eleanor Dennis noted that a formal letter had been sent to LPPA in January 2024, detailing the Pension Fund Committee's concerns about their performance. In response the Committee had received an apology from LPPA, acknowledging the substandard service that the Pension Fund had received. Eleanor Dennis said that she would circulate a copy of the letter received from LPPA to Pension Board members outside this meeting.

**Action: Eleanor Dennis**

The Chair enquired whether the letter contained any sanctions and asked the next steps should LPPA fail to meet the expected standards in the next quarter. Eleanor Dennis explained that the letter did not include any sanctions and that LPPA would be given the opportunity to deliver on target service for quarter 4. A dedicated Pension Fund Committee meeting was scheduled for July 2024 and LPPA would be invited to present their case to the Committee.

The Chair congratulated officers for their achievement in receiving the pension fund of the year award.

**RESOLVED**

That the Pensions Board noted the contents of the report.

## 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 Q3 pension fund scheme year 2023/24. The Key Performance Indicators (KPIs) detailed in Appendix 1 of the pension administration report covered the period 1 September 2023 to 31st December 2023 inclusive.

During this period LPPA processed 1409 SLA cases, which was an increase of 254 cases from Q2 for the Hammersmith & Fulham (H&F) 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. LPPA did however take onboard constructive feedback on areas in which they needed to improve. This would continue to be closely managed by the Head of Pensions.

Referring to page 49 of the agenda pack, Councillor Nikos Souslous, requested additional clarification on why the estimates fell significantly below the target in comparison to other case types. He also asked why retirements, refunds and deaths had missed their 5 working day SLA target. Eleanor Dennis highlighted that the Fund and Head of Pensions expect LPPA to meet their targets across all case types. The challenges faced included staff shortages and training needs. The Operations & Commercial Director of LPPA has assured the Head of Pensions that measures would be taken within the respective departments to address these issues, such as ensuring adequate checkers were in place to improve performance to the expected standards.

Councillor Nikos Souslous commended Eleanor Dennis and her team for their dedicated efforts in achieving significantly enhanced performance regarding Helpdesk wait times.

The Chair congratulated Eleanor Dennis and her team for working with LPPA to achieve an improvement in help desk call wait times. He asked why 35% of the calls still took 2-10 minutes to answer. Eleanor Dennis noted that there were fluctuations on the volume of calls received, with Monday's being particularly busy. To address this LPPA increased staffing levels on Mondays to reduce wait times. Furthermore, their recruitment of a new manager in 2023 had proven successful in efficiently handling and closing calls and this would continue to be monitored closely.

**RESOLVED**
That the Pensions Board noted the contents of the report.

## 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. Engagement with employers had increased with 73% now having submitted a monthly file however 48% were not up to date. It was noted that the LPPA budget 2024/25, including costs of additional work would be presented at the next Pension Fund Committee.

Councillor Nikos Souslous asked for further clarification to be provided with regards to the anticipated cost increase. In response Eleanor Dennis noted that this would be approximately £100k and this would be presented to the Pension Fund Committee in June 2023.

The Head of Pensions responded to Councillor Nikos Souslous question re forthcoming legislation priorities such as the Pension Regulator's single Code, pension dashboard, the full impact of Mc Cloud and forthcoming data cleansing exercises.

In response to a question asked by the Chair, Eleanor Dennis highlighted the implementation of a new initiative at LPPA, the client relationship manager, aimed at enhancing relationships with clients in response to challenges experienced in the previous year. This proved useful in promptly understanding the Fund's concerns, addressing service issues, and collaborating with Head of Pensions and their other clients to enhance service delivery.

The Chair expressed concerns regarding the proposed budget increases by LPPA for 2024/25. While acknowledging some improvements in performance, the Chair noted that overall, LPPA had not met expected standards. Therefore, he felt that such performance did not warrant an increase in the budget. Eleanor Dennis noted that these concerns would be relayed to the Pension Fund Committee in June 2024.

**RESOLVED**
That the Pensions Board noted the contents of the report.

## 7. PENSION FUND QUARTERLY UPDATE PACK

Patrick Rowe ((Strategic Finance Manager) gave a summary of the pension fund's overall performance for the quarter ended 31st December 2023, cashflow update and forecast and the assessment of risks and actions taken to mitigate these. The total Fund delivered a positive return of 5.71% on a net of fees basis over the year to 31 December 2023.

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. At the same meeting the 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.

Referring to page 60 of the agenda pack, Councillor Nikos Souslous asked when the Council would expect the remainder of the redemption monies from Aviva. In response Patrick Rowe noted that progress on this from Aviva had been disappointing. This was being closely monitored and officers and the Pension Fund Committee had expressed their dissatisfaction with Aviva at the last Pension Fund Committee in February 2024. He highlighted that the first tranche of redemption payments (£5m) was not paid until January 2024 and based on the latest update from Aviva, confirmed that the remainder of the redeemed monies would not be available to be paid back to the Fund until Q2 2024.

Andy Sharpe (Co-opted Member) noted that it was interesting to observe the heavy investment of the H&F pension fund portfolio in America rather than the UK. He requested further clarification on the reasons behind this investment strategy. In response Patrick Rowe explained that this was not deliberate but rather a result of circumstances. He highlighted the main reasons for this, attributing it to the investment opportunities available. Noting that America being a large market, offered more attractive investment opportunities compared to the UK. Patrick highlighted the infrastructure and housing investments that the Fund has exposure to, which hold assets within in the UK.

In response to a question asked by the Chair, Patrick Rowe explained that the value of the monies from the Aviva redemption wasn't fixed at the point of redemption, instead it was based on the last valuation date before the funds were returned. Consequently, the Council was exposed to price movements, whether up or down during this period.

**RESOLVED**
That the Pensions Board noted the contents of the report.

Meeting started: 7:00pm
Meeting ended: 8:10pm

**Chair** ...........................................................

**Contact officer** Amrita White
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Minutes are subject to confirmation at the next meeting as a correct record of the proceedings and any amendments arising will be recorded in the minutes of that subsequent meeting.

LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 23 July 2024

**Subject:** Aviva Investors Presentation

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

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

## SUMMARY

This item provides the Pension Fund Committee with an opportunity to discuss the redemption process of the London Borough of Hammersmith and Fulham Pension Fund's allocation to Aviva's Infrastructure Income portfolio with the chief executive of the company.

## RECOMMENDATIONS

The Pension Fund Committee is recommended to discuss the shortcomings of the redemption process (Infrastructure Income portfolio) with Aviva.

**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

## BACKGROUND

**1.** At the meeting of the 20 June 2022 the Pension Fund Committee decided to redeem its allocation from the Aviva Investors Infrastructure Income portfolio. Officers handed in notice of termination in person at Aviva's London offices within the deadline set of 30 June 2022.

**2.** In Q3 of the 2022 financial year, Aviva confirmed that the redemption notice was received and that total redemptions from three individual investors for this annual 2022 window amounted to less than 10% of the NAV threshold. Therefore, no additional time was flagged outside the standard liquidity procedures.

**3.** The redemption monies were due back to the London Borough of Hammersmith and Fulham Pension Fund by 31 December 2023.

**4.** The first tranche of redemption payments (£5m) was paid on 30 January 2024, but the remainder of the redeemed funds will not be available to be paid back to the Fund until at least August 2024.

**5.** At the LBHF committee meeting of 20 February 2024, representatives from Aviva discussed updates to the redemption process with the committee and agreed a number of actions to improve communication of the process between Aviva and the LBHF Fund in future.

**6.** The Chair of the Pension Fund Committee also requested that representatives from Aviva should attend the next meeting of the Pension Fund Committee on 23 July 2024 to provide an additional update, should the final outstanding funds not have been paid to the Pension Fund by the date of the committee meeting. Final funds are still awaited.

### Risk Management Implications

None

### List of Appendices

None

# Agenda Item 8

## London Borough of Hammersmith & Fulham

| | |
|---|---|
| **Report to:** | Pension Fund Committee |
| **Date:** | 23 July 2024 |
| **Subject:** | Data Centres Opportunity |
| **Report author:** | Siân Cogley, Pension Fund Manager |
| **Responsible Director:** | Phil Triggs, Tri-Borough Director of Treasury and Pensions |


**Summary**

The purpose of this item is to provide the Committee with an introduction and overview of an investment opportunity in property data centres.


**Recommendations**

The Committee is requested to consider an allocation of pension fund assets to data centres.

**Wards Affected**

None.

**LBHF Priorities**

| Our Priorities | Summary of how this report aligns to the LBHF priorities |
|---|---|
| • Building shared prosperity | Being an outperforming investor means that as part of the Pension Fund's fiduciary duty, its investments should be able to assist in making a positive financial contribution, sharing prosperity and lessening the financial impact on council taxpayers. |

**Financial Impact**

The financial implications of these investments will be continually monitored to ensure that members' pensions are safeguarded. There is no direct financial impact as all costs and returns are segregated within the Pension Fund.

**Legal Implications**

None

**Asset Class Review**

## 1. Background

1.1. Data Centres are large industrial buildings, designed to house racks of computer servers for the storage of data and connecting internet traffic. They are an increasingly critical component of corporate and consumer dependence on technology.

1.2. The hyperscale data centre market size is projected to more than double in the next five years. Q4 2023 saw the strongest historical leasing activity globally.

1.3. This asset class is an alternative to traditional real estate and infrastructure investments. The portfolios are designed to produce returns primarily from rental payments (based on power capacity rather than traditional leases) and asset sales.

1.4. Investments can offer higher returns, given the specialised nature of data centres and a favourable demand/supply imbalance seen in the property market.

1.5. In terms of the tenants, operators run and lease the data centre capacity to the various users. Funds can target hyperscale cloud service providers, including AWS, Google and Microsoft.

1.6. These companies consume large quantities of data centre capacity and tend to have very high credit ratings, making them high quality tenants.

## 2. Investment Strategy

2.1. The key benefits and risks of the strategy set out by data centres are set out below.

**Benefits**

- Long-term stable cash flows with inflation-linked returns.

- Diversification is unique and has low correlation of returns relative to both other property sub asset classes and traditional asset classes like equities and fixed income.

- High credit quality of clients, accelerating demand and longer, healthier tenancy agreements.

**Risks**

- Underlying assets are illiquid and cannot easily be sold on the secondary market.

- The asset class is still relatively new and untested relative to other mainstream asset classes, with few asset managers in the market.

- Assets are not immediately operational with time taken to deploy capital and develop sites, carrying risk of time and cost overrun or constructor default.

## 3. Next Steps

3.1. The committee should consider this asset class. If data centres are deemed an attractive opportunity, and one which the Committee wishes to pursue further, proposed next steps are:

- Consider opportunities within the Fund's current investment portfolio where an allocation could potentially be implemented, and model potential alternative allocations.

- Consider the impact on the Fund's risk versus return characteristics, overall portfolio liquidity, cashflow profile, fees and wider ESG and impact considerations.

- Consider investment propositions within the data centres market and present these to the Committee for further attention.

## 4. Risk Management Implications

4.1. Risks are outlined in the report.

## 5. Other Implications

5.1. None.

## 6. Consultation

6.1. None.

**List of Appendices:**

**Appendix 1** – LBHF – Data Centres Initial Briefing Paper – April 2024

# London Borough of Hammersmith & Fulham Pension Fund



## Data Centre Investment Opportunity - Briefing Paper

April 2024

isio.

# Introduction and Background

## Addressee

- This paper has been prepared for the Pension Fund Committee ("the Committee") of the London Borough of Hammersmith & Fulham Pension Fund ("the Fund").

## Background

- The purpose of this paper is to provide the Committee with an introduction and overview of an investment opportunity in Data Centres - an asset class which Isio have identified as attractive.
- Specifically, this presentation provides detail on typical data centres assets and their tenant profile, why data centres are attractive for investors at the present time, alongside the pros and cons and risk vs return characteristics of the asset class relative to other available investments.



## Next Steps

- The Committee should consider this report. If data centres are deemed an attractive opportunity, and one which the Committee wish to pursue further, proposed next steps are:
- consider opportunities within the Fund's current investment portfolio where an allocation could potentially be implemented, and model potential alternative allocations
- consider the impact on the Fund's risk vs return characteristics, overall portfolio liquidity, cashflow profile, fees and wider ESG and impact considerations.
- consider investment propositions within the data centres market and present these to the Committee for further attention.

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# Asset Class Overview

This asset class is an alternative to traditional real estate and infrastructure investments. The portfolios are designed to produce returns primarily from rental payments (based on power capacity rather than traditional leases) and asset sales. Investments can offer higher returns given the specialised nature of data centres and a favourable demand-supply imbalance seen in the market.

## What are Data Centres?

- Large industrial buildings designed to house racks of computer servers for storing data and connecting internet traffic.
- They are connected to fibre optic cabling (to connect to the internet) and high-voltage power supplies (to cope the large energy requirements).

## Why Data Centres?



- Data centres are an increasingly critical component of both consumer and corporate dependence on technology.
- Digital data creation continues to grow at an exponential rate, leading to rapidly increasing demand for data centres. Capacity has tripled since 2015, whilst vacancy is at an all-time low (c.3% globally in prime markets).
- The hyperscale data centre market size is projected to more than double in the next 5 years. Q4 2023 saw the strongest historical leasing activity globally (c.1.5GW of new space).

## Who are the Tenants?

- Operators run and lease the data centre capacity to the various users.
- Funds can target hyperscale cloud service providers – these include AWS, Google and Microsoft. They consume large quantities of data centre capacity and tend to have very high credit ratings, making them high quality tenants.
- These companies are likely to sign long-term leases (3-15 years) for large portions of the data centre's capacity (2-100MW) which are often inflation linked.
- Tenants can also include enterprise users, as small to large multinational companies lease and operate their data in data centres, however their requirements are typically much less.

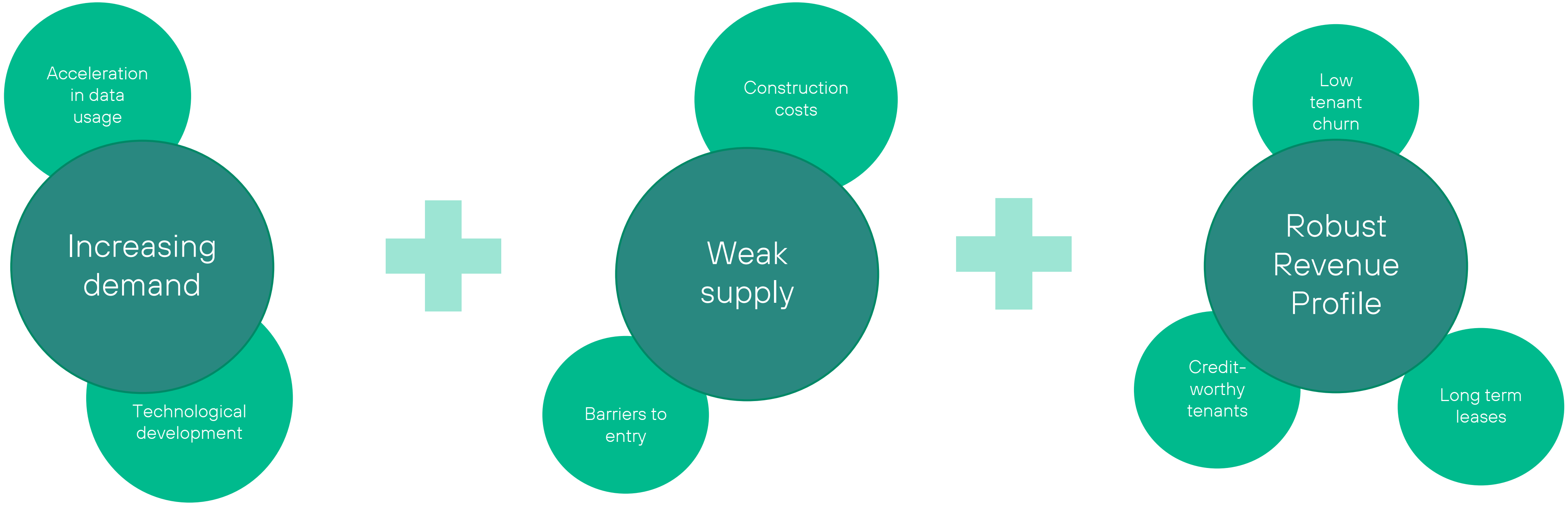
## Typical Characteristics

| | | | |
|---|---|---|---|
| **Expected Return** | Low | High | **c.15%+ net IRRs** |
| **Credit Quality** | Low | High | **High** |
| **Shape of Outcomes** | 0% Contractual | 100% Contractual | **Leases and exit multiples** |
| **Capacity Lease** | Low | High | **High capacity** |
| **Diversification** | Concentrated | Highly Diversified | **Concentrated** |
| **Management Fee** | Low | High | **0.85% to 1.5%** |
| **Performance Fee** | Low | High | **20% over hurdle** |

## Implementation Considerations

| | |
|---|---|
| **Availability** | Limited number of pooled funds currently available<br>Most assets sit within broader (digital) infrastructure funds |
| **Structure** | Closed-ended funds |
| **Term/lock-ins** | Depending on fund structure, but typically 8-10 years (+ extensions) |
| **Turnover** | Very low turnover – Deploying during initial investment period<br>Build-to-core type risk profiles with exits at the end of the fund's life |
| **Geography** | US is the largest market, though EMEA market is growing<br>There are tier 1/2/3 cities in each of the major regions |
| **Past Performance** | Limited historical performance given the asset class is nascent |

# Market Opportunity






### Demand

- Demand of data usage has increased as there has been a structural shift in how consumers and corporates use data, a themes that has been accelerated by the COVID pandemic.
- Expansion of AI products and the cloud is expected to exacerbate existing demand further, at a much faster rate, given the processing requirements.
- Hyperscale providers are scaling up their data centre footprint in anticipation.

### Supply

- Supply remains weak due to this being a highly specialised asset class, requiring expertise in site selection, equipment, build-for-purpose approach and complex transactions.
- Rising land prices, longer lead-times for power and equipment, and higher labour costs are increasing construction costs and providing barriers to non-specialised developers

### Tenant Profile

- The type of tenants (hyperscalers) the funds are exposed to are unique to this asset class. They tend to have high credit ratings and the majority are investment grade.
- This includes AWS, Meta, Google, Microsoft etc.
- Once tenants have occupied their lease, it is unlikely they will exit, given the high costs and risks associated with relocation. There is strong demand for the best locations

# Investment Rationale and Risks

## Rationale

### Inflation linked income

Tenant leases can provide robust, contractual, and long term income and can have direct inflation exposure where rental increases are uplifted by inflation.

### Diversification

Data centres provide diversification as the asset class is unique and has low correlation of returns relative to both other property sub asset classes and traditional asset classes e.g. equites and bonds.

### Credit quality

The clients tend to be hyperscalers who provide high credit ratings, accelerating demand and longer and robust tenancy agreements.

### Attractive Income Yield

Data centres can provide high yield, long term, predictable revenue streams, with strong exit routes through hyperscalers or wider core infrastructure funds/investors

The opportunity is niche and is expected to have a relatively **high risk/return profile** driven by the significant construction and development element, and other additional risks that are specific to this asset class.

## Risks

### Vacancy

Uncertainty around resident take-up of developments is a risk, as is the ability of tenants to meet rental payments on an ongoing basis.

### Construction risk

Assets are not immediately operational with time taken to deploy capital and develop sites, carrying the risk of potential time and cost overrun or constructor default.

### Illiquidity

Underlying assets are illiquid and cannot easily be sold on the secondary market.

### Leverage

Funds are likely to utilise higher leverage than other asset classes. Most funds target 50%+.

### Power, Supply chain, and Technical Obsolescence

Lack of available power (and fluctuations in cost) and supply chain delays are data centre specific risks that must be mitigated by operators. The data centres are purpose built and in the case of eventual technical obsolescence, investors may face high costs/ reduced returns

# Locations and Markets

## Factors that Determine a Strong Data Centre Market

**Latency**

Distance to consumer markets is an important part of site selection, as the closer the data centre is to its end-tenants the lower the delay in transmission.



**Fibre Network Availability**

Locations with greater availability of fibre networks provide increased bandwidth and result in improved latency and reliability

**Power & Costs**

Electricity makes up around half of data centre operating costs and so locations with affordable and easily available power are attractive.

**Data Regulations**

Certain markets have data regulations, meaning that certain types of data have to be located on shore.

## Geographic Allocation

**North America (52% of global capacity):**

- Northern Virginia is the largest market globally (c2.5 GW)
- Constraints on suitable land and available power have driven vacancies to all-time lows across prime data centre markets in the US.
- Hubs include Northern Virginia, Northern California, Dallas, Chicago and Phoenix.

**Asia – Pacific (28% of global capacity):**

- Maturing markets have become a focus of attention as investors and developers are seeking opportunities in less crowded markets
- Hubs include Tokyo, Sydney, Singapore, Hong Kong, Seoul

**Europe (20% of global capacity):**

- Most market activity in Tier 1 locations: Frankfurt, London, Amsterdam, Paris, Dublin.
- Demand is continuing to outgrow supply and significant growth is being seen in the secondary markets, which are attractive given lower costs.
- Sustainability is a larger consideration in Europe than elsewhere.

# What Does a Typical Asset Look Like?

## Typical Asset Characteristics

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- Scale
  - These structures are very large and can vary in value from $100m to $1bn, depending on scale, demand and location.
  - They are built in clusters to ensure connectivity for consumers in the event of an outage in one of the sites.
  - Historically, they were single story buildings due to the weight of the racks. Now they can be reinforced to be double story, which is more efficient given rising land prices.
- Built-to-suit
  - Built-to-suit data centres are highly specialised facilities that are customised to meet the specific customer's needs.
  - They are generally designed, constructed and maintained by providers that offer the operational services, then leased to the intended customer.
- Leased per Mega Watt
  - Unlike typical property leases, which are contracted by area/space (e.g. sq ft), data centres are leased in contracts pertaining to output capacity (Mega Watt).
  - MWs are used to measure the output capacity of a data centre but also can measure the input power needed.

## Key Features

**Power -** These facilities have very large power demands, so uninterrupted power supply is essential, and batteries and generators on-site are often required.

**Connectivity -** Fast, efficient and reliable cloud and network connectivity is very important to the tenants.

**Cooling -** Cooling systems, chillers and heat exchanges are required given the heat output of the machines. The method of cooling used is up to the tenant, as this has an impact on the cost of their lease.

**Security -** Layers of security are required from the perimeter of the site to the IT environment, which is all expected to be provided by the operator.

# Parties Involved

**Fund responsibilities:**
Partner selection
Investment research
Investment approvals
Financing, structuring, securing debt
Asset management oversight
Portfolio management
Strategic direction of operator
Accounting, reporting etc.

**Operating Partner responsibilities:**
Development (design and cost optimisation)
constructor selection
Project management
Leasing (RfPs, tenders etc.)
Property management and customer service
Maintain and grow tenant relationships
Will have some ownership interest in data centre

**Operator examples:**
Stream
Equinix
Digital Realty
CyrusOne
China Telecom

**Construction firms:**
Iron Mountain Data Centres
NTT
Ark Data Centres
Colt Data Centres

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**Fund examples:**
PGIM
PIMCO
Principal

**Data Centre**
Data centres host computing and storage servers
Store and/or process data that is created by end-users
Connected to end-users via telecommunication networks
End-users consume data from data centre or generate new data
(e.g. access an application or save a picture on Instagram)

**Costs of data centre**
Land, building shell and access to power at ~25%
Fit-out (building) – security and fire systems at ~20%
Fit-out (electrical) – generators, power supply at ~40%
Fit-out (mechanical) – cooling systems at ~15%
IT (server racks, computer servers) at tenants' expense

**End user: Enterprise Users**
Enterprises from small and medium, local to multi-national companies e.g. IBM, eBay, DBS etc.

**End user: Telecoms**
Telecom companies own or lease and operate data centres as part of their operations including mobile services e.g. AT&T, NTT, Vodafone

**End user: Hyperscaler**
Large cloud service providers requiring significant data needs and accounting for most global data centre capacity globally e.g. AWS, Microsoft Azure, Meta, Google

# An Example Case Study



## Phoenix II-VI - Goodyear

### Investment overview

| | |
|---|---|
| **Property:** | Phoenix II-VI Goodyear |
| **Location:** | Goodyear (Phoenix), AZ |
| **Risk profile:** | Development |
| **Acquisition date:** | February 2019 |
| **Projected capacity:** | 200 MW |
| **Occupied/Leased:** | 0% / 7%* |
| **Stabilization date:** | December 2028 |
| **Total projected cost:** | $2,580,000,000 |

**Resources**

Spec sheet

As of August 2023. *Currently negotiating lease documents with hyperscale tenant to take all available capacity in Phoenix II and Phoenix III (to be built on currently owned land).

### Investment strategy

- Remainder of the 132-acre site from Phoenix I allows for future development of additional phases
- On-site substation helping generate a large amount of user interest
- Capital deployment assumes five fully-commissioned turn-key buildings

### Tenancy

- 14 MW – Hyperscale A (15-year lease)

Source: Principal

# ESG Considerations

There are a few different and unique factors to consider from an ESG perspective for data centres, and different approaches taken by managers to mitigate the risks.

**High power requirements -** climate effects can be mitigated through use of renewable energy and the fund can also aim for zero use of fossil fuels in generators. New data centres are built with more efficient designs targeting **lower PUE (power usage effectiveness) ratios**.

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**Water requirements -** large volumes of water are used for the cooling systems. Operators can aim for zero use of potable (drinkable) water and implement initiatives for water utilisation.

**Large scale developments -** Developers can seek to use sustainable materials and reuse construction materials on site (e.g. concrete), where viable.

Different geographical regions apply different regulations to data centre operations. The EU tends to apply more regulatory pressure to data centre developers and operators than the US.

- Power constraints, costs and regulatory pressures are pushing data centres towards sustainability.
- The ESG initiatives that are carried out are partly driven by tenants, as the hyperscalers tend to have very strong ESG commitments (more so than asset managers), with many considered global leaders in sustainability, and majority making public commitments to using renewable energy sources for their operations.
- Certain initiatives include, but are not limited to, renewable usage where possible, including solar panels, waste heat utilisation, water utilisation and smart construction tools.
- Fund managers and operators can support tenant and other stakeholders ESG initiatives by:
  - Negotiating and securing renewable energy contracts
  - Identifying and implementing energy and cost reduction programmes
  - Metering and sharing energy consumption and environmental performance data.

# Attractions and Considerations

## Advantages of the asset class

- Exposure to a dynamic and structurally driven sector, experiencing unprecedented growth.
- Newly constructed assets with hyperscale tenants in prime markets.
- Opportunity for potential stable cashflow through long-term leases to tenants with strong credit quality.
- Potential for inflation hedge.
- Diversifies a traditional real estate portfolio in terms of sector as well as style.
- High potential returns
- Low tenant turnover
- Relatively defensive, given that demand for this asset is generally uncorrelated to economic downturns and performance in other asset classes.



## Considerations and points to flag

- Niche strategy and has a high tenant concentration risk.
- Highly concentrated portfolio- solely data centres
- Fees can be relatively high (c. 1.5%)
- Funds can and will utilise leverage to enhance returns, higher LTVs provide more risk to the investor
- High power requirements, and the environmental impact and/or availability of this
- Some are built assets – non-transferable
- Supply chain delays can impact delivery of the asset to tenants
- Risk of technical obsolescence, if the strategy is to hold the asset
- Limited operating history - most open funds are newly formed, and so have little operating history
- Strategies without a preidentified seed portfolio provide more risk to the investor, due to increased uncertainty or "blind pool".
- Potential for "J-curve" of returns given construction and development element of some strategies.

# Comparison vs Other Asset Classes

| | Data Centres | Traditional Renewables | Digital Infrastructure | Balanced Infrastructure |
|---|---|---|---|---|
| Strategy | Solely focused on building data centres to lease to hyperscalers | Solely focused on renewable assets i.e. solar, wind etc | Broader infrastructure strategy focusing on data centres, communication towers, broadband fibre networks etc. | Broad infrastructure investing across a range of sectors, this can include renewable and digital infrastructure, and others |
| Expected Return (Net IRR) | 12-16% | 6-8% for operational strategies<br>10-12% for development strategies | 10-12% | 8-10% |
| Inflation linkage | High | High | Mixed | Mixed |
| Net income yield | 6-10% | 4-5% | 6-8%% | 4-6% |
| Liquidity | Illiquid | Illiquid<br>(open-ended options available) | Illiquid | Illiquid<br>(open-ended options available) |
| Fees | High<br>(c.1.5% AMC + performance fees) | Medium<br>(c.0.7-1.0% AMC + performance fees) | Medium<br>(c.1.0% AMC + performance fees) | Low<br>(c.0.5-0.7% AMC + performance fees) |



Source: Investment Managers

# Disclaimers

## Past Performance and Opinions

- This report sets out the past performance of various asset classes and fund managers. It should be noted that past performance is not a guide to the future.
- Our opinions (and comparison vs criteria) of the investment managers stated in this report are based on Isio's research and are not a guarantee of future performance. These are valid at the time of this report but may change over time.
- Our opinions of investment products are based on information provided by the investment management firms and other sources. This report does not imply any guarantee as to the accuracy of that information and Isio cannot be held responsible for any inaccuracies therein. The opinions contained in this report do not constitute any guarantees as to the future stability of investment managers which may have an effect on the performance of funds.
- Funds that make use of derivatives are exposed to additional forms of risk and can result in losses greater than the amount of invested capital.



## Addressee and Isio Relationships

- This report has been prepared for the sole benefit of the London Borough of Hammersmith and Fulham and based on their specific facts and circumstances and pursuant to the terms of Isio Group Limited/Isio Services Limited Services Contract. It should not be relied upon by any other person. Any person who chooses to rely on this report does so at their own risk. To the fullest extent permitted by law, Isio Group Limited/Isio Services Limited accepts no responsibility or liability to that party in connection with the Services.
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# Thank you

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**LONDON BOROUGH OF HAMMERSMITH & FULHAM**

| | |
|---|---|
| **Report to:** | Pension Fund Committee |
| **Date:** | 23 July 2024 |
| **Subject:** | Draft Pension Fund Statement of Accounts |
| **Report author:** | Siân Cogley, Pension Fund Manager |
| **Responsible Director:** | Phil Triggs, Tri-Borough Director of Treasury and Pensions |

**SUMMARY**

This report presents the draft Pension Fund Statement of Accounts for the year ended 31 March 2024.

**RECOMMENDATIONS**

1. That the Pension Fund Committee note the 2023/24 draft Statement of Accounts.

**Wards Affected:** None

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

## Financial Impact

None

## Legal Implications

None

## DETAILED ANALYSIS

### Background

1. The draft Pension Fund Statement of Accounts 2023/24 provides the Pension Fund Committee with an opportunity to review and comment on any matters pertaining to the financial statements.
2. The Pension Fund net assets increased by £87m over the year. The increase was driven by an enhanced performance across the Fund's investment portfolio, greater than in the previous year.
3. Investment management expenses increased from £7.0m to £9.2m. This is driven mainly by the following factors:
    a. Due to more favourable performance in 2023/24 than 2022/23, more managers hit their threshold for performance related fees.
    b. Fees from managers are calculated from the NAV, a higher NAV results in increased fees.
    c. The fund made four new investments, and topped up an investment in 2023/24: more investments redeemed to fund these new investments resulted in higher transaction fees than in the prior year.

## LIST OF APPENDICES

Appendix 1: draft 2023/24 LBHF Pension Fund Accounts

**Pension Fund Accounts**

## FUND ACCOUNT

| | Notes | 2023/24 | | 2022/23 | |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| **Dealings with members, employers and others directly involved in the scheme** | | | | | |
| **Contributions** | | | | | |
| From Employers | 7 | 31,323 | | 27,421 | |
| From Members | 7 | 10,303 | 41,626 | 9,539 | 36,960 |
| Transfers In from other Pension Funds | | | 8,299 | | 6,847 |
| **Benefits** | | | | | |
| Pensions | 8 | (44,317) | | (40,045) | |
| Commutation & Lump Sum Retirement Benefits | 8 | (8,966) | | (7,792) | |
| Payment in respect of tax | | (473) | (53,756) | (210) | (48,047) |
| **Payments to and on account of leavers** | | | | | |
| Transfers Out to other Pension Funds | | | (6,980) | | (6,738) |
| Refunds to members leaving service | | | (109) | | (84) |
| **Net Additions (Withdrawals) from dealings with members** | | | **(10,920)** | | **(11,062)** |
| **Management expenses** | 9 | | **(10,857)** | | **(8,283)** |
| **Returns on Investments** | | | | | |
| Investment Income | 10 | | 19,531 | | 24,673 |
| Other Income | 10 | | - | | 21 |
| **Profit and losses on disposal of investments and changes in value of investments** | 12 | | 89,367 | | (39,819) |
| **Net Return on Investments** | | | **108,898** | | **(15,125)** |
| **Net Increase (Decrease) in the net assets available for benefits during the year** | | | **87,121** | | **(34,470)** |
| **Opening Net Assets of the Scheme** | | | **1,290,443** | | **1,324,913** |
| **Closing Net Assets of the Scheme** | | | **1,377,564** | | **1,290,443** |

## NET ASSET STATEMENT

| | Notes | 31 March 2024 £000 | 31 March 2023 £000 |
|---|---|---|---|
| **Investment Assets** | | | |
| Equities | 11 | 150 | 150 |
| Pooled Property Vehicles | 11 | 73,256 | 78,572 |
| Pooled Investment Vehicles | 11 | 1,183,983 | 1,118,138 |
| Private Equity / Infrastructure | 11 | 96,035 | 63,531 |
| Cash Deposits | 11 | 7,456 | 20,245 |
| Other Investment Balances | | | |
| Investment Income Due | 11 | 18 | 39 |
| **Net Investment Assets** | 11 | **1,360,898** | **1,280,675** |
| **Current Assets** | 19 | 3,929 | 3,911 |
| **Current Liabilities** | 20 | (2,905) | (1,979) |
| **Cash Balances** (held directly by Fund) | | 15,642 | 7,836 |
| **Net assets of the Fund available to fund benefits at the period end** | | **1,377,564** | **1,290,443** |

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

## NOTES TO THE PENSION FUND ACCOUNTS

### NOTE 1. DESCRIPTION OF HAMMERSMITH AND FULHAM PENSION FUND

#### a) General

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

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

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

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

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from investment returns on the Fund's investment assets. Contributions from employees are made in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employer contributions are set based on the triennial actuarial funding valuation, as detailed in Note 18.

#### b) Pension Fund Committee

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

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

#### c) Pensions Board

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

#### d) Investment Principles

In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Committee approved an Investment Strategy Statement on 15 November 2023 (available on the Council's website). The Statement shows the Council's compliance with the Myner's principles of investment management.

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

#### e) Membership

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

Organisations participating in the Hammersmith & Fulham Pension Fund include:

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

The deferred member numbers include 791 undecided leavers, who are no longer paying contributions or in receipt of benefits.

| | 31 March 2024 | 31 March 2023 |
|---|---|---|
| Number of Active Employers | 51 | 48 |
| | | |
| Contributing employees | 5,016 | 5,150 |
| Pensioners receiving benefit | 6,046 | 5,960 |
| Deferred members | 6,243 | 6,218 |
| **Total members** | **17,305** | **17,328** |

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

**NOTE 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The Statement of Accounts summarise the Fund’s transactions for 2023/24 and its position at year end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

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

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

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

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

**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Account – Revenue Recognition**

**a) Contribution Income**

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

**b) Transfers to and from other schemes**

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

**c) Investment Income**

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

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

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

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

**Fund Account - Expense Items**

**d) Benefits Payable**

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

**e) Taxation**

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

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

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

**g) Management Expenses**

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

> **Administrative expenses** – All staff costs of the pension administration team are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
>
> **Oversight and governance –** All staff costs associated with governance and oversight are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.
>
> **Investment management expenses –** The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage, and/or a fee based on performance.

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

## Net Assets Statement

### h) Financial Assets

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

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

### i) Derivatives

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

### j) Foreign Currency Transactions

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

### k) Cash and Cash Equivalents

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

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

### l) Financial Liabilities

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

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

### m) Actuarial present value of promised retirement benefits

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

### n) Additional Voluntary Contributions (AVCs)

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

### o) Recharges from the General Fund

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

## NOTE 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

| Description of asset | Uncertainties | Basis of valuation |
|---|---|---|
| **Actuarial present value of promised retirement benefits (Note 18a)** | Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. Hymans Robertson are engaged to provide the fund with expert advice about the assumptions to be applied. | For instance:<br>• 0.1% decrease in the discount rate assumption would result in an increase in promised retirement benefits of £22m<br>• 0.1% increase in assumed earnings would increase the value of the liabilities by approximately £1m<br>• 0.1% increase in pension increases would increase the liability by approximately £22m<br>• A one-year increase in life expectancy would increase the liability by approximately £54m |

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

### a) Pension Fund Liability

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

### b) Private debt/Infrastructure investments

The fair value of the Partners Group Multi Asset Credit fund and Infrastructure fund is also subject to some valuation uncertainty. Several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. As at 31 March 2024, the assets invested with Partners Group were valued at £39.7m (£45.6m in 2022/23).

The same applies to the Aviva Infrastructure which has a quarterly valuation cycle. As at 31 March 2024, the value of the investment was £15.2m (£26.0m in 2022/23). The same applies to the Quinbrook Infrastructure investment which is new for the 2023-24 financial year. As at 31 March 2024, the value of the investment was £47.6m. The impact of the uncertainty surrounding these investments has also been included in the sensitivity analysis in Note 14d

## NOTE 6. EVENTS AFTER THE BALANCE SHEET

There are no events after the balance sheet date.

## NOTE 7. CONTRIBUTIONS RECEIVABLE

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

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

| | Employers' Contributions | | | | Employees' Contributions | |
|---|---|---|---|---|---|---|
| | Normal | | Deficit Recovery | | | |
| | 2023/24 £000 | 2022/23 £000 | 2023/24 £000 | 2022/23 £000 | 2023/24 £000 | 2022/23 £000 |
| Administering Authority | 24,609 | 18,687 | 1,121 | 3,844 | 8,694 | 8,141 |
| Scheduled Bodies | 4,163 | 3,821 | - | 24 | 1,232 | 1,092 |
| Admitted Bodies | 1,449 | 1,060 | (19) | (15) | 377 | 306 |
| **Total** | **30,221** | **23,568** | **1,102** | **3,853** | **10,303** | **9,539** |
| **Total Contributions** | | | **31,323** | **27,421** | **10,303** | **9,539** |

## NOTE 8. BENEFITS PAYABLE

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

| | Pensions | | Lump sum retirement benefits | | Lump sum death benefits | |
|---|---|---|---|---|---|---|
| | 2023/24 £000 | 2022/23 £000 | 2023/24 £000 | 2022/23 £000 | 2023/24 £000 | 2022/23 £000 |
| Administering Authority | (40,186) | (36,543) | (5,915) | (5,662) | (909) | (598) |
| Scheduled Bodies | (771) | (599) | (238) | (529) | (451) | (290) |
| Admitted Bodies | (3,360) | (2,903) | (1,328) | (528) | (125) | (185) |
| **Total** | **(44,317)** | **(40,045)** | **(7,481)** | **(6,719)** | **(1,485)** | **(1,073)** |
| **Total Lump Sum Benefits** | | | | | **(8,966)** | **(7,792)** |

## NOTE 9. MANAGEMENT EXPENSES

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

| | 2023/24 £000 | 2022/23 £000 |
|---|---|---|
| Administrative costs | (1,329) | (962) |
| Investment management expenses | (9,184) | (7,014) |
| Oversight and governance costs | (344) | (307) |
| | **(10,857)** | **(8,283)** |

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

| | 2023/24 £000 | 2022/23 £000 |
|---|---|---|
| Management fees | (5,580) | (5,428) |
| Performance fees | (672) | (107) |
| Transaction costs | (2,864) | (1,377) |
| Custody Fees | (68) | (102) |
| | **(9,184)** | **(7,014)** |

**NOTE 10. INVESTMENT INCOME**

The table below shows a breakdown of investment income.

| | 2023/24 £000 | 2022/23 £000 |
|---|---|---|
| Pooled investments - unit trusts and other managed funds | 10,933 | 22,386 |
| Income from Alternative Investments | 7,832 | 1,982 |
| Interest on Cash Deposits | 766 | 305 |
| Other Investment Income | - | 21 |
| **Total** | **19,531** | **24,694** |

**NOTE 11. INVESTMENT STRATEGY**

During 2023/24 the Fund's investment strategy had the following developments:

- In February 2023, the Pension Fund committee agreed a top up of 2.5% (£37m) into the Alpha Real Capital (Commercial Ground Rents) fund. This was funded in May 2023.
- In July 2023, The Pension Fund Committee agreed a 3.5% (£45m) allocation to Quinbrook Renewable Infrastructure. At 31 March 2024, £3.1m of this commitment remains undrawn.
- In September 2023, the Committee agreed a 10% (£129m) allocation to Allspring Global. This commitment was funded in full in December 2023.
- In September 2023, the 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.
- In order to fund the new investments, the Fund fully divested from LCIV PIMCO – Global Bond Fund and made partial redemptions from LGIM – MSCI Low Carbon, LCIV Morgan Stanley – Global Equity Quality Fund, and LCIV Ruffer – Absolute Return Funds.

In August 2015, the Fund made a commitment to the Partners Group Direct Infrastructure fund. As at 31 March 2024 €8.3m (£7.1m) still remained unfunded.

As shareholders of London LGPS CIV Ltd, (the organisation set up to run pooled LGPS investments in London) the Fund has funded £150,000 of regulatory capital. This is in the form of unlisted UK equity shares. The Fund has been active in the transfer of assets under management to the London Collective Investment Vehicle (LCIV) to gain efficiencies and fee reductions. As at 31 March 2024, the Fund had £809m invested with the London CIV, which accounts for 59.5% of the fund's total assets.

The market value and proportion of investments managed by each fund manager at 31 March 2024 was as follows:

| | 31 March 2024 | | 31 March 2023 | |
|---|---|---|---|---|
| | Market Value | Total | Market Value | Total |
| | £000 | % | £000 | % |
| **Investments manager by the London CIV asset pool** | | | | |
| LGIM - MSCI Low Carbon (Passive) | 412,468 | 30.3% | 399,782 | 31.3% |
| Ruffer - Absolute Return (Active) | 151,199 | 11.1% | 232,271 | 18.1% |
| PIMCO - Global Bonds (Active) | - | 0.0% | 90,078 | 7.0% |
| Morgan Stanley - Global Equity Quality Fund | 179,216 | 13.2% | 185,900 | 14.5% |
| Insight - Buy and Maintain (Short Duration) | 33,056 | 2.4% | | |
| Insight - Buy and Maintain (Long Duration) | 33,508 | 2.5% | | |
| | **809,447** | **59.5%** | **908,031** | **70.9%** |
| **Investments managed outside of the London CIV asset pool** | | | | |
| Darwin Alternatives - Leisure Fund | 28,995 | 2.1% | 34,694 | 2.7% |
| Alpha Real Capital - Ground Rents | 78,962 | 5.8% | 55,930 | 4.4% |
| Man Group - Affordable Housing | 23,643 | 1.7% | 24,027 | 1.9% |
| Oak Hill Advisers - Secured Income (Active) | 73,581 | 5.4% | 65,179 | 5.1% |
| Abrdn - Long Lease Property | 49,613 | 3.6% | 54,545 | 4.3% |
| Aviva - Private Infrastructure | 15,209 | 1.1% | 25,965 | 2.0% |
| Partners Group - Infrastructure | 33,163 | 2.4% | 37,536 | 2.9% |
| Partners Group - Multi Asset Private Credit | 6,487 | 0.5% | 8,094 | 0.6% |
| Invesco - Private Equity | - | 0.0% | - | 0.0% |
| Unigestion - Private Equity | 30 | 0.0% | 30 | 0.0% |
| Inhouse Cash - Cash | 7,474 | 0.5% | 20,284 | 1.6% |
| London CIV Ltd | 150 | 0.0% | 150 | 0.0% |
| NT Ultra Short Bond Fund | - | 0.0% | 1 | 0.0% |
| Allspring Global - Buy and Maintain Bonds | 135,290 | 9.9% | | |
| Quinbrook - UK Renewable Infrastructure | 47,633 | 3.6% | | |
| Abrdn MSPC | 51,221 | 3.9% | 46,209 | 3.6% |
| | **551,451** | **40.5%** | **372,644** | **29.1%** |
| | **1,360,898** | **100.0%** | **1,280,675** | **100.0%** |

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

| | 31 March 2024 | | 31 March 2023 | |
|---|---|---|---|---|
| | Market Value | Total | Market Value | Total |
| | £000 | % | £000 | % |
| LGIM - MSCI Low Carbon (Passive) | 412,468 | 30.3% | 399,782 | 31.2% |
| Ruffer - Absolute Return (Active) | 151,199 | 11.1% | 232,271 | 18.1% |
| PIMCO - Global Bonds (Active) | - | - | 90,078 | 7.0% |
| Oak Hill Advisers - Secured Income (Active) | 73,581 | 5.4% | 65,179 | 5.1% |
| Allspring Global - Buy and Maintain Bonds | 135,290 | 9.9% | - | - |
| Alpha Real Capital - Ground Rents | 78,962 | 5.8% | - | - |
| Morgan Stanley - Global Sustain Fund | 179,216 | 13.2% | 185,900 | 14.5% |

**NOTE 12. RECONCILIATION OF MOVEMENT IN INVESTMENTS**

The table below shows a reconciliation of the movement in the total investment assets of the Fund by asset class during 2023/24

| Fund Manager | Value at 1 April 2023 £000 | Purchases during the year and derivative payments £000 | Sales during the year and derivative receipts £000 | Change in market value during the year £000 | Value at 31 March 2024 £000 |
|---|---|---|---|---|---|
| Equities | 150 | - | - | - | **150** |
| Pooled Investment Vehicles | 1,118,138 | 232,617 | (267,154) | 100,382 | **1,183,983** |
| Pooled Property Vehicles* | 78,572 | 1,881 | 171 | (7,368) | **73,256** |
| Private Equity / Infrastructure* | 63,531 | 50,304 | (14,197) | (3,603) | **96,035** |
| **Sub-total** | **1,260,391** | **284,802** | **(281,180)** | **89,411** | **1,353,424** |
| Cash Deposits | 20,245 | | | (31) | **7,456** |
| Investment income due | 39 | | | - | **18** |
| Spot FX contracts | - | | | (13) | **-** |
| **Totals** | **1,280,675** | **284,802** | **(281,180)** | **89,367** | **1,360,898** |

The equivalent analysis for 2022/23 is provided below:

| Fund Manager | Value at 1 April 2022 £000 | Purchases during the year and derivative payments £000 | Sales during the year and derivative receipts £000 | Change in market value during the year £000 | Value at 31 March 2023 £000 |
|---|---|---|---|---|---|
| Equities | 150 | - | - | - | **150** |
| Pooled equity investments | 1,127,189 | 67,000 | (74,963) | (1,088) | **1,118,138** |
| Pooled property investments | 87,987 | 6,999 | (1,998) | (14,416) | **78,572** |
| Private equity/infrastructure | 72,202 | 28,261 | (12,580) | (24,352) | **63,531** |
| **Sub-total** | **1,287,528** | **102,260** | **(89,541)** | **(39,856)** | **1,260,391** |
| Cash Deposits | 32,104 | | | 152 | **20,245** |
| Investment income due | 7 | | | - | **39** |
| Spot FX contracts | - | | | (115) | **-** |
| **Totals** | **1,319,639** | **102,260** | **(89,541)** | **(39,819)** | **1,280,675** |

**NOTE 13. FAIR VALUE BASIS OF VALUATION**

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

| Description of asset | Investment Manager | Valuation hierarchy | Basis of valuation | Observable and unobservable inputs | Key sensitivities affecting the valuations provided |
|---|---|---|---|---|---|
| **Pooled Investments - Equity funds UK and Overseas Managed Funds** | LGIM – MSCI Low Carbon<br><br>Ruffer – Absolute Return Fund<br><br>Morgan Stanley – Global Sustain Fund | Level 2 | The NAV for each share class is calculated based on the market value of the underlying equity assets | Evaluated price feeds | Not required |
| **Unquoted bonds and unit trusts** | Oak Hill Advisors<br><br>Allspring Global Bonds<br><br>LCIV Insight Buy and Maintain Bonds (Short | Level 2 | Fixed income securities are priced based on evaluated prices provided by independent pricing services | Evaluated price feeds | Not required |

| | | | | | |
|---|---|---|---|---|---|
| | Duration)<br><br>LCIV Insight Buy and Maintain Bonds (Long Duration) | | | | |
| **Pooled Long Lease Property Fund** | Abrdn- Long Lease Property | Level 2 | The Aberdeen Standard Long Lease Property Fund is priced on a Single Swinging Price | In house evaluation of market data | Not required |
| **Private equity** | Unigestion | Level 3 | Comparable valuation of similar companies in accordance with International Private and Venture Capital Valuation Guidelines 2012 | Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple<br><br>Revenue multiple | Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts |
| **Infrastructure funds** | Partners Group – Infrastructure<br><br>Aviva Infrastructure<br><br>Quinbrook Renewable Infrastructure | Level 3 | Valued by Fund Managers at the lower of cost and fair value. | Managers use their judgement having regard to the Equity and Venture Capital Valuation Guidelines 2012 guidelines noted above | Upward valuations are only considered where there is validation of the investment objectives, and such progress can be demonstrated.<br><br>Downward valuations are enacted where the manager considers there is an impairment to the underlying investment |
| **Illiquid Alternatives** | Darwin Alternatives<br><br>Man Group<br><br>Alpha Real<br><br>Abrdn – MSPC<br><br>Partners - MSPC | Level 3 | Valued by Fund Managers at the lower of cost and fair value. | In house evaluation of market data | Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts |

**Aviva Infrastructure**

One of the LBHF Pension Fund's infrastructure investment managers, Aviva, were facing legal challenge from a former construction contractor relating to a contractual dispute on one of their biomass infrastructure projects.

Within the manager's financial statements at 31 December 2019, 31 December 2020, 31 December 2021, and 31 December 2022, fund management were unable to quantify the financial impact of the challenge, thus placing a degree of uncertainty on the value of the portfolio overall. As such the underlying accounts were qualified by the auditors.

The full and final value of the legal dispute has now been settled and with an additional amount of associated costs the total impact for the investment will be c.£46.7m.

On the 20th of June 2022, the committee voted to disinvest from the Aviva fund with the redemption documents being submitted prior to the 30th of June 2022 deadline for redemptions. The disinvested monies are anticipated to be received by LBHF Pension by the end of 2024 with the first tranche of redemption monies paid in January 2024. The carrying value of the total infrastructure portfolio in the LBHF Pension Fund is £15m.

Having carefully considered this fund's financial statements, audit opinion and LBHF Pension Fund's holding in the fund being under redemption procedure, officers do not consider that this could result in any material uncertainty in the context of LBHF's total pension fund value. This is because the maximum value of the claims lodged are approximately 3% of the total portfolio value of the underlying Aviva fund and officers do not consider that there will be any further legal challenge/ claims that could result in a material uncertainty both in terms of containment within this particular investment and disclosures in the wider financial statements.

**Cash Classification**

For the Fund, cash at custodian is simply a sweep from the custodian into a nominated Money Market Fund and an overnight rate paid. The full cash amount needs to be available for potential investment/withdrawal the next morning and is purely there to service investment and payment of pensions. It is therefore understood that this cash should be amortised cost. It is however not correct to assume cash would always be amortised cost. When an investment committee has taken an active decision to hold cash as part of its asset allocation and invests in a liquidity fund there would almost certainly be duration and variable NAV, in this circumstance we would expect the IFRS9 treatment to be Fair Value at Profit and Loss.

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

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

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

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

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

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

| | 31 March 2024 | | | 31 March 2023 | | |
|---|---|---|---|---|---|---|
| | **Quoted Market Price** | **Using observable inputs** | **With significant unobservable inputs** | **Quoted Market Price** | **Using observable inputs** | **With significant unobservable inputs** |
| | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Financial Assets** | | | | | | |
| Designated at fair value through profit and loss | - | 1,067,931 | 285,493 | - | 1,027,756 | 232,635 |
| **Total Financial Assets** | **-** | **1,067,931** | **285,493** | **-** | **1,027,756** | **232,635** |
| **Financial Liabilities** | | | | | | |
| Designated at fair value through profit and loss | - | - | - | | - | - |
| **Total Financial Liabilities** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Net Financial Assets** | **-** | **1,067,931** | **285,493** | **-** | **1,027,756** | **232,635** |
| | | | **1,353,424** | | | **1,260,391** |

**NOTE 14b. TRANSFERS BETWEEN LEVELS 1 AND 2**

In 2023/24 the Fund's operational activity resulted in no transfers between Levels 1 and 2.

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

| | Market Value as at 31/03/2023 | Transfers in/out of Level 3 | Purchases | Sales | Unrealised gains / (losses) | Realised gains / (losses) | Market Value as at 31/03/2024 |
|---|---|---|---|---|---|---|---|
| Overseas venture capital | 37,566 | - | - | (1,212) | (3,176) | 14 | 33,192 |
| UK Infrastructure | 25,965 | - | 50,882 | (11,536) | 204 | (2,673) | 62,843 |
| UK Venture Capital | 88,051 | - | 38,850 | (1,475) | (16,334) | - | 109,092 |
| London LGPS CIV | 150 | - | - | - | - | - | 150 |
| Private Credit Funds | 46,209 | - | - | (1,901) | 6,914 | - | 51,221 |
| UK Equity Funds | 34,694 | - | - | - | (5,699) | - | 28,995 |
| **Total** | **232,635** | **-** | **89,732** | **(16,124)** | **(18,091)** | **(2,659)** | **285,493** |

**NOTE 14d. SENSITIVITY OF ASSETS VALUED AT LEVEL 3**

The Pension Fund has analysed historical data and current trends in consultation with independent investment advisors to determine the accuracy of the valuations of its Level 3 investments. The potential impact on the reported valuations as at 31 March 2024 has been estimated to be accurate within the following ranges:

| Description of assets | Assessed Valuation Range (+) | Assessed Valuation Range (-) | Value at 31 March 2024 | Value on increase | Value on decrease |
|---|---|---|---|---|---|
| | | | £000 | £000 | £000 |
| Aviva - Private Infrastructure | 6.90% | 7.70% | 15,209 | 16,259 | 14,038 |
| Partners Group - Infrastructure | 6.60% | 7.75% | 33,163 | 35,352 | 30,593 |
| Partners Group - Multi Asset Private Cre( | 9.73% | 9.73% | 6,487 | 7,118 | 5,856 |
| Darwin Alternatives - Leisure Fund | 7.40% | 6.50% | 28,995 | 31,141 | 27,110 |
| Abrdn MSPC | 2.77% | 2.77% | 51,221 | 52,637 | 49,805 |
| Alpha Real Capital - Ground Rents | 7.30% | 6.40% | 78,962 | 84,726 | 73,908 |
| Quinbrook - UK Renewable Infrastructur( | 16.60% | 13.80% | 47,633 | 55,540 | 41,060 |
| Man Group - Affordable Housing | 9.40% | 8.70% | 23,643 | 25,865 | 21,586 |
| **Total** | | | **285,313** | **308,638** | **263,956** |

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

**NOTE 15a. CLASSIFICATION OF FINANCIAL INSTRUMENTS**

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

| | 31 March 2024 | | | 31 March 2023 | | |
|---|---|---|---|---|---|---|
| | **Designated at fair value through profit & loss** | **Financial assets at amortised cost** | **Financial Liabilities at amortised cost** | **Designated at fair value through profit & loss** | **Financial assets at amortised cost** | **Financial Liabilities at amortised cost** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **FINANCIAL ASSETS** | | | | | | |
| Index Linked Securities | | | | | | |
| *Pooled Investment Vehicles:* | | | | | | |
| UK equity funds | 742,883 | - | - | 817,953 | - | - |
| UK fixed income fund | 259,562 | - | - | 144,382 | - | - |
| UK property fund | 102,251 | - | - | 113,266 | - | - |
| UK infrastructure | 141,804 | - | - | 81,895 | - | - |
| Overseas fixed income fund | 73,581 | - | - | 65,179 | - | - |
| Overseas infrastructure | 33,163 | - | - | 37,536 | - | - |
| Overseas venture capital | 30 | - | - | 30 | - | - |
| London LGPS CIV | 150 | - | - | 150 | - | - |
| Investment income due | - | 19 | - | - | 39 | - |
| Cash deposits with managers | - | 7,455 | - | - | 20,245 | - |
| Debtors | - | 3,929 | - | - | 3,911 | - |
| Cash balances (held by fund) | - | 15,642 | - | - | 7,836 | - |
| | 1,353,424 | 27,045 | - | 1,260,391 | 32,031 | - |
| **FINANCIAL LIABILITIES** | | | | | | |
| Creditors | - | - | (2,905) | - | - | (1,979) |
| | - | - | (2,905) | - | - | (1,979) |
| **GRAND TOTALS** | **1,353,424** | **27,045** | **(2,905)** | **1,260,391** | **32,031** | **(1,979)** |
| | | | **1,377,564** | | | **1,290,443** |

**NOTE 15b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS**

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

| | 31 March 2024 | 31 March 2023 |
|---|---|---|
| | **£000** | **£000** |
| **Financial Assets** | | |
| Fair value through profit and loss | 89,410 | (39,856) |
| Loans and receivables | - | 152 |
| **Financial Liabilities** | | |
| Fair value through profit and loss | (43) | (115) |
| | **89,367** | **(39,819)** |

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

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

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

**a) Market Risk**

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

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

On 24 February 2022, Russia invaded Ukraine, a severe escalation in the conflict which had been ongoing since 2014. Subsequently, numerous global powers implemented sanctions against major Russian banks and financial institutions, including freezing of overseas assets and removing access to SWIFT international payments. The Pension Fund can report that as at 31 March 2024, the value of investments in Russia or Ukraine is immaterial.

**b) Price Risk**

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

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

All assets except for cash, forward foreign exchange contracts, other investment balances, debtors and creditors are exposed to price risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 8.4% higher or 8.4% lower.

**Assets exposed to price risk**

| | Value | Price Risk | Positive increase | Negative increase |
|---|---|---|---|---|
| | £000 | | £000 | £000 |
| At 31st March 2024 | 1,376,540 | 8.4% | 1,492,107 | 1,260,673 |
| At 31st March 2023 | 1,288,511 | 9.3% | 1,407,552 | 1,169,170 |

**c) Interest Rate Risk**

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

Fixed income investments, cash and some elements of the pooled investment vehicles are exposed to interest rate risk. The table below shows the value of these assets at 31 March 2024 and what the value would have been if interest rates had been 1% higher or 1% lower.

**Assets exposed to interest rate risk**

| | Value | + 1% | - 1% |
|---|---|---|---|
| | £000 | £000 | £000 |
| At 31st March 2024 | 428,565 | 410,599 | 453,104 |
| At 31st March 2023 | 328,483 | 318,649 | 344,299 |

**d) Currency Risk**

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

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

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

**Assets exposed to currency risk**

| | Value<br>£000 | Currency Risk | Positive increase<br>£000 | Negative increase<br>£000 |
|---|---|---|---|---|
| At 31st March 2024 | 625,650 | 6.9% | 669,071 | 582,229 |
| At 31st March 2023 | 676,661 | 7.2% | 725,540 | 627,782 |

**e) Credit Risk**

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

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

**f) Liquidity Risk**

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

The only assets in the Fund which cannot be liquidated within a month are detailed in the table below. These amounted to 19.7% of the Fund's Net Assets at 31 March 2024 (16.8% at 31 March 2023). The remaining assets can all be liquidated within days.

| Manager | Portfolio | 31 March 2024<br>£000 | 31 March 2023<br>£000 |
|---|---|---|---|
| Standard Life | Property | 49,613 | 54,545 |
| Partners Group | Infrastructure | 33,163 | 37,356 |
| Partners Group | Multi Asset Credit | 6,487 | 8,094 |
| Invesco | Private Equity | - | - |
| Unigestion | Private Equity | 30 | 30 |
| Darwin Alternatives | Illiquid Alternatives | 28,995 | 34,694 |
| Alpha Real Capital | Ground Rents | 78,962 | 55,930 |
| Quinbrook | Infrastructure | 47,633 | |
| Man Group | Property | 23,643 | 24,027 |
| | | **268,526** | **214,856** |

**NOTE 17. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS**

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

| | 31 March 2024 £000 | 31 March 2023 £000 |
|---|---|---|
| Quinbrook Renewable Infrastructure | 3,155 | |
| Alpha Real Capital | - | 37,000 |
| Man Group - Affordable Housing | 6,189 | 8,013 |
| Partners Group Direct Infrastructure Fund 2015 | 7,103 | 7,320 |
| | **16,447** | **52,333** |

**NOTE 18. FUNDING ARRANGEMENTS**

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

The latest full triennial valuation of the London Borough of Hammersmith and Fulham Pension Fund was carried out by Hymans Robertson, the Fund's actuary, as at 31 March 2022 in accordance with the Funding Strategy Statement of the Fund and the Local Government Pension Scheme Regulations 2013. The results were published in the triennial valuation report dated 29 March 2023. This valuation set the employer contribution rates from 1 April 2023 through to 31 March 2026.

The 2022 valuation certified a common contribution rate of 20.7% of pensionable pay (17.4% as at March 2019) to be paid by each employing body participating in the Fund, based on a funding level of 105% (97% as at March 2019). In addition, each employing body must pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

The actuary's smoothed market value of the scheme's assets at 31 March 2022 was £1,325m (£1,043m in 2019) and the actuary assessed the present value of the funded obligation at £1,267m indicating a net asset of £58m (£1,079m 2019).

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

| Financial Assumptions | March 2022 | March 2019 |
|---|---|---|
| Consumer Price Index (CPI) increases | 2.70% | 2.60% |
| Salary Increases | 3.70% | 3.60% |
| Pension Increases | 2.70% | 2.40% |
| Discount Rate | 4.40% | 5.00% |

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries. Estimates for the Pension Fund are based on the full valuation of the scheme as at 31 March 2022. The next actuarial valuation of the Fund was carried out by the Fund's actuary Hyman's Robertson as at 31 March 2025 and will set contribution rates for the period 1 April 2026 to 31 March 2029. The 2022 Triennial valuation has now been signed off and is publicly available.

The contribution rate is set on the basis of the cost of future benefit accrual, increased to keep the funding level at 100% over a period of 20 years, as set out in the Funding Strategy Statement. It is set to be sufficient to meet the additional annual accrual of benefits allowing for future pay increases and increases to pension payments when these fall due, plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

**NOTE 18a. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS**

The table below shows the total net liability of the Fund as at 31 March 2024. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

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

| | 31 March 2024 £000 | 31 March 2023 £000 |
|---|---|---|
| Present Value of Promised Retirement Benefits* | (1,355) | (1,339) |
| Fair Value of Scheme Assets (bid value) | 1,378 | 1,290 |
| Net Liability | **23** | **(49)** |

The assumptions applied by the actuary are set out below:

| **Financial Assumptions** | **31 March 2024** | **31 March 2023** |
|---|---|---|
| Salary increases | 3.80% | 4.00% |
| Pension increases | 2.80% | 3.00% |
| Discount Rate | 4.80% | 4.75% |

**Demographic Assumptions**

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| **Life Expectancy from age 65** | | **31 March 2024** | **31 March 2023** |
|---|---|---|---|
| Retiring today | Males | 21.6 | 21.8 |
| | Females | 24.3 | 24.5 |
| Retiring in 20 years | Males | 22.6 | 22.8 |
| | Females | 25.6 | 25.8 |

**NOTE 19. CURRENT ASSETS**

| **Debtors** | **31 March 2024 £000** | **31 March 2023 £000** |
|---|---|---|
| Contributions due - employers | 2,153 | 1,627 |
| Contributions due - employees | 743 | 678 |
| London Borough of Hammersmith and Fulham | 47 | 50 |
| Sundry Debtors | 986 | 1,556 |
| | **3,929** | **3,911** |

| **Analysis of debtors** | **31 March 2024 £000** | **31 March 2023 £000** |
|---|---|---|
| Local authorities | 47 | 50 |
| Other entities and individuals | 3,791 | 3,393 |
| Central Government | 91 | 468 |
| | **3,929** | **3,911** |

**NOTE 20. CURRENT LIABILITIES**

| Creditors | 31 March 2024 £000 | 31 March 2023 £000 |
|---|---|---|
| Unpaid Benefits | (719) | (659) |
| Management Expenses | (1,278) | (901) |
| Sundry Creditors | (908) | (419) |
| | **(2,905)** | **(1,979)** |

| Analysis of Creditors | 31 March 2024 £000 | 31 March 2023 £000 |
|---|---|---|
| Other entities and individuals | (2,905) | (1,979) |
| | **(2,905)** | **(1,979)** |

**NOTE 21. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)**

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

| Scottish Widows Workplace Savings | 31 March 2024 £000 | 31 March 2023 £000 |
|---|---|---|
| Market Value at 31st March | 848 | 857 |
| Contributions during the year | (60) | 7 |
| | | |
| **Utmost Life and Pensions** | | |
| Market Value at 31st March | 152 | 154 |

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

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

**NOTE 22. RELATED PARTIES**

**London Borough of Hammersmith and Fulham**

The Pension Fund is administered by the London Borough of Hammersmith and Fulham. The Council incurred costs of £1.1m in 2023/24 (£0.777m in 2022/23) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Council made £24.6m of contributions in year (£18.7m in 2022/23).

The Pension Fund's accounting and governance management is carried out through a shared service with Westminster City Council. Westminster City Council incurred costs of £0.206m in 2023/24 (£0.183m in 2022/23) in relation to the accounting and governance of the Fund and were reimbursed for the expense.

**Key management personnel**

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

| | 31 March 2024<br>£000 | 31 March 2023<br>£000 |
|---|---|---|
| Short-term benefits | 30 | 30 |
| Post-employment Benefits | 20 | (179) |
| | **50** | **(149)** |

**NOTE 23. EXTERNAL AUDIT COSTS**

The external audit fee payable to Fund’s external auditors, Grant Thornton LLP, was £86,884 (£36,556 in 2022/23).

# Agenda Item 10

**LONDON BOROUGH OF HAMMERSMITH & FULHAM**

**Report to:** Pension Fund Committee

**Date:** 23 July 2024

**Subject:** Pension Fund Quarterly Update Q1 2024

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

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

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**SUMMARY**

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

- overall performance for the quarter ended 31 March 2024;
- cashflow update and forecast;
- assessment of risks and actions taken to mitigate these.


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**RECOMMENDATIONS**

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

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**Wards Affected:** None.

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

**Financial Impact**

None

**Legal Implications**

None

## DETAILED ANALYSIS

### LBHF Pension Fund Quarterly Update: Q4 2023/24

1. This report and attached appendices make up the pack for the quarter four (Q4) review ended 31 March 2024. 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 regarding 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 March 2024, the market value of the assets increased by £53m to £1,360m.

    - The Fund has outperformed its benchmark net of fees by 0.56%, delivering an absolute return of 4.56% over the quarter.

    - The total Fund delivered a positive return of 7.88% on a net of fees basis over the year to 31 March 2024.

3. The Pension Fund's cashflow monitor is provided in Appendix 3. This shows both the current account and invested cash movements for the last quarter, as well as cashflow forecasts to 31 December 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 in this quarter as there have been no breaches to report.

6. On 15 May 2024, the Minister for Local Government wrote to the LBHF administering authority, consulting on efficiencies in the Local Government Pension Scheme. The response (attached as Appendix 5) was submitted prior to the deadline of 19 July 2024. The consultation focused on two broad areas:

- How your fund will complete the process of pension asset pooling to deliver the benefits of scale.

- How you will ensure your LGPS fund is efficiently run, including consideration of governance and the benefits of greater scale.

7. Regarding the redemption of all units in the Aviva Infrastructure Income portfolio, these monies were due back to the LBHF Fund by 31 December 2023. Unfortunately, the first tranche of redemption payments (£5m) was not paid until late January 2024 and, in the latest update from Aviva, the investment manager confirmed that the remainder of the redeemed monies will not be available to be paid back to the Fund until late August 2024.

8. Aviva’s chief executive will present to the committee at its meeting on 23 July 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 been reviewed and will be removed from the register in the next quarter:
    - *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*.

## List of Appendices

| | |
|---|---|
| Appendix 1: | Scorecard as at 31 March 2024 |
| Appendix 2a: | Isio Quarterly Performance Report for Quarter Ended 31 March 2024 |
| Appendix 2b: | Isio Fee Benchmarking Report 31 March 2024 (EXEMPT) |
| Appendix 3: | Cashflow Monitoring Report |
| Appendix 4: | Pension Fund Risk Register |
| Appendix 5: | Efficiencies Consultation Response |

**Appendix 1**

**Scorecard at 31 March 2024**

**London Borough of Hammersmith and Fulham Pension Fund Quarterly**

**Monitoring Report**

| | **Mar 23 £000** | **Sep 23 £000** | **Dec 23 £000** | **Mar 24 £000** | **Report reference/Comments** |
|---|---|---|---|---|---|
| | | | | | |
| Value (£m) | 1,281 | 1,274 | 1,307 | 1,360 | IRAS reports. |
| % return quarter | 2.47% | -0.59% | 3.34% | 4.56% | |
| % Return one year | -1.74% | 3.31% | 5.71% | 7.88% | |
| **LIABILITIES** | | | | | |
| Value (£m) | 1,021 | 934 | 1,037 | 1,040 | Hymans Robertson LLP Estimated Funding Update |
| Surplus/(Deficit) (£m) | 260 | 340 | 270 | 320 | |
| Funding Level | 125% | 136% | 126% | 130% | |
| **CASHFLOW** | | | | | |
| Cash balance | 8,805 | 13,651 | 7,510 | 15,643 | Appendix 3 |
| Variance from forecast | 5,610 | 3,391 | 2,114 | 5,557 | |
| **MEMBERSHIP** | | | | | |
| Active members | 5,150 | 5,173 | 5,018 | 5,032 | Reports from Pension Fund Administrator |
| Deferred beneficiaries | 6,218 | 6,940 | 7.060 | 7,032 | |
| Pensioners | 5,960 | 5,928 | 6,091 | 6,033 | |
| **RISK** | | | | | |
| No. of new risks | | | | 0 | Appendix 4: Risk Register |
| No. of ratings changed | | | | 0 | |
| **LGPS REGULATIONS** | | | | | |
| New consultations | None | 1 | None | None | Sep 23 - Was the Pooling Consultation Paper |
| New sets of regulations | None | None | None | None | |

# London Borough of Hammersmith & Fulham Pension Fund

Investment Performance Report to 31 March 2024

# Contents




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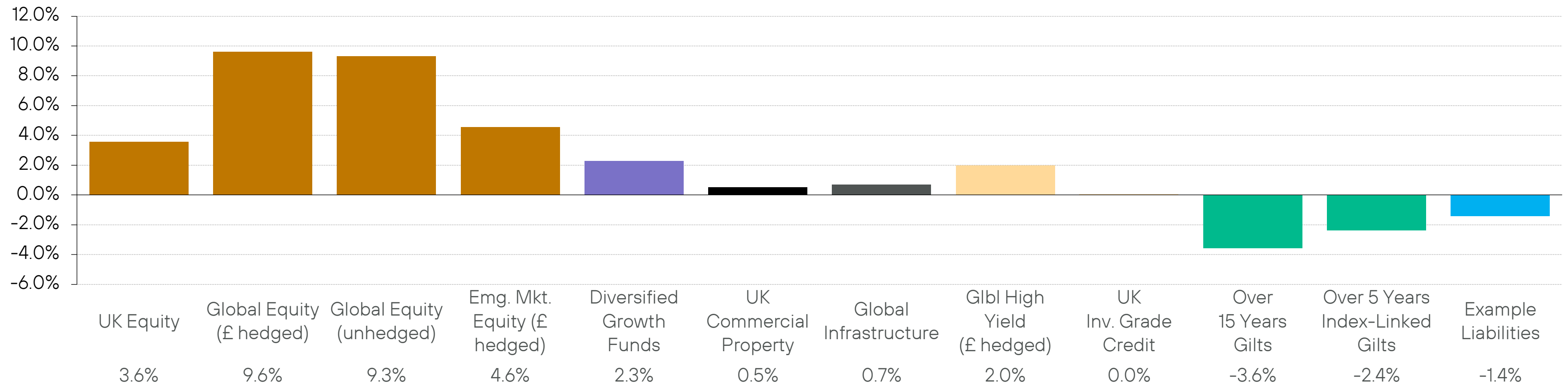
# Market Background – Overview Q1 2024

**Returns by Asset Class – Q1 2024**






**Key Upcoming Events**

**Q2 2024 Base rate publications**

- UK: The dates for the Bank of England's Monetary Policy Committee ("MPC") announcements are 9 May and 20 June.
- US: The dates for the US Federal Reserve's Federal Open Market Committee ("FOMC") meetings are 1 May and 12 June.

**Q2 2024 Inflation publications**

- UK Inflation data publications: 16 April, 21 May, 18 June.
- US Inflation data publications: 10 April, 15 May, 12 June.

**Commentary**

- Market expectations around the pathway for interest rate cuts were heavily revised over Q1, as markets priced in fewer expected rate cuts for 2024 due to resilient growth, sticky inflation and low unemployment figures. These data points indicated a stronger economic picture, especially in the US.
- US and Japanese equities delivered strong returns – the former was supported by strong earnings growth, particularly from the 'magnificent seven' and Japan was driven by an improving economic outlook as the BoJ began to normalise monetary policy.
- In credit markets, with the expected pace of rate cuts slowing, gilts and index linked gilt returns were negative. Corporate debt benefitted from the tightening credit spreads, as such, high yield bonds outperformed US and UK investment grade.
- Due to increasing gilt yields over the period, pension scheme liabilities are expected to have fallen. The extent to which this led to a funding gain will depend on the level of liability hedging employed to manage interest rate and inflation risk.

**Summary**

Global economic resilience continued with US GDP data showing that the US economy grew faster than expected - this contributed to a continued rally in risk assets like equities and high yield bonds.

Over Q1 the market outlook changed substantially regarding anticipated interest rate cuts ahead, following stronger than expected economic and inflation data.

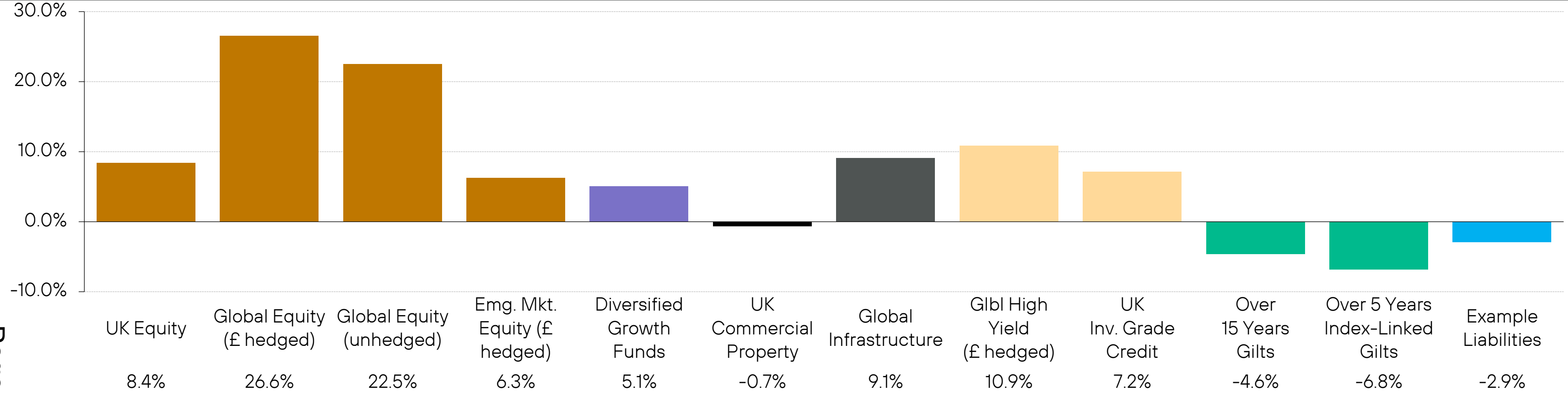
Equities benefitted from strong earnings and economic data tailwinds, hitting new highs in the US and Japan. Whereas credit performance was more varied. Gilts and index-linked gilts were negative. Investment grade credit was flat/negative in US and UK. EM Debt, global high yield and Euro investment grade were positive.

Due to a rise in long-dated gilt yields, pension scheme liabilities are expected to have fallen over the period.

Sources: Refinitiv, DGF investment managers, Isio calculations.

# Market Background – Overview 12 Months to Q1 2024

### Returns by Asset Class – Q1 2024






### Key Upcoming Events

**Q2 2024 Base rate publications**

- UK: The dates for the Bank of England's Monetary Policy Committee ("MPC") announcements are 9 May and 20 June.
- US: The dates for the US Federal Reserve's Federal Open Market Committee ("FOMC") meetings are 1 May and 12 June.

**Q2 2024 Inflation publications**

- UK Inflation data publications: 16 April, 21 May, 18 June.
- US Inflation data publications: 10 April, 15 May, 12 June.

### Commentary

- 12-month performance was positive across most growth asset classes, as investor sentiment remained positive despite central bank indications of preferring to hold interest rates steady rather than drastically cutting them over the year ahead.
- Global equites delivered strong returns over the 12-month period. In the US, positive earnings growth has been sustained, largely stemming from large cap technology companies, particularly those involved in AI related themes. In Japan, positive momentum continued with the Topix forging higher again in the recent Q1 period - the country is shifting to an inflationary economy after years of deflation.
- Fixed income experience was more mixed, with nominal and index-linked gilts generating negative returns over the trailing 12-month period, whereas UK IG and Global High Yield delivered positive returns as credit spreads continued to taper due to improved confidence that corporate debt levels would withstand higher interest rates.

### Summary

Global markets delivered largely positive returns over the 12-month period to 31 March 2024 and global economic resilience continued despite lingering inflation, periods of volatility and the outbreak of war in the middle east.

Global equities performed strongly, driven by constant, strong earnings growth in the US and improving business conditions. Outside of the US, Eurozone inflation cooled, while Japanese GDP growth was revised higher and the BoJ formally ended negative interest rate policy, reflecting strong economic momentum there.

Credit market performance was mixed as nominal and index-linked gilt returns were negative over the period, whereas Global high yield and UK IG Credit delivered positive returns. Credit spreads continued to narrow, as higher all-in yields attracted investor inflows, and economic data improved.

Example liabilities for pension schemes have fallen over the 12-month period.

Sources: Refinitiv, DGF investment managers, Isio calculations.

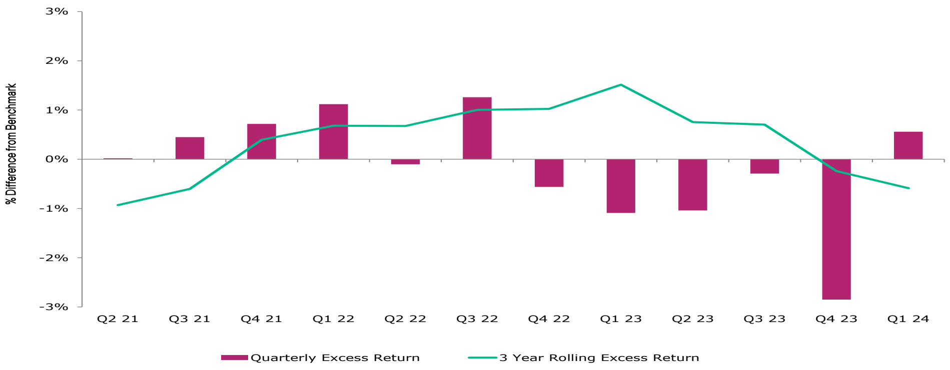
# Executive Summary – Q1 2024

| **Fund Performance to 31 March 2024** | | **3 months (%)** | | | **1 year (%)** | | | **3 years (% p.a.)** | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Fund | Benchmark | Relative | Fund | Benchmark | Relative | Fund | Benchmark | Relative |
| Equity | LCIV Global Equity Quality | 7.0 | 9.2 | (2.2) | 17.9 | 20.6 | (2.7) | 9.2 | 10.2 | (0.9) |
| | LGIM Low Carbon Mandate | 9.9 | 10.0 | 0.0 | 23.1 | 23.2 | (0.1) | 11.9 | 12.0 | (0.1) |
| Dynamic Asset Allocation | LCIV Absolute Return Fund | (0.8) | 2.3 | (3.1) | (7.2) | 9.2 | (16.4) | (0.1) | 6.5 | (6.6) |
| | LCIV Long Duration B&M | (0.7) | (1.1) | 0.4 | n/a | n/a | n/a | n/a | n/a | n/a |
| | LCIV Short Duration B&M | 0.9 | 1.0 | (0.1) | n/a | n/a | n/a | n/a | n/a | n/a |
| | Allspring Climate Transition Global B&M | 4.9 | (1.3) | 6.2 | n/a | n/a | n/a | n/a | n/a | n/a |
| Secure Income | Partners Group MAC[2] | (0.7) | 2.3 | (3.0) | (1.2) | 9.2 | (10.3) | 11.5 | 6.5 | 4.9 |
| | Oak Hill Advisors | 2.6 | 2.3 | 0.3 | 12.9 | 9.2 | 3.7 | 4.5 | 6.5 | (2.0) |
| | abrdn MSPC Fund[3] | 6.9 | 0.6 | 6.3 | 15.3 | 8.6 | 6.7 | (0.2) | (1.4) | 1.2 |
| | Darwin Alternatives | (0.1) | 2.8 | (2.9) | (16.4) | 11.2 | (27.6) | n/a | n/a | n/a |
| | Partners Group Infra[2] | 0.6 | 3.3 | (2.7) | 6.7 | 13.2 | (6.5) | 17.1 | 10.5 | 6.5 |
| | Aviva Infra Income[4] | 2.7 | 2.8 | (0.1) | (14.5) | 11.2 | (25.7) | (0.5) | 8.5 | (9.0) |
| | Quinbrook Renewables Impact | (0.3) | 1.1 | (1.4) | n/a | n/a | n/a | n/a | n/a | n/a |
| Inflation Protection | abrdn Long Lease Property Fund | (2.3) | (1.1) | (1.2) | (9.1) | 1.9 | (11.0) | (6.8) | (5.2) | (1.6) |
| | Alpha Real Capital | 2.3 | (4.8) | 7.0 | (12.3) | (15.2) | 3.0 | n/a | n/a | n/a |
| | Man GPM | (3.4) | 2.3 | (5.7) | (8.1) | 9.2 | (17.3) | n/a | n/a | n/a |
| Total Fund[1] | | 4.6 | 4.0 | 0.6 | 7.9 | 11.9 | (4.0) | 5.2 | 5.8 | (0.6) |

## Commentary

- The Total Fund delivered an absolute return of 4.6% on a net of fees basis over the quarter to 31 March 2024, outperforming the fixed weight benchmark by 0.6%.
- The Total Fund delivered positive absolute returns of 7.9% and 5.2% p.a. on a net of fees basis over the year and annualised three years respectively to 31 March 2024, underperforming its fixed weight benchmark by 4.0% and 0.6% p.a. over the year and three years respectively.
- Short term deviations from benchmark can be expected where the underlying fund is measured against a target that does not move in line with the respective asset class, for example a number of the private markets funds are measured against a cash-plus target. Details of the benchmarks used for each fund can be found in the Appendix.
- The chart to the right compares the net performance of the Fund relative to the fixed weight benchmark over the three years to 31 March 2024. The 3-year rolling excess return remained negative over the first quarter of 2024 despite outperforming the benchmark over the quarter, with the Fund having underperformed the fixed weight benchmark over five quarters in succession leading to the end of December 2023.

## Total Fund Performance – Last Three Years







Source: Northern Trust (Custodian). Figures are quoted net of fees. Differences may not tie due to rounding. Please note that there also exists a residual private equity allocation to Invesco and Unicapital – this allocation makes up less than 0.1% of the Fund's total invested assets.
[1] The Total Assets benchmark is calculated using the fixed weight target asset allocation. [2] Partners Group Multi Asset Credit and Direct Infrastructure Fund performance provided to 28 February 2024. [3] abrdn MSPC Fund performance provided to 31 December 2023.
[4] Aviva Investors performance figures provided by Northern Trust take into account a c. 1.7% income distribution from the Infrastructure Income Fund towards the end of each quarter.

# Asset Allocation as at 31 March 2024

| Fund | Actual Asset Allocation | | | | |
|---|---|---|---|---|---|
| | 31 Dec 2023 (£m) | 31 March 2024 (£m) | 31 Dec 2023 (%) | 31 March 2024 (%) | Benchmark Allocation (%) |
| LCIV Global Equity Quality | 167.6 | 179.7 | 12.7 | 13.2 | 13.0 |
| LGIM Low Carbon Mandate | 375.3 | 412.6 | 28.5 | 30.3 | 27.0 |
| **Total Equity** | **543.0** | **592.3** | **41.2** | **43.5** | **40.0** |
| LCIV Absolute Return Fund | 152.4 | 151.2 | 11.6 | 11.1 | 10.0 |
| Allspring Buy & Maintain (Climate Transition) | 129.0 | 135.3 | 9.8 | 9.9 | 10.0 |
| LCIV Buy & Maintain (Long Duration) | 33.9 | 33.5 | 2.6 | 2.5 | 2.5 |
| LCIV Buy & Maintain (Short Duration) | 32.9 | 33.1 | 2.5 | 2.4 | 2.5 |
| **Total Dynamic Asset Allocation** | **348.1** | **353.1** | **26.4** | **25.9** | **25.0** |
| Partners Group MAC | 8.1 | 6.5 | 0.6 | 0.5 | - |
| Oak Hill Advisors Diversified Credit Strategies | 71.7 | 73.6 | 5.4 | 5.4 | 5.0 |
| Partners Direct Infrastructure | 39.8 | 33.2 | 3.0 | 2.4 | 5.0 |
| Aviva Infrastructure Income | 20.5 | 15.2 | 1.6 | 1.1 | - |
| Quinbrook Renewables Impact | 42.1 | 47.6 | 3.2 | 3.5 | 3.5 |
| abrdn Multi Sector Private Credit | 48.4 | 51.2 | 3.7 | 3.8 | 4.0 |
| Darwin Alternatives Leisure Development Fund | 29.0 | 29.0 | 2.2 | 2.1 | 2.5 |
| **Secure Income** | **259.6** | **256.3** | **19.7** | **18.8** | **20.0** |
| Abrdn Long Lease Property | 50.8 | 49.6 | 3.9 | 3.6 | 5.0 |
| Alpha Real Capital Inflation Linked Income Fund | 78.7 | 79.0 | 6.0 | 5.8 | 7.5 |
| Man GPM | 24.5 | 23.6 | 1.9 | 1.7 | 2.5 |
| **Total Inflation Protection** | **154.0** | **152.2** | **11.7** | **11.2** | **15.0** |
| Bank Balance | 13.1 | 7.3 | 1.0 | 0.5 | - |
| **Total Assets** | **1,317.9** | **1,361.1** | **100.0** | **100.0** | **100.0** |







Source: Northern Trust (Custodian) and have not been independently verified. Figures may not sum to total due to rounding. [1]Partners Group Multi Asset Credit and Direct Infrastructure valuations provided by Northern Trust with a month's lag (i.e. as at 30 November 2023and as at 28 February 2024). [12] Total Fund valuation includes £30k which is invested in private equity allocations with Invesco and Unicapital, with these investments currently in wind down.

# Fund Activity

| Item | Action points / Considerations | Status |
|---|---|---|
| Infrastructure and Renewable Infrastructure | **Aviva Investors Infrastructure Income Fund ("AIIIF")**<br>• At the 20 June 2022 Pension Fund Committee Meeting, the Pension Fund Committee agreed to proceed with the proposed full disinvestment from the Fund's investment in the Aviva Investors Infrastructure Income Fund and, in June 2022, the Pension Officers served notice to fully disinvest from AIIIF.<br>• The London Borough of Hammersmith and Fulham Pension Fund received £5.4m on 30 January 2024, which represents the first tranche of the redemption proceeds. The remaining redemption proceeds are expected to follow in one further tranche during Q3 2024.<br>• Further detail can be found in the Private Appendix attached to this report.<br>**Quinbrook Renewables Impact Fund**<br>• Over the quarter, Quinbrook issued two draw down requests for £3.1m to be paid by 23 January 2024 and £2.6m to be paid by 28 February 2024, funded from excess cash held in the Trustee bank account. Following quarter end, Quinbrook issued a further draw down request for £1.1m for payment by 30 May 2024, also funded from excess cash. Resultantly, following payment of the latest draw down request, the Fund's £45m commitment is c. 95% drawn for investment as at 30 May 2024. | Discussion (AIIIF); Information only (Quinbrook) |
| Affordable Housing | **Man GPM Community Housing**<br>• Man GPM did not issue any further capital calls over the first quarter of 2024. Following quarter end, Man GPM issued a draw down request for £0.2m for payment by 9 May 2024, funded from excess cash held in the Trustee bank account. As such, as at 9 May 2024 following payment of this request, the Fund's total commitment is c. 80% drawn for investment.<br>• An update on the Community Housing Fund's investments in Grantham, Wellingborough and Saltdean can be found in the Private Appendix to this report. | Information only |

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### Summary

This page sets out the key Fund activity updates over the quarter and following quarter end.

Any updates that require action or discussion are flagged accordingly with the key below.

### Status key

- Action
- Decision
- Discussion
- Information only

# Fund Activity

| Item | Action points / Considerations | Status |
|---|---|---|
| Partners Group | **Partners Group Multi Asset Credit**<br>• Following quarter end, on 10 May 2024, Partners Group wrote to investors in the Multi Asset Credit Fund 2014 to seek consent to extend the term of the strategy by three years to 28 July 2027.<br>• There are 5 investments remaining in the portfolio and Partners Group is seeking an extension to the fund life in order to facilitate an orderly wind-down – to avoid exiting the remaining assets at substantial discount as a result of current market dynamics and to allow additional time for the remaining assets to realise their value creation potential.<br>• Partners Group anticipates that the majority of asset exits will complete within the next 12-18 months, but has proposed a 3 year extension to allow flexibility.<br>• We provide further detail regarding the proposed extension, alongside the response process and timeline, in the Private Appendix to this report. | Decision |
| Allspring Global Investments | **Allspring Climate Transition Global Buy & Maintain**<br>• Following quarter end, on 22 April 2024 Allspring Global Investments announced that Stephane Fiévée will be named as the new Head of European Credit Research on the Global Fixed Income Research Team, effective 1 June 2024. This action will coincide with the retirement of Duncan Warwick-Champion, current Head of European Credit Research.<br>• Prior to taking on the new role, Stephane was a senior research analyst for the Global Fixed Income Research Team, having joined Allspring in 2017. Stephane has 20 years of investment industry experience.<br>• Isio held a meeting with Allspring on 15 May 2024 to discuss the change in personnel. Allspring have confirmed that there are no plans to modify the conviction or approach undertaken by the European Credit Research Team, and have detailed that continuity of research team methodology and structure has been a key factor behind the decision to promote Stephane. Allspring has constructed its research teams to ensure that, where there are team changes, there is minimal impact to services.<br>• We are comfortable with the proposed changes considering Stephane's experience in the industry and that the European Credit Research Team is relatively large and supported by the wider global Allspring teams. While we don't foresee any issues. we will continue to monitor the strategy in the light of the change in personnel. | Information only |

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### Summary

This page sets out the key Fund activity updates over the quarter and following quarter end.

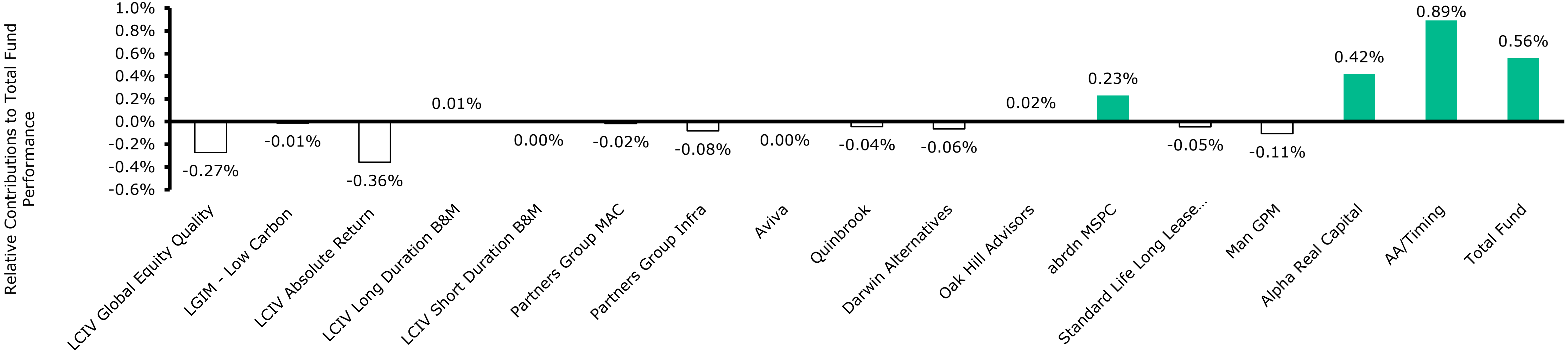
Any updates that require action or discussion are flagged accordingly with the key below.

### Status key

- Action
- Decision
- Discussion
- Information only

# Attribution of Performance to 31 March 2024

## Relative Contributions to Total Fund Performance - Quarter



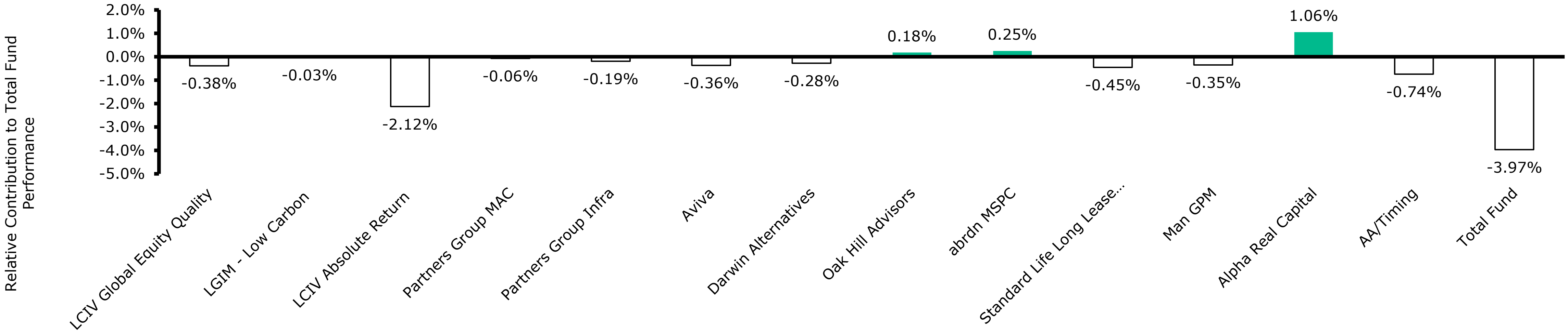



| Key area | Comments |
|---|---|
| Commentary | • The Fund outperformed its fixed weight benchmark by c. 0.6% over the quarter to 31 March 2024.<br><br>• Relative outperformance was driven primarily by Alpha Real Capital and the abrdn Multi Sector Private Credit Fund, having outperformed their respective inflation-linked gilts and corporate bond-based benchmarks over the three-month period.<br><br>• Outperformance can also be partially attributed to Allspring, which outperformed its target over the quarter. Due to differences in the performance figures provided by Allspring and those estimated by the Fund's custodian, Northern Trust, we have not included Allspring in the chart above. The attribution of Allspring's outperformance, alongside the impact of the Fund's overweight allocation to equities during a period of strong absolute returns, is captured in the "AA/Timing" bar.<br><br>• Relative outperformance was partially offset by the LCIV Absolute Return Fund, having underperformed its cash-based benchmark over the period with the strategy's downside protection assets detracting over the quarter; and the LCIV Global Equity Quality Fund, with the value-orientated portfolio underperforming the wider global equity market amid a growth-driven market environment, |

Sources: Investment managers, Isio calculations.

# Attribution of Performance to 31 March 2024

## Relative Contributions to Total Fund Performance - Annual

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| Key area | Comments |
|---|---|
| Commentary | • Over the year to 31 March 2024, the Fund underperformed its fixed weight benchmark by c. 4.0%.<br>• Underperformance over the twelve-month period was primarily driven by the LCIV Absolute Return Fund, having underperformed its cash-based benchmark over each of the separate four quarters to 31 March 2024. The strategy's defensive positioning, predominantly the exposure to bonds, proved detrimental, negatively impacted by rising bond yields. In addition, while equity markets in general have recovered over the year, the LCIV Absolute Return Fund's defensive position stipulates that the equity allocation is at the low end of the long-term range for the strategy, and is tilted towards stocks which have underperformed the wider market over recent periods.<br>• Additionally, the negative attribution to relative returns over the year reflected in the "AA/Timing" bar can be partially attributed to the overweight position to the LCIV Absolute Return Fund, relative to the fixed weight strategic benchmark. |

Sources: Investment managers, Isio calculations.

# Investment Manager Updates

# London CIV (1)

| Sub-fund | Asset Class | Manager | Total AuM as at 31 Dec 2023 (£m) | Total AuM as at 31 March 2024 (£m) | Number of London CIV clients | Inception Date |
|---|---|---|---|---|---|---|
| LCIV Global Alpha Growth | Global Equity | Baillie Gifford | 1,403 | 1,473 | 5 | 11/04/16 |
| LCIV Global Alpha Growth Paris Aligned | Global Equity | Baillie Gifford | 2,212 | 2,305 | 11 | 13/04/21 |
| LCIV Global Equity | Global Equity | Newton | 561 | 605 | 3 | 22/05/17 |
| LCIV Global Equity Quality | Global Equity | Morgan Stanley Investment Management | 524 | 560 | 2 | 21/08/20 |
| LCIV Global Equity Focus | Global Equity | Longview Partners | 1,164 | 1,270 | 6 | 17/07/17 |
| LCIV Emerging Market Equity | Global Equity | Henderson Global Investors | 555 | 561 | 8 | 11/01/18 |
| LCIV Sustainable Equity | Global Equity | RBC Global Asset Management (UK) | 1,271 | 1,411 | 8 | 18/04/18 |
| LCIV Sustainable Equity Exclusion | Global Equity | RBC Global Asset Management (UK) | 679 | 724 | 5 | 11/03/20 |
| LCIV PEPPA | Global Equity | State Street Global Advisors | 851 | 941 | 4 | 01/12/2021 |
| LCIV Global Total Return | Diversified Growth Fund | Pyrford | 100 | 100 | 1 | 17/06/16 |
| LCIV Diversified Growth | Diversified Growth Fund | Baillie Gifford | 675 | 320 | 4 | 15/02/16 |
| LCIV Absolute Return | Diversified Growth Fund | Ruffer | 1,001 | 981 | 10 | 21/06/16 |
| LCIV Real Return | Diversified Growth Fund | Newton | 178 | 186 | 2 | 16/12/16 |
| LCIV Global Bond | Fixed Income | PIMCO | 952 | 888 | 10 | 30/11/18 |
| LCIV Short Duration B&M Credit Fund | Fixed Income | Insight Investment Management | 84 | 138 | 2 | 06/12/23 |
| LCIV Long Duration B&M Credit Fund | Fixed Income | Insight Investment Management | 165 | 814 | 6 | 06/12/23 |
| LCIV MAC | Fixed Income | CQS & PIMCO | 1,549 | 1,768 | 16 | 31/05/18 |
| LCIV Alternative Credit | Fixed Income | CQS | 396 | 508 | 4 | 31/01/22 |
| Total | | | 14,318 | 15,554 | | |

Source: London CIV.

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Investment Performance to 31 March 2024

Business

As at 31 March 2024, the London CIV had assets under management of £15.6bn within the 18 sub-funds (not including commitments to the private markets strategies), an increase of £1.3bn over the quarter owing partially to positive net client flow alongside positive investment returns within the growth sub-funds available on the platform.

As at 31 March 2024, the total assets under oversight, including passive investments held outside the London CIV platform, stood at £31.6bn, an increase of c. £2.2bn over the quarter. Total commitments raised by the private market funds stood at c. £3.1bn of which c. £1.5bn had been drawn as at 31 March 2024.

The table to the left provides an overview of the public market sub-funds currently available on the London CIV platform.

# London CIV (2)

| Sub-fund | Total Commitment as at 31 March 2024 (£'000) | Called to Date (£'000) | Fund Value as at 31 March 2024 (£'000) | Number of London CIV clients | Inception Date |
|---|---|---|---|---|---|
| LCIV Infrastructure Fund | 475,000 | 315,874 | 371,023 | 6 | 31/10/2019 |
| LCIV Real Estate Long Income Fund | 213,000 | 213,000 | 154,624 | 3 | 11/06/2020 |
| LCIV Renewable Infrastructure Fund | 1,108,500 | 414,265 | 437,038 | 16 | 29/03/2021 |
| LCIV Private Debt Fund | 625,000 | 420,091 | 489,302 | 8 | 29/03/2021 |
| LCIV UK Housing Fund | 415,000 | 2,000 | 1,504 | 7 | 31/03/2023 |
| The London Fund | 250,000 | 99,991 | 92,333 | 4 | 15/12/2020 |

Source: London CIV.

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### Investment Performance to 31 March 2024

The table to the left provides an overview of the London CIV's private markets investments as at 31 March 2024.

# LCIV – Global Equity Quality (1)

| Key area | Performance commentary |
|---|---|
| Commentary | • The LCIV Global Equity Quality Fund's portfolio is predominantly comprised of quality franchises with strong recurring cash flows, and the strategy therefore has a low allocation to cyclical stocks. Resultantly, the strategy is expected to outperform during market downturns, but may not fully participate in periods of market uplift. This is the case over the first quarter of 2024, where the strategy has underperformed the MSCI-based benchmark by 2.2% over the three-month period, with the portfolio's quality bias proving detrimental over a period where growth stocks outperformed. The strategy has underperformed the benchmark by 2.7% over the year and 0.9% p.a. over the three-year period.<br><br>• The LCIV Global Equity Quality Fund follows the same strategy and, in general, has the same investment principles as the Morgan Stanley Global Franchise Fund, but is subject to a greater number of restrictions, owing to its key focus on sustainability. As such, there exists several small differences in the characteristics of the two funds. The LCIV Global Equity Quality Fund outperformed the Global Franchise Fund by 1.4% over the quarter. |

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**Investment Performance to 31 March 2024**

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) |
|---|---|---|---|
| Net of fees | 7.0 | 17.9 | 9.2 |
| Benchmark (MSCI World Net Index) | 9.2 | 20.6 | 10.2 |
| Global Franchise Fund (net of fees) | 5.6 | 13.2 | 9.6 |
| Net Performance relative to Benchmark | -2.2 | -2.7 | -0.9 |

Relative performance may not tie due to rounding

## Fund Overview

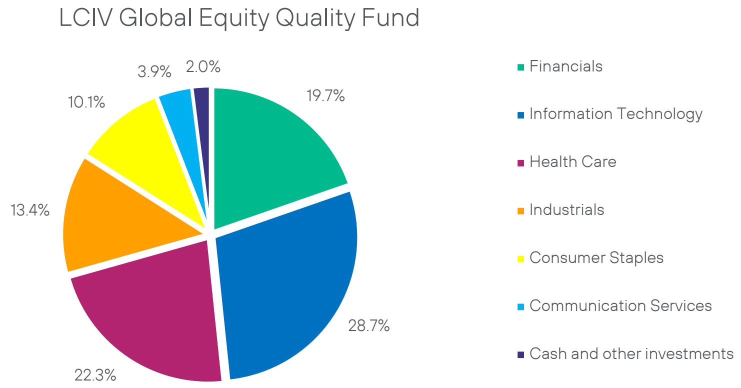
Morgan Stanley Investment Management was appointed to manage an active equity portfolio with a focus on sustainability when selecting investment opportunities, held as a sub-fund on the London CIV platform from 30 September 2020. The aim of the fund is to outperform the MSCI AC World Index.

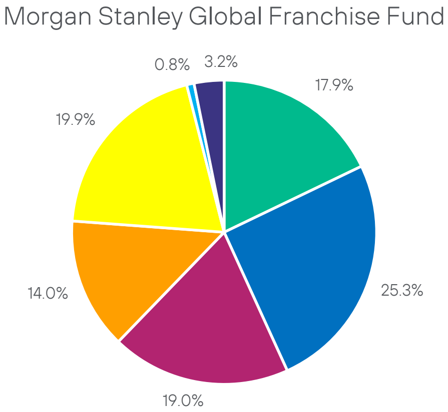
The charts at the bottom of the page compare the relative weightings of the sectors in the LCIV Global Equity Quality Fund and the Morgan Stanley Global Franchise Fund as at 31 March 2024.

The Global Equity Quality strategy has a higher allocation to information technology, healthcare and financials, and a lower allocation to consumer staples due to its intentional tilt towards sustainable investments.

The Global Franchise Fund portfolio held an allocation of c. 4.8% to tobacco stocks as at 31 March 2024. The Global Equity Quality Fund is restricted from investing in tobacco, and hence holds a substantially smaller allocation to consumer staples

**Portfolio Sector Breakdown at 31 March 2024**





Note: Returns net of fees.
Sources: Northern Trust, Morgan Stanley and London CIV.

# LCIV – Global Equity Quality (2)

## Performance Analysis

| | LCIV Global Equity Quality Fund | Global Franchise Fund |
|---|---|---|
| No. of Holdings | 42 | 39 |
| No. of Countries | 8 | 6 |
| No. of Sectors* | 6 | 7 |
| No. of Industries* | 18 | 19 |

*Not including cash



## Holdings

| Global Equity Quality Fund Holding | % of NAV |
|---|---|
| Microsoft | 6.4 |
| SAP SE | 5.9 |
| Visa | 5.1 |
| Accenture | 4.6 |
| Intercontinental Exchange | 3.7 |
| Thermo Fisher Scientific | 3.4 |
| IQVIA | 3.4 |
| AON | 3.3 |
| UnitedHealth | 3.2 |
| RELX | 3.2 |
| Total | 42.1 |

| Global Franchise Fund Holding | % of NAV |
|---|---|
| Microsoft | 8.2 |
| SAP SE | 6.8 |
| Visa | 5.8 |
| Accenture | 5.6 |
| Intercontinental Exchange | 4.3 |
| RELX | 3.7 |
| UnitedHealth | 3.6 |
| Thermo Fisher Scientific | 3.6 |
| Becton Dickinson | 3.5 |
| AON | 3.3 |
| Total | 48.3 |

Sources: Morgan Stanley and London CIV. Totals may not sum due to rounding.

## Portfolio Analysis

The performance analysis table summarises the Global Equity Quality Fund portfolio's key characteristics as at 31 March 2024, compared with the Morgan Stanley Global Franchise Fund.

The top 10 holdings in the Global Equity Quality Fund account for c. 42.1% of the strategy and are detailed in the bottom left chart, compared with the Morgan Stanley Global Franchise Fund.

Nine stocks are consistently accounted for in the top ten holdings of both strategies.

# LGIM – World Low Carbon Equity

| Key area | Performance Commentary |
|---|---|
| Commentary | • The LGIM MSCI World Low Carbon Index Fund delivered a positive absolute return of 9.9% on a net of fees basis over the quarter to 31 March 2024 as global equity markets continued to recover, slightly underperforming its MSCI World Low Carbon Target benchmark.<br><br>• The LGIM MSCI World Low Carbon Index Fund delivered an absolute return of 123.1% on a net of fees basis over the one-year-period to 31 March 2024, slightly underperforming its MSCI World Low Carbon Target benchmark by 0.1%. Over the longer three-year period, the strategy delivered a positive absolute return of 11.9% p.a. on a net of fees basis, slightly underperforming its MSCI World Low Carbon Target benchmark by 0.1% p.a. over the period. |

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**Investment Performance to 31 March 2024**

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) |
|---|---|---|---|
| Net of fees | 9.9 | 23.1 | 11.9 |
| Benchmark (MSCI World Low Carbon Target) | 10.0 | 23.2 | 12.0 |
| Net Performance relative to Benchmark | 0.0 | -0.1 | -0.1 |

Relative performance may not tie due to rounding

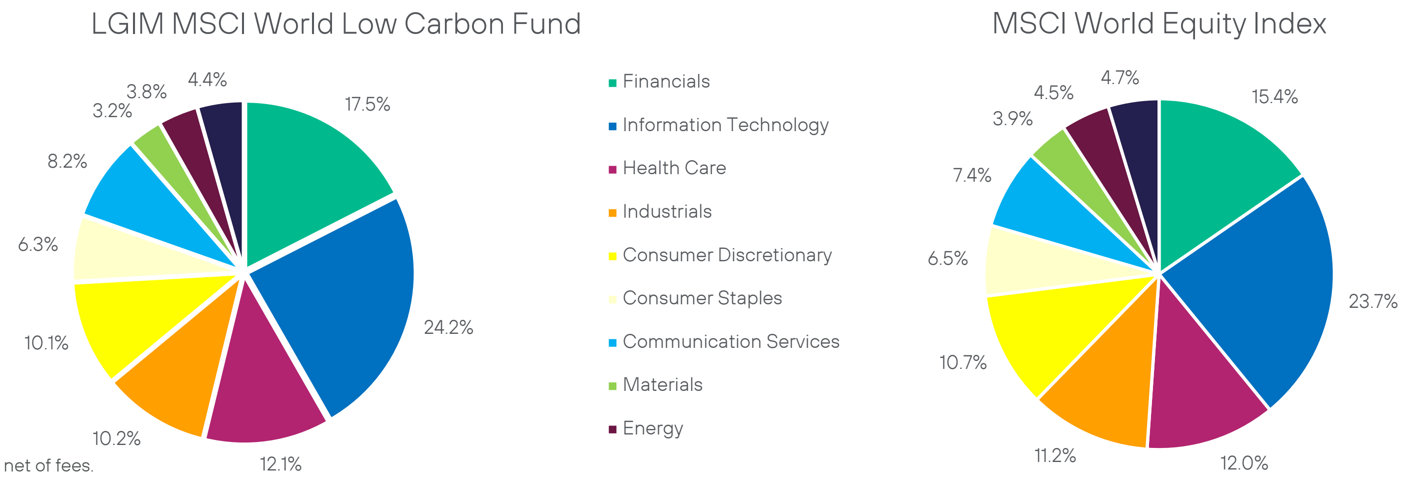
## Fund Overview

Legal and General Investment Management ("LGIM") was appointed on 18 December 2018 to manage a low carbon portfolio with the aim of replicating the performance of the MSCI World Low Carbon Target Index. The manager has an annual management fee, in addition to On Fund Costs.

The bottom left charts compare the relative weightings of the sectors in the LGIM MSCI World Low Carbon Index Fund and the MSCI World Equity Index as at 31 March 2024.

The LGIM MSCI Low Carbon Index Fund has a larger allocation to financials than the MSCI World Equity Index, whilst the relatively lower allocation to materials, industrials and energy reflect the 'low carbon' nature of the Fund.

**Portfolio Sector Breakdown at 31 March 2024**




Note: Returns net of fees.
Sources: Northern Trust and LGIM.

# LCIV – Absolute Return

| Key area | Performance Commentary |
|---|---|
| Commentary | • The LCIV Absolute Return Fund has delivered negative returns of -0.8% and -7.2% over the quarter and year to 31 March 2024 respectively, underperforming its SONIA+5% p.a. target by 3.1% and 16.4% over each respective period.<br><br>• While the Fund's growth assets delivered gains over the quarter, the manager, Ruffer, attributes the portfolio's negative performance over the last year to the portfolio's defensive bias and tilt to downside protection strategies, with the negative returns from these positions more than offsetting the positive growth position contribution to returns. The Fund holds a relatively high allocation to nominal and inflation-linked bonds, which were negatively impacted by rising yields across the curve over the quarter. In addition, the Fund's credit downside protection derivative positions contributed to a 1.6% reduction, as a result of strong investment grade credit market returns over the period. |



## Investment Performance to 31 March 2024

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) | Five Years (% p.a.) |
|---|---|---|---|---|
| Net of fees | -0.8 | -7.2 | -0.1 | 4.6 |
| Target | 2.3 | 9.2 | 6.5 | 5.7 |
| Net performance relative to Target | -3.1 | -16.4 | -6.6 | -1.1 |

Relative performance may not tie due to rounding

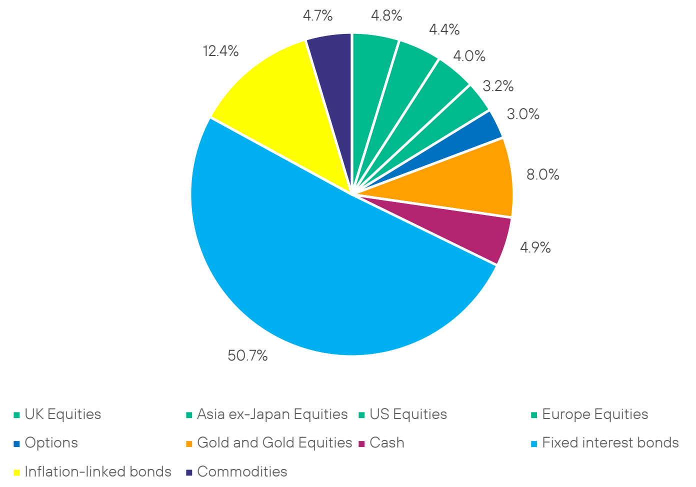
## Fund Overview

Ruffer was appointed to manage an absolute return mandate, held as a sub-fund under the London CIV platform from 21 June 2016, with the aim of outperforming the 3-month Sterling SONIA benchmark by 4% p.a. The manager has a fixed fee based on the value of assets.

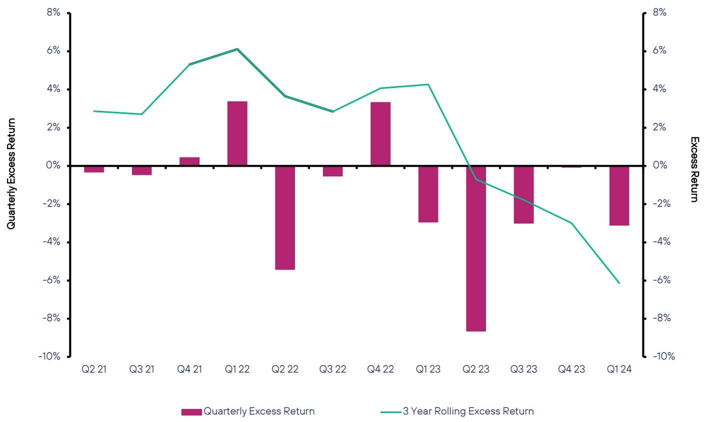
The LCIV Absolute Return Fund aims to deliver growth throughout the investment cycle and acts as a return-seeking diversifier from equities through a relatively defensively positioned portfolio. The manager has the ability to regularly alter the underlying asset allocation in response to market conditions.

While the manager, Ruffer, maintains its view that investors are too bullish about prospects for interest rate cuts and that equity and credit markets are not pricing in downside risks, the manager has opted to re-balance the portfolio's split between return-seeking and protective assets over the quarter.

## Portfolio Sector Breakdown at 31 March 2024




## Investment Performance to 31 March 2024





Sources: Northern Trust, London CIV and Ruffer.

# LCIV – Short and Long Duration Buy & Maintain (1)

| Key area | Performance Commentary |
|---|---|
| Commentary | • The negative impact of rising government bond yields over the quarter on credit markets was broadly offset by tightened credit spreads amid continued investor demand for credit risk.<br><br>• The Sub-Funds' holdings in Thames Water detracted from performance over the quarter, relative to the benchmark, owing to the company's parent company issuing a warning that it would not be able to make upcoming interest payments on some of its outstanding debt. That said, owing to the Sub-Fund's shorter maturity bond positions, the strategy's exposure delivered a positive contribution on an absolute basis.<br><br>• The Long Duration Sub-Fund declined in value, with yields rising more noticeably at the longer end of the curve. |



**Investment Performance to 31 March 2024**

| Short Duration | Last Quarter (%) |
|---|---|
| Net of fees | 0.9 |
| Benchmark / Target | 1.0 |
| Net performance relative to Benchmark | -0.1 |

| Long Duration | Last Quarter (%) |
|---|---|
| Net of fees | -0.7 |
| Benchmark / Target | -1.1 |
| Net performance relative to Benchmark | 0.4 |

Relative performance may not tie due to rounding

## Fund Overview

Insight Investment Management was appointed to manage a buy & maintain credit mandate across both a short and long duration strategy, held as sub-funds under the London CIV platform from 6 December 2023.

The aim of the short and long duration sub-funds is to achieve a portfolio yield to maturity in line with the iBoxx GBP Collateralized & Corporates 0-5 Index and the iBoxx £ Collateralized & Corporates 10+ Index respectively while limiting turnover. The manager has a fixed fee based on the value of assets.

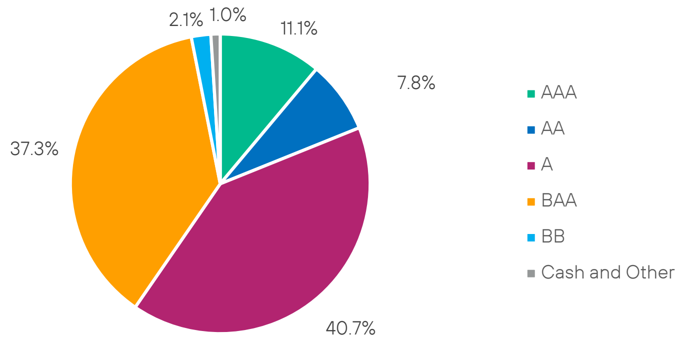
## Key Statistics

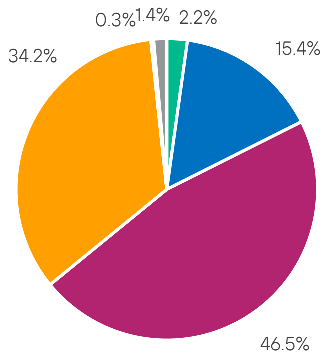
| | Short Duration | | Long Duration | |
|---|---|---|---|---|
| | 31 Dec 2023 | 31 Mar 2024 | 31 Dec 2023 | 31 Mar 2024 |
| Weighted Average Credit Rating | A- | A | A- | A- |
| Yield to Maturity | 5.15 | 5.29 | 5.03 | 5.20 |
| Current Yield | 5.36 | 3.96 | 5.09 | 4.52 |
| Interest Rate Duration (Years) | 2.53 | 2.46 | 11.64 | 11.60 |
| Spread Duration (Years) | 2.51 | 2.51 | 10.30 | 10.50 |

Source: Northern Trust and London CIV.

# LCIV – Short and Long Duration Buy & Maintain (2)

## Portfolio Credit Rating Breakdown as at 31 March 2024

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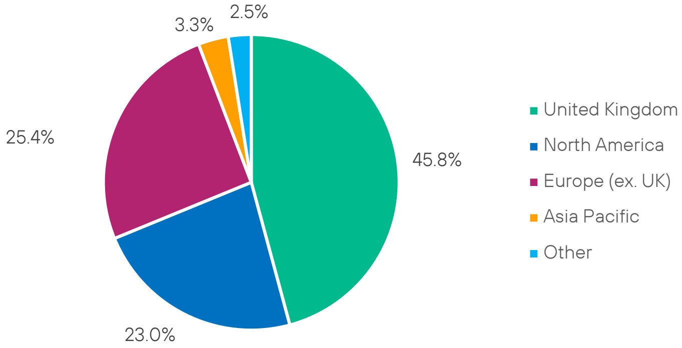
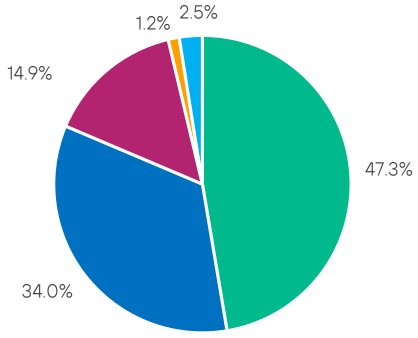
## Portfolio Regional Breakdown as at 31 March 2024




### Fund Overview

The charts to the left represent the split of the Short and Long duration portfolios by credit rating and by region as at 31 March 2024.

Source: Northern Trust and London CIV.
Note that figures may not sum to 100% due to rounding and due to the potential for the manager to use short holdings in cash and currency forwards.

# Allspring – Climate Transition Global Buy & Maintain (1)

| Key area | Performance Commentary |
|---|---|
| Commentary | • Northern Trust has estimated that the Allspring Climate Transition Global Buy and Maintain Fund has delivered a positive return of 4.9% over the quarter to 31 March 2024 on a net of fees basis. However, Allspring estimates that the return on the Fund is broadly flat over the three-month period, outperforming the ICE benchmark by c. 1.3%. We are liaising with Northern Trust to understand the differences in reporting.<br>• Outperformance relative to the wider credit market benchmark can be attributed to the strategy's slightly lower duration during a period of rising underlying bond yields, alongside a higher relative allocation to outperforming sectors over the period. |

**Investment Performance to 31 March 2024**

| | Last Quarter (%) |
|---|---|
| Net of fees | 4.9 |
| Target | -1.3 |
| Net performance relative to Target | 6.2 |

Relative performance may not tie due to rounding

## Fund Overview

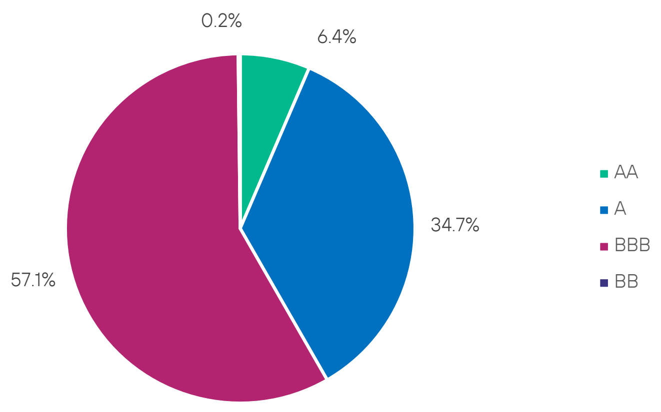
Allspring was appointed on 7 November 2023 to manage a global climate transition buy and maintain credit mandate.

The aim of the Fund is to broadly track the performance of the ICE BofA Sterling Corporate Index, while simultaneously achieving various climate transition related targets. The manager has a fixed fee based on the value of assets.

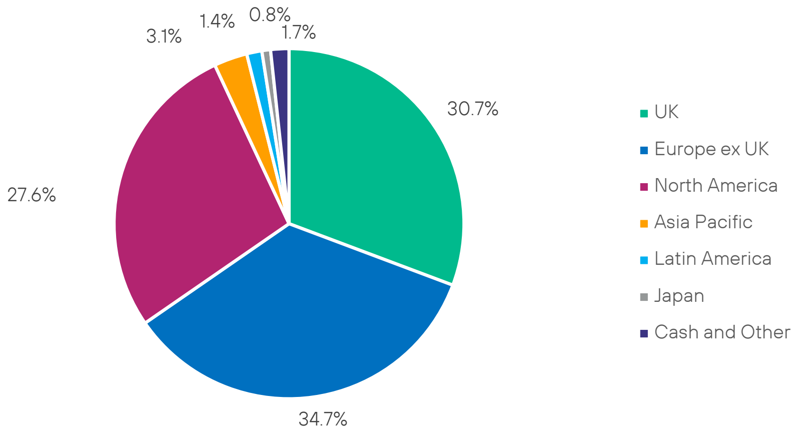
The charts to the bottom left represent the split of the Allspring Climate Transition Global Buy & Maintain Fund by credit rating and by region as at 31 March 2024.



**Portfolio Credit Rating Breakdown as at 31 March 2024**




**Portfolio Regional Breakdown as at 31 March 2024**





Source: Northern Trust and Allspring.

# Allspring – Climate Transition Global Buy & Maintain (2)

**ESG Metrics as at 31 March 2024**

| | Allspring Climate Transition Global Buy & Maintain | | Benchmark | |
|---|---|---|---|---|
| | Value | Coverage | Value | Coverage |
| MSCI ESG Score | 7.4 | 98% | 7.2 | 92% |
| Sustainalytics ESG Risk Score | 20 | 94% | 21 | 92% |
| Carbon to Value Invested (metric tons $CO_2$e/$1m invested)* | 38 | 89% | 52 | 73% |
| Weighted Average Carbon Intensity (metric tons $CO_2$e/$1m revenues)* | 68 | 96% | 94 | 88% |
| Coal Emissions (metric tons $CO_2$e/$1m invested) | 0 | N/A | 32,485 | N/A |
| Gas Emissions (metric tons $CO_2$e/$1m invested) | 4,170 | N/A | 4,242 | N/A |
| Oil Emissions (metric tons $CO_2$e/$1m invested) | 9,462 | N/A | 6,993 | N/A |

MSCI ESG Score: scale of 0-10 (10-best)
Sustainalytics ESG Risk Score: scaled of 0-100 (0-no ESG Risk, >40-severe ESG Risk)
*Operational and Tier 1 supply chain emissions

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### ESG Metrics

Allspring integrates the objectives of the EU Climate Transition Benchmark pathway into its investment approach but targets a carbon intensity reduction trajectory that is more ambitious than the prescribed 1.5°C pathway to net zero by 2050.

Allspring, however, does not automatically exclude industries with high historical carbon emissions and instead focuses on firms' forward transition performance. For example, where many ESG strategies exclude fossil fuels on the view that historical carbon intensity will continue indefinitely, Allspring takes a prospective view on firms' climate and financial performance with the outlook that some of today's heaviest emitters may be tomorrow's decarbonisation outperformers. As such, we would expect the strategy's carbon intensity metrics and ESG scores to improve over time.

The table to the left compares the ESG metrics of the Climate Transition Global Buy & Maintain Fund with those of the reference benchmark as at 31 March 2024.

Please note that we have included definitions of each of the metrics in the Appendix to this report.

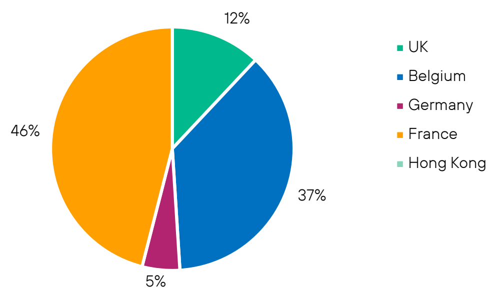

Source: Allspring.

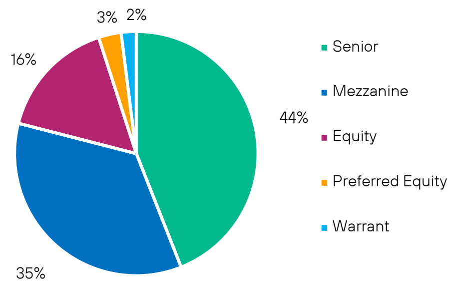
# Partners Group – Multi Asset Credit

| Key area | Performance Commentary |
|---|---|
| Commentary | • The Multi Asset Credit strategy delivered a negative absolute return of -0.7% on a net of fees basis over the quarter to 28 February 2024, underperforming its 3 Month SONIA +4% benchmark by 4.0%. Shorter term reductions in valuation can be attributed to mark-to-market valuation movements, as a result of recent market conditions.<br>• The strong performance over the three-year period reflects the rebound in performance of the strategy's sub-portfolio of tail investments for which the Fund lifespan was extended for in 2021, which were initially particularly acutely impacted by the COVID-19 related impact but that have now rebounded. |
| Activity | • The Partners Group Multi Asset Credit Fund had made 54 investments, of which 49 have been fully realised as at 31 March 2024 with no further realisations taking place since 31 December 2023. The Fund's three-year investment period ended in July 2017 and therefore, any investments realised have subsequently been repaid to investors.<br>• Partners Group did not issue any further capital distributions over the first quarter of 2024. |



## Portfolio Regional and Debt Type Breakdown at 31 March 2024



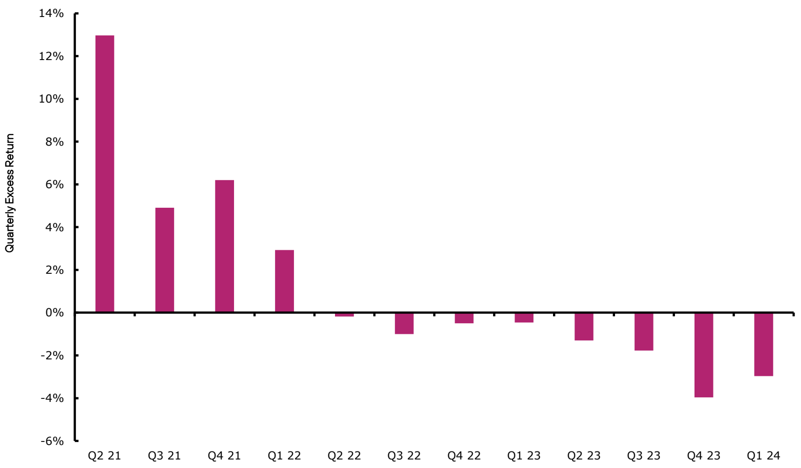




## Investment Performance to 28 February 2024

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) | Five Years (% p.a.) |
|---|---|---|---|---|
| Net of fees | -0.7 | -1.2 | 11.5 | 5.7 |
| Benchmark / Target | 2.3 | 9.2 | 6.5 | 5.7 |
| Net performance relative to Benchmark | -3.0 | -10.3 | 4.9 | 0.1 |

Relative performance may not tie due to rounding

## Quarterly Excess Returns




Please note, performance shown is to 28 February 2024

## Fund Overview

Partners Group was appointed to manage a multi asset credit mandate with the aim of outperforming the 3-month Sterling SONIA benchmark by 4% p.a. The manager has an annual management fee and performance fee.

The charts to the bottom left show the regional split and allocation by debt type of the Fund as at 31 March 2024, based on the five positions remaining in the portfolio. The last loan is set to expire in 2030.

## Proposed Fund Life Extension

Following quarter end, on 10 May 2024, Partners Group wrote to investors in the Multi Asset Credit Fund 2014 to seek consent to extend the term of the strategy by three years to 28 July 2027. Partners Group has asked investors to vote on the proposition ahead of final decision on 17 June 2024.

There are 5 investments remaining in the portfolio and Partners Group is seeking an extension to the fund life in order to facilitate an orderly wind-down – to avoid selling the remaining assets at substantial discount as a result of current market dynamics and to allow additional time for the remaining assets to realise their value creation potential.

Partners Group anticipates that the majority of asset exits will complete within the next 12-18 months, but has proposed a 3 year extension to allow flexibility.


Source: Northern Trust and Partners Group.

# abrdn – Multi-Sector Private Credit Fund

| Key area | Performance Commentary |
|---|---|
| Commentary | • Absolute returns over the last year have primarily been driven by movements in the mark-to-market valuations of the strategy's underlying assets, with abrdn's valuation methodologies taking account of credit spreads and government bond yield movements. Gilt yields fell and credit spreads tightened over the quarter and year to 31 December 2023, resulting in positive Fund performance on an absolute basis, in excess of the ICE ML Sterling BBB Corporate Bond Index. |
| Portfolio Composition | • As at 31 December 2023, the MSPC Fund portfolio has reached target allocation and consists of 26 private assets:<br>• 5 infrastructure debt investments;<br>• 10 senior real estate debts investments;<br>• 1 whole loan real estate debt investment; and<br>• 10 private corporate debt investments. |

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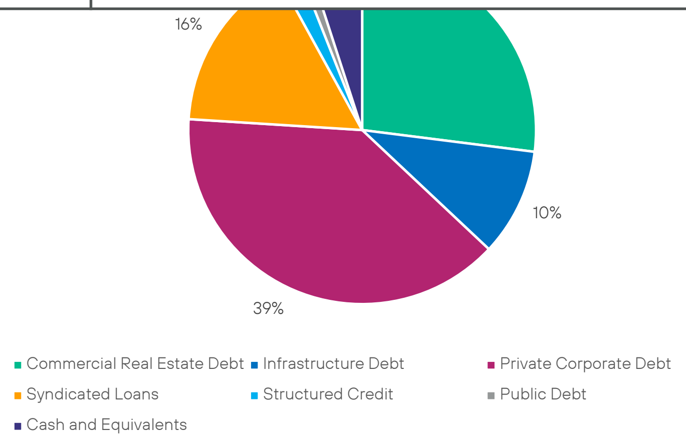
**Portfolio Asset Type Breakdown at 31 December 2023**




**Investment Performance to 31 December 2023**

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) |
|---|---|---|---|
| Net of fees | 6.9 | 15.3 | -0.2 |
| Benchmark / Target | 0.6 | 8.6 | -1.4 |
| Net performance relative to Benchmark | 6.3 | 6.7 | 1.2 |

Relative performance may not tie due to rounding. Please note that abrdn MSPC Fund performance is provided by Northern Trust with a quarter lag.

**Investment Metrics**

| | 30 Sept 2023 | 31 Dec 2023 |
|---|---|---|
| Duration (years) | 3.00 | 4.65 |
| Average rating | BBB- | BBB |
| Average portfolio spread | 324bps | 323bps |
| Average illiquidity premium | 126bps | 126bps |
| Average yield to maturity | 6.73% | 7.82% |

## Fund Overview

abrdn was appointed to manage a multi sector private credit mandate, with the Fund drawing down capital for investment on 8 April 2020.

The Multi Sector Private Credit Fund aims to outperform the ICE ML Sterling BBB Corporate Bond Index once it has been fully deployed. The manager has a fixed annual management fee based on the value of investments.

abrdn has confirmed that there have been no asset-related issues and the manager believes the portfolio is well positioned to sustain a potential recession given the focus on more defensive sectors.

As at 31 December 2023, c. 94% of the MSPC Fund portfolio has been invested in illiquid assets that will make up the long-term portfolio, while the remaining c. 6% of the portfolio remains invested in a liquid transition portfolio in order to avoid a cash drag for liquidity purposes. The asset allocation as at 31 December 2023 is provided in the chart to the left.


Source: Northern Trust and abrdn.

# Darwin Alternatives –Leisure Development Fund

| Key area | Performance Commentary |
|---|---|
| Commentary | • The Leisure Development Fund delivered a slightly negative absolute return of -0.1% over the quarter to 31 March 2024, underperforming its cash +6% p.a. target by 2.9%. Over the one-year period, the Fund has delivered an absolute return of -16.4%, underperforming its target by 27.6%. Darwin Alternatives attributes the significant decrease in net asset value over the year to a significant rise in the discount rate used to value the underlying assets, rather than poor asset performance. The strategy's assets are valued by an independent valuer using a discounted cashflow approach, with the decision taken during Q3 2023 to change the discount rate following a sustained upwards movement in the 'risk-free rate'.<br><br>• While the portfolio has benefitted from the ongoing reduction in energy prices as well as seasonal operating expense savings, Darwin Alternatives highlights that holiday rental income has been behind budget during the quarter, predominantly due to Blenheim Palace Lodge Retreat. Darwin Alternatives has recruited within the Darwin Escapes marketing team with the aim to help further reach the target market and improve awareness of the site, with the manager remaining confident that the site will reach its potential as awareness of the offering improves. |



**Investment Performance to 31 March 2024**

| | Last Quarter (%) | One Year (%) |
|---|---|---|
| Net of fees | -0.1 | -16.4 |
| Benchmark / Target | 2.8 | 11.2 |
| Net performance relative to Benchmark | -2.9 | -27.6 |

Relative performance may not tie due to rounding

## Fund Overview

Darwin Alternatives was appointed to manage a leisure property development mandate, with the Fund drawing down capital for investment on 1 January 2022.

The Leisure Development Fund aims to outperform the 3-month Sterling SONIA target by 6% p.a. The manager has an annual management fee and performance fee.

Details of the Fund's underlying assets can be found overleaf.

**Activity**

- The lodge manufacturer Bentley Rowe has now sited 11 lodges at Plas Isaf with a further 17 due to be delivered by early May. Phase 2 of the development, which provides 29 rental lodges, was open for Easter and the remaining 10 lodges in the Phase 3 area will be available for rental before the May half term holidays.
- The Springs is currently behind budget. Cleaning staff have been brought in-house to lower operating costs going forward. This was due to site-specific cleaning cost tariffs being higher compared to other sites.
- Golf at Dundonald Links continues to perform strongly, bringing more people to the site which is also improving food and beverage revenue. The combination of increasing employee productivity while reducing staff hours has led to an overall reduction of operating expenses at the park.
- A second holiday home sale was made at Norfolk Woods, putting it ahead of its budget. Darwin Alternatives does not expect any sales at the site over the winter period.
- Kilnwick Percy continues to underperform and Darwin Alternatives will be performing a strategic review of the park. Site preparatory works at Suffolk Woods have been completed and the manager is now working on modifying plans to determine a build which meets with current investment rationale.


Source: Northern Trust and Darwin Alternatives.

# Darwin Alternatives –Leisure Development Fund

Portfolio Holdings

| Park | Purchase Rationale | Size (Acres) | Purchase Date |
|---|---|---|---|
| Stratford Armouries, Warwickshire | Develop site into luxury lodge retreat | 9 | June 2017 |
| Norfolk Woods, Norfolk | Redevelop to holiday resort with leisure facilities | 15 | June 2017 |
| The Springs, Oxfordshire | Upgrade golf facilities and add lodges to create small lodge resort | 133 | July 2017 |
| Rivendale, Derbyshire | Redevelop to holiday resort with leisure facilities | 35 | January 2018 |
| Dundonald Links, Ayrshire | Add lodges and central facilities to create lodge resort | 268 | March 2019 |
| Kilnwick Percy, East Yorkshire | Add additional lodges to existing golf resort | 150 | March 2020 |
| Rosetta, Peeblesshire | Redevelop to holiday resort with leisure facilities | 47 | May 2020 |
| Plas Isaf, North Wales | Add additional lodges utilising existing planning | 39 | June 2020 |
| Bleathwood, Shropshire | Develop site into luxury lodge retreat | 12 | December 2020 |
| High Lodge, Suffolk | Redevelop to holiday resort with leisure facilities | 64 | April 2021 |
| Blenheim Palace, Oxfordshire | Develop site into luxury lodge retreat | 10 | December 2021 |

- The Fund also owns a stake in Modular, a lodge manufacturing business.



Portfolio

The table to the left shows details of the parks underlying the Darwin Alternatives Leisure Development Fund portfolio as at 31 March 2024.


Source: Darwin Alternatives.

# Oak Hill Advisors – Diversified Credit Strategies

| Key area | Performance Commentary |
|---|---|
| Commentary | • The strategy delivered a positive return of 2.6% on a net of fees basis over the quarter to 31 March 2024, outperforming the benchmark by 0.3%. As the strategy is measured against a Sterling cash-plus benchmark, we would expect relative performance differences over shorter time horizons.<br><br>• The strategy's high yield and leveraged loans exposures delivered positive returns over the quarter, boosted by a continuation in US economy recovery.<br><br>• The strategy's opportunistic nature means that the fund can take on restructuring opportunities for issuers. There were no defaults over the first quarter of 2024 within the Diversified Credit Strategies portfolio, while fiver positions representing c. 1.1% of the total portfolio were downgraded. Each of these positions were sub-investment grade and Oak Hill Advisors plans to maintain the positions. |



## Investment Performance to 31 March 2024

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) | Five Years (% p.a.) |
|---|---|---|---|---|
| Net of fees | 2.6 | 12.7 | 4.5 | 4.5 |
| Benchmark / Target | 2.3 | 9.2 | 6.5 | 5.7 |
| Net Performance relative to Benchmark | 0.3 | 3.6 | -2.1 | -1.2 |

Relative performance may not tie due to rounding

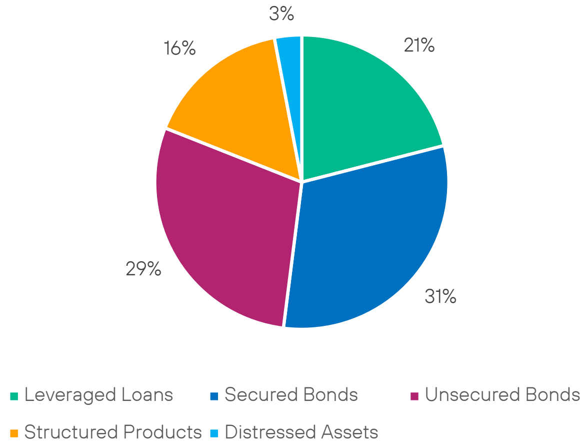
## Fund Overview

Oak Hill Advisors was appointed to manage a multi asset credit mandate with the aim of outperforming the 3-month Sterling SONIA benchmark by 4% p.a. The manager has an annual management fee and performance fee.

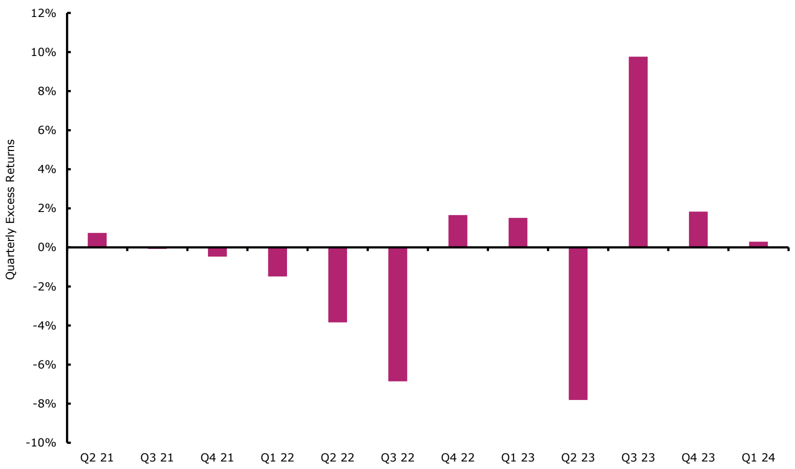
It should be noted, however, that the DCS Fund is denominated in US Dollars. There is no hedging in place in respect of this investment and therefore short-term returns are impacted by exchange rate fluctuations. Oak Hill Advisors highlights that the strategy has delivered 2.7% on a net of fees basis over the quarter to 31 March 2024 once currency fluctuations have been stripped out. Oak Hill Advisors compares the performance of the Diversified Credit Strategies Fund against a blended index of high yield credit and leveraged loans, which delivered a return of 2.0% over the quarter to 31 March 2024.

The chart to the bottom left shows the composition of the Diversified Credit Strategies Fund's portfolio as at 31 March 2024.

## Portfolio Sector Breakdown at 31 March 2024




## Quarterly Excess Returns






Source: Northern Trust and Oak Hill Advisors.

# Partners Group – Direct Infrastructure

| Key area | Performance Commentary |
|---|---|
| Activity | • The Direct Infrastructure Fund's investment period ended on 30 September 2021 and the Fund will therefore make no further investments going forward, having made 22 investments.<br>• As at 31 December 2023, the Partners Group Direct Infrastructure Fund was in its realisation phase with an active portfolio of 14 investments having realised 8 positions to date.<br>• The total capacity of the Partners Group Direct Infrastructure Fund is €1.08 billion. Of this, c. 99.5% has been committed to investments as at 28 February 2024, with c. 84.9% of the total capacity drawn down from investors.<br>• As at 31 March 2024, the Fund has delivered a net IRR of 14.4% since inception. |



**Investment Performance to 28 February 2024**

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) | Five Years (% p.a.) |
|---|---|---|---|---|
| Net of fees | 0.6 | 6.7 | 17.1 | 16.3 |
| Benchmark / Target | 3.3 | 13.2 | 10.5 | 9.7 |
| Net Performance relative to Benchmark | -2.7 | -6.5 | 6.5 | 6.6 |

Relative performance may not tie due to rounding

## Fund Overview

Partners Group was appointed to manage a global infrastructure mandate with the aim of outperforming the 3-month Sterling SONIA benchmark by 8% p.a. The manager has an annual management fee and performance fee.

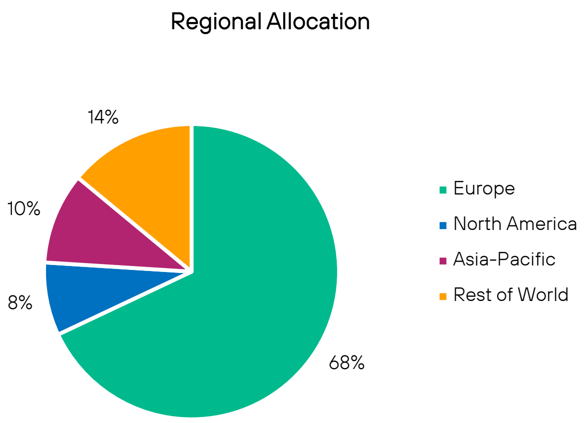
The charts to the bottom left show the regional split of the Direct Infrastructure Fund and a breakdown of the Fund by infrastructure sector as at 31 December 2023.

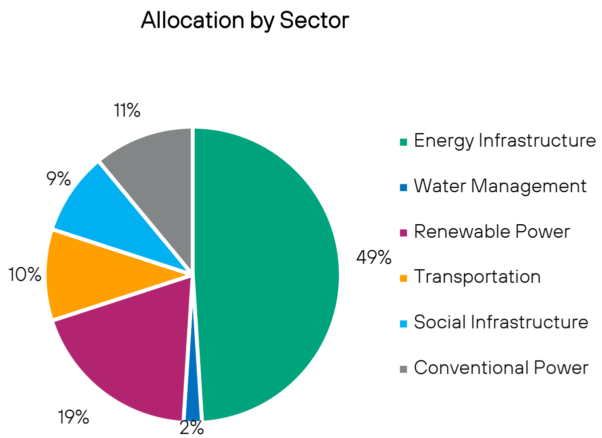
## Capital Calls and Distributions

Partners Group have confirmed that the Direct Infrastructure Fund is unlikely to draw any further capital into the strategy. Remaining capital is held back for the purposes of meeting potential future currency hedging calls or follow-on capital for portfolio companies.

The Fund issued an income distribution of €0.7m to the London Borough of Hammersmith & Fulham Pension Fund on 22 February 2024, which consisted of proceeds from the sale of the remaining stake in Borssele III/IV.

**Portfolio Breakdown by Region and Sector as at 31 December 2023**





Source: Northern Trust and Partners Group.

# Aviva Investors – Infrastructure Income



| Key area | Performance Commentary |
|---|---|
| Commentary | • Based on changes in net asset value, the Fund's custodian, Northern Trust, estimates that the Fund delivered a positive return of 2.7% over the quarter to 31 March 2024. Aviva Investors primarily attributes this increase in net asset value to macroeconomic factors, with inflation forecasts rising slightly, offset by specific business plan updates impacting the biomass / energy from waste assets.<br>• Negative performance over the longer term can be attributed to the impact of macroeconomic factors on the mark-to-market valuation of the underlying assets, alongside the impact of defects in the Fund's biomass assets.<br>• Over the quarter to 31 December 2023, the income distribution of the Fund was 1.7% p.a., which sits marginally below the 1.8-2% p.a. range targeted by Aviva. Distributions are underpinned by operational revenue generated from the Fund's assets. As noted previously, Aviva has identified commissioning defects in the Fund's biomass assets and these assets are therefore not currently operating at full capacity. Aviva has confirmed that a rectification program is in place in respect of these assets.<br>• The Hull and Boston biomass projects continue to operate with reduced availability whilst work progresses on the capex programme to remedy the remaining defects, with completion expected in Q3 2024. Following accelerated degradation of the boiler tubes at Hull discovered on inspection in Q1 2024, it is expected that the plant is unlikely to fully run until after the Q3 2024 capex works.<br>• The planning applications to regularise all planning matters at Barry were refused by the Local Planning Authority in March 2024. Aviva plans to appeal, however legal advice does not support a resumption of operations prior to conclusion of the planning appeal (6-12 months) due to the risk of additional enforcement action by the Authority widening the planning issues under dispute.<br>• Hooton Bio Power achieved improved availability in Q1 2024. Regular meetings have been held with the CEO of the contractor and operator to ensure all possible steps are being taken to improve performance, with a strong level of commitment being shown to date and performance gradually improving. |

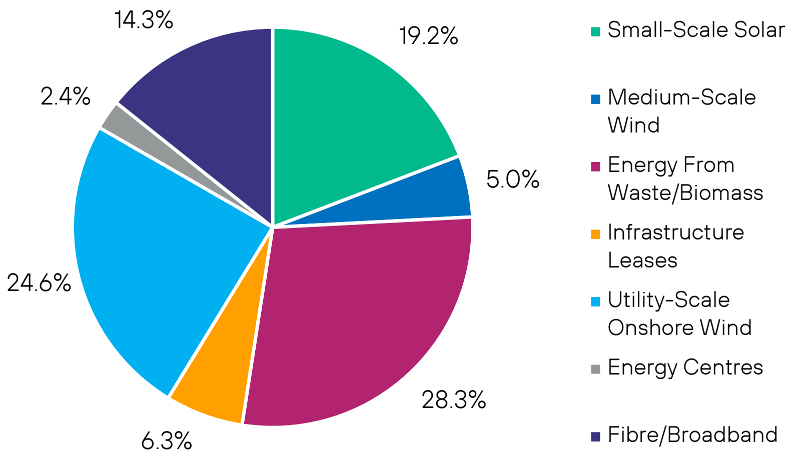
Source: Northern Trust and Aviva Investors.

**Investment Performance to 31 March 2024**

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) | Five Years (% p.a.) |
|---|---|---|---|---|
| Net of fees | 2.7 | -14.5 | -0.5 | -0.4 |
| Benchmark / Target | 2.8 | 11.2 | 8.5 | 7.7 |
| Net Performance relative to Benchmark | -0.1 | -25.7 | -9.0 | -8.1 |

Relative performance may not tie due to rounding

**Portfolio Sector Breakdown as at 31 December 2023**




## Fund Overview

Aviva Investors was appointed to manage an infrastructure income mandate with the aim of outperforming the 3-month Sterling SONIA benchmark by 6% p.a. The manager has an annual management fee and performance fee.

In May 2023, having received redemption requests for c. 3.5% of the Fund's NAV to be repaid over 2023 and with Aviva anticipating further redemption requests to be forthcoming, the manager proposed that the Fund be re-structured as a closed-ended vehicle with a limited term of 5 years from the date of conversion subject to extension for two additional year periods. The majority of unitholders voted to approve the change in structure over May 2023. Aviva will therefore facilitate a managed wind-down of the portfolio over the coming years. Please note that this does not impact the London Borough of Hammersmith & Fulham Pension Fund investment, with the Fund having issued a full redemption notice as at the 30 June 2022 cut-off.

The chart to the left details the split of the portfolio by sector as at 31 December 2023. Biomass and Energy from Waste assets make up c. 28% of the portfolio.

# Quinbrook – Renewables Impact Fund (1)

| Key area | Performance Commentary |
|---|---|
| Capital Calls and Distributions | • The London Borough of Hammersmith & Fulham Pension Fund committed £45m to Quinbrook in August 2023.<br><br>• Over the first quarter of 2024, Quinbrook issued two capital call notices, alongside a further capital call notice follow quarter end:<br>  • A capital call of £3.1m for payment by 23 January 2024, drawn entirely for investments;<br>  • A capital call of £2.6m for payment by 28 February 2024, drawn entirely for investments; and<br>  • A capital call of £1.1m for payment by 30 May 2024, drawn entirely for investments.<br><br>• As such, following payment of the latest draw down request, as at 30 May 2024, the remaining unfunded commitment stands at c. £2.0m, with the Fund's total commitment at c. £43.0m and the Fund's £45m commitment c. 96% drawn. |



**Investment Performance to 31 March 2024**

| | Last Quarter (%) |
|---|---|
| Net of fees | -0.3 |
| Benchmark / Target | 1.1 |
| Net performance relative to Benchmark | -1.4 |

Relative performance may not tie due to rounding

## Fund Overview

Quinbrook was appointed to manage a UK renewable infrastructure mandate with the aim of outperforming the 3-month Sterling SONIA benchmark by 6% p.a. The manager has a base annual management fee and a performance fee.

As at 31 March 2024, the Renewables Impact Fund has delivered a net IRR of 8.5% since inception.

In February 2024, Quinbrook's Investment Committee confirmed that at least 75% of the Renewables Impact Fund's total commitments have been invested, committed for investment or allocated to meet the strategy's liabilities.

## Activity

- The Renewables Impact Fund achieved final close on 29 September 2023 having raised £602m in commitments, exceeding the initial £500m target.
- Rassau has continued to exceed its investment case revenues (excl. power reimbursement) and EBITDA forecasts, generating £2.33m, 19.6% above investment case, and £1.93m, 9.2% above investment case respectively over the first quarter of 2024.
- During the quarter, Quinbrook has confirmed that construction of the Thistle synchronous condenser portfolio has progressed well with all four projects on track to become fully operational between Q3 24 and Q1 25.
- Following quarter end, on 2 May 2024, Quinbrook completed the £120m portfolio project financing process of the Rassau and Thistle assets. This is the first portfolio financing of synchronous condensers that were awarded contracts in Phases I and II of National Grid's Stability Pathfinder Programme.
- Following extended negotiations with E.ON for the acquisition of 115 MW at Uskmouth, the transaction closed on 16 March 2024, for an acquisition premium of £10.0m. The transaction generates a c. 70% IRR and 1.6 x MOIC for the Fund, for the 115 MW sold. The construction and operation of the other 115 MW will be retained by the Fund. The partial sell-down has been structured so that the 230 MW project is split in two, with the Manager retaining 100% ownership over the retained capacity within a separate SPV. While there will be some shared infrastructure, the two projects will be managed independently.
- Following the original planning approval for the 230 MW battery storage facility at Project Uskmouth a series of planning amendments to vary the layout were accepted by Newport City Council. The updated layout now accommodates 349.99 MW (an additional 119.99 MW). The project now has land and planning secured for the additional 119.99 MW and is awaiting a stage 2 offer from National Grid to confirm the connection date. Under terms of the 115 MW sale to E.ON, all rights to the extension capacity are retained by the Fund.


Source: Northern Trust and Quinbrook.

# Quinbrook – Renewables Impact Fund (2)

| Project Name | Fund Ownership | Investment Date | Technology | Location | Fair Value (£m) |
|---|---|---|---|---|---|
| **Pathfinder - Operational** | | | | | |
| Rassau | 100% | Dec-20 | Synchronous Condenser | UK | 73.8 |
| **Pathfinder – Under Construction** | | | | | |
| Thurso South | 100% | Jul-21 | Synchronous Condenser | Scotland | 31.8 |
| Rothienorman | 100% | Jul-21 | Synchronous Condenser | Scotland | 55.6 |
| Gretna | 100% | Jul-22 | Synchronous Condenser | Scotland | 33.3 |
| Neilston Grid Services | 100% | Jul-22 | Synchronous Condenser | Scotland | 31.1 |
| **Pathfinder – Under Construction** | | | | | |
| Reggie Development Loan | 100% | Dec-20 | Synchronous Condenser | UK | 5.3 |
| **Solar and BESS – Under Construction** | | | | | |
| Cleve Hill | 100% | Oct-21 | Solar and Battery Storage | UK | 208.8 |
| **Battery Storage – Under Construction** | | | | | |
| Uskmouth | 100% | May-22 | Battery Storage | Wales | 36.2 |
| **Other** | | | | | |
| Habitat | 100% | Jul-21 | Trading Platform | UK | 50.9 |
| **Held at cost** | | | | | |
| Dawn | 100% | Mar-22 | Battery Storage | UK | 4.1 |
| Teffont | 100% | Apr-23 | Battery Storage | UK | 0.1 |
| **Total** | | | | | **531.1** |

Portfolio

The table to the left shows a list of the investments held by the Quinbrook Renewables Impact Fund as at 31 March 2024.





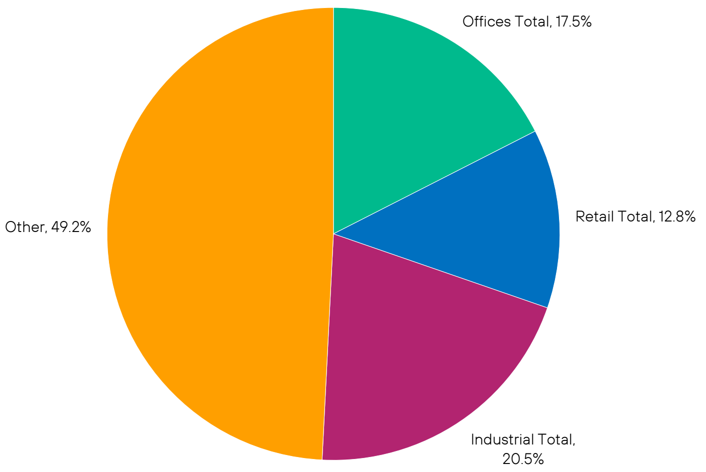
Source: Quinbrook.

# abrdn – Long Lease Property

| Key area | Performance Comments |
|---|---|
| Commentary | • The Long Lease Property Fund has underperformed its gilts-based benchmark over the quarter. The Fund has also underperformed the wider property market over recent periods, which can be attributed primarily to the lack of exposure to sectors within the wider index that have recognised a valuation recovery or stabilisation following the significant valuation decline over early 2023, such as multi-let industrial, retail warehousing and the private residential sector. The long income market has seen the largest relative re-pricing since September 2022; given the previously low market yields, the effect of increasing yields has had a greater proportional effect on long income assets.<br>• abrdn has realised collection rates of 100% for 2020, 2021, 2022, 2023 and Q1 2024 rent, with the manager stating that rent collection levels are back to pre-COVID levels. None of the Long Lease Property Fund's rental income is subject to deferment arrangements. |



**Portfolio Sector Breakdown at 31 March 2024**




**Investment Performance to 31 March 2024**

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) | Five Years (% p.a.) |
|---|---|---|---|---|
| Net of fees | -2.3 | -9.1 | -6.8 | -2.3 |
| Benchmark / Target | -1.1 | 1.9 | -5.2 | -1.7 |
| Net Performance relative to Benchmark | -1.2 | -11.0 | -1.6 | -0.6 |

Relative performance may not tie due to rounding

**Top 10 Tenants (% of net rental income) as of 31 March 2024**

| Tenant | % Net Income | Credit Rating |
|---|---|---|
| Amazon UK Services Limited | 7.9 | AA |
| Marston's plc | 6.0 | BB |
| Synnovis Services | 5.9 | Not available |
| Premier Inn Hotels Limited | 5.6 | BBB |
| J Sainsbury plc | 5.2 | BB |
| QVC | 4.7 | BB |
| Salford Villages Limited | 4.6 | A |
| Park Holidays | 4.3 | Ground Rent (A) |
| Next Group plc | 4.2 | BBB |
| Poundland | 4.0 | Not available |
| Total | 52.3* | |

## Fund Overview

abrdn was appointed to manage a long lease property mandate with the aim of outperforming the FT British Government All Stocks Index benchmark by 2.0% p.a. The manager has an annual management fee.

abrdn acknowledges that further asset sales will be required to meet redemption requests over 2024. The manager will monitor the portfolio with a focus on selling weaker credits or those with poor ESG scores, and further reducing its office exposure where possible. The Fund completed 8 sales over the quarter, including a property let to Tesco which represented the Fund's second largest tenant as at 31 December 2023, for a combined total of c. £291m.

As at 31 March 2024, 1.6% of the Fund's NAV is invested in ground rents via an indirect holding in the abrdn Ground Rent Fund, with 23.3% of the Fund invested in income strip assets.

The top 10 tenants contributed c. 52.3% of the total net income of the Fund as at 31 March 2024.

The unexpired lease term as at 31 March 2024 stood at 25.8 years, an increase of 1.6 years since 31 December 2023. The proportion of income with fixed, CPI or RPI rental increases decreased by 0.3% over the quarter to 91.7% as at 31 March 2024.


Source: Northern Trust and abrdn.

# Alpha Real Capital – Index Linked Income

| Key area | Comments |
|---|---|
| Commentary | • The Index Linked Income Fund has delivered a positive return of 2.3% on a net of fees basis over the quarter to 31 March 2024, outperforming its long-dated inflation-linked gilts benchmark by 7.0% over the three-month period.<br>• Alpha Real Capital has collected c. 100% of the Fund's Q1 2024 rental income.<br>• The Index-Linked Income Fund consisted of 665 individual assets as at 31 March 2024. There were no acquisitions or disposals during the quarter. |

**Investment Performance to 31 March 2024**

| | Last Quarter (%) | One Year (%) |
|---|---|---|
| Net of fees | 2.3 | -12.3 |
| Benchmark / Target | -4.8 | -15.2 |
| Net performance relative to Benchmark | 7.0 | 3.0 |

Relative performance may not tie due to rounding

Alpha Real Capital was appointed to manage a ground rents mandate with the aim of outperforming the BoAML Long-Dated UK Inflation-Linked Gilts Index benchmark by 2.0% p.a. over a 5-year period. The manager has an annual management fee.

The average lease length stood at c. 145 years as at 31 March 2024, remaining unchanged over the quarter. The Index Linked Income Fund's portfolio is 100% linked to RPI (or CPI) with no fixed rent reviews in the portfolio.

The sector allocation in the Index Linked Income Fund as at 31 December 2023 is shown in the chart to the left.

The table shows details of the top ten holdings in the Fund measured by value as at 31 March 2024. The top 10 holdings in the Index Linked Income Fund accounted for c. 75.3% of the Fund as at 31 March 2024.

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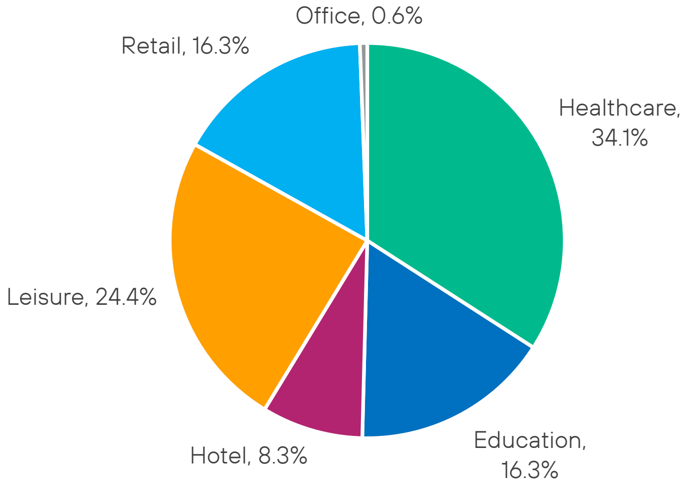
**Portfolio Sector Breakdown at 31 December 2023**




**Top Ten Holdings by Value as 31 March 2024**

| Tenant | Value (%) | Credit Rating |
|---|---|---|
| Elysium Healthcare | 13.5 | A3 |
| Dobbies | 11.3 | Baa1 |
| Parkdean | 10.7 | A3 |
| HC One | 10.0 | A3 |
| PGL | 6.2 | Baa3 |
| Away Resorts | 5.8 | Baa1 |
| Busy Bees | 5.2 | A3 |
| Marston's | 4.7 | Baa2 |
| CareTech | 4.2 | Baa1 |
| Grange Hotels | 3.6 | Not available |
| Total | 75.3 | |


Source: Northern Trust and Alpha Real Capital.

# Man GPM – Affordable Housing

| Key area | Comments |
|---|---|
| Commentary | Capital Calls and Distributions<br>• The Fund committed £30m to Man GPM in February 2021.<br>• Man GPM did not issue any further capital calls over the first quarter of 2024.<br>• Following quarter end, Man GPM issued a draw down request for £0.2m for payment by 9 May 2024. As such, as at 9 May 2024 following payment of this request, the Fund's total commitment is c. 80% drawn for investment.<br><br>Activity<br>• Having completed the strategy's eleventh investment, Man GPM has confirmed that no further investments will be added to the Community Housing Fund portfolio.<br>• As at 31 December 2023, the Fund has contracted 1,295 homes and delivered 298 homes<br>• An update on the Fund's investments in Grantham, Wellingborough and Saltdean can be found in the Private Appendix to this report. |

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**Investments Held**

| Investment | Number of Homes | Affordable Homes (%) | Gross Cost (£m) | Underwritten unlevered IRR (%) | Underwritten unlevered net income yield (%) |
|---|---|---|---|---|---|
| Atelier, Lewes | 41 | 95 | 13 | 8.4 | 3.1 |
| Alconbury, Cambridgeshire | 95 | 100 | 22 | 9.9 | 4.4 |
| Grantham, Lincolnshire | 227 | 82 | 41 | 7.9 | 4.1 |
| Campbell Wharf, Milton Keynes | 79 | 100 | 22 | 8.5 | 4.2 |
| Towergate, Milton Keynes | 55 | 100 | 18 | 8.4 | 4.3 |
| Coombe Farm, Saltdean | 71 | 83 | 28 | 10.4 | 4.8 |
| Chilmington, Ashford | 225 | 85 | 71 | 8.4 | 4.3 |
| Tattenhoe, Milton Keynes | 34 | 100 | 7 | 8.6 | 4.1 |
| Glenvale Park, Wellingborough | 146 | 100 | 34 | 9.7 | 4.5 |
| Old Malling Farm, Lewes | 226 | 100 | 81 | 9.6 | 5.1 |
| Stanhope Gardens, Aldershot | 96 | 100 | 39 | 8.8 | 4.7 |
| Total | 1,295 | 93 | 374 | 9.0 | 4.5 |

Man GPM was appointed to manage an affordable housing mandate following the manager selection exercise in February 2021. The manager has an annual management fee.

The table to the left shows a list of the projects currently undertaken by the Man GPM Community Housing Fund as at 31 December 2023.



Source: Man GPM.

# Appendices

# Fund and Manager Benchmarks

| Manager | Asset Class | Allocation | Benchmark | Inception Date |
|---|---|---|---|---|
| LCIV | Global Equity Quality | 13.0% | MSCI AC World Index | 30/09/20 |
| LGIM | Low Carbon Target | 27.0% | MSCI World Low Carbon Target Index | 18/12/18 |
| Ruffer | Dynamic Asset Allocation | 10.0% | 3 Month Sterling SONIA +4% p.a. | 31/07/08 |
| LCIV | Short Duration Buy & Maintain Credit | 2.5% | iBoxx £ Collateralized & Corporates 0-5 | 06/12/2023 |
| LCIV | Long Duration Buy & Maintain Credit | 2.5% | iBoxx £ Collateralized & Corporates 10+ | 06/12/2023 |
| Allspring | Climate Transition Global Buy & Maintain | 10.0% | ICE BofA Sterling Corp Bond | 07/11/2023 |
| Partners Group | Multi Asset Credit | 0.0% | 3 Month Sterling SONIA +4% p.a. | 28/01/15 |
| Oak Hill Advisors | Multi Asset Credit | 5.0% | 3 Month Sterling SONIA +4% p.a. | 01/05/15 |
| abrdn | Multi Sector Private Credit | 4.0% | 3 Month Sterling SONIA / ICE ML Sterling BBB Corporate Bond Index | 08/04/2020 |
| Partners Group | Infrastructure Fund | 5.0% | 3 Month Sterling SONIA +8% p.a. | 31/08/15 |
| Quinbrook | Renewables Impact Fund | 3.5% | 3 Month Sterling SONIA +6% p.a. | 24/08/23 |
| Darwin Alternatives | Leisure Development Fund | 2.5% | 3 Month Sterling SONIA +6% p.a. | 01/01/22 |
| abrdn | Long Lease Property | 5.0% | FT British Government All Stocks Index +2.0% | 09/04/15 |
| Alpha Real Capital | Ground Rents | 7.5% | BoAML >5 Year UK Inflation-Linked Gilt Index +2.0% | 17/05/21 |
| Man GPM | Affordable / Supported Housing | 2.5% | 3 Month Sterling SONIA +4% p.a. (Target) | 02/06/21 |
| | Total | 100.0% | | |

# Yield Analysis

| Manager | Asset Class | Yield as at end March 2024 |
|---|---|---|
| LCIV Global Sustain | Global Equity | 1.11% |
| LGIM MSCI Low Carbon | Global Equity | 2.00% |
| Ruffer | Dynamic Asset Allocation | 2.10% |
| LCIV Short B&M | Dynamic Asset Allocation | 3.96% |
| LCIV Long B&M | Dynamic Asset Allocation | 4.52% |
| Allspring Climate Transition B&M | Dynamic Asset Allocation | 4.47% |
| Partners Group MAC | Secure Income | 4.40% |
| abrdn MSPC Fund | Secure Income | 7.82% |
| Oak Hill Advisors | Secure Income | 7.90% |
| Aviva Investors | Secure Income | 6.60%* |
| Standard Life Long Lease Property | Inflation Protection | 4.92% |
| Alpha Real Capital | Inflation Protection | 3.86% |
| | **Total** | **2.86%** |

* As at 31 December 2023.

# Explanation of Market Background

This glossary explains the components of the Market Background charts at the beginning of this report.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where "hedged" returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).



**Market Background Overview**

- Returns by Asset Class – The market indices underlying this chart are as follows:
  - UK Equity: FTSE All-Share
  - Global Equity: FTSE World (Unhedged and Hedged)
  - Emerging Market Equity: MSCI Emerging Markets
  - Diversified Growth Funds: mean of a sample of DGF managers
  - Property: IPD Monthly UK
  - Global High Yield: BoAML Global High Yield (GBP Hedged)
  - UK Inv. Grade Credit: BoAML Sterling Non-Gilt
  - Over 15 Years Gilts: FTSE Over 15 Year Gilt
  - Over 5 Years Index-Linked Gilts: FTSE Over 5 Year Index-Linked Gilt
  - Example Liabilities: a simplified calculation illustrating how a typical pension scheme's past-service liabilities may have moved

**Market Background – Global Equity**

- Regional Returns – The market indices underlying this chart are as follows:
  - World: FTSE World
  - UK: FTSE All Share
  - North America: FTSE North America
  - Europe ex UK: FTSE Europe ex UK
  - Japan: FTSE Japan
  - Emg Mkts: MSCI Emerging Markets
- Sector Returns – The market indices underlying this chart are the relevant sectors from the MSCI All-Countries index.
- VIX Volatility Index – This is a forward-looking indicator. It represents the expected range of movement (in percentage terms) in the S&P 500 index (i.e. US equities in dollar terms) over the next year, at a 68% confidence level. It is calculated using options prices over a 30-day horizon.

# Explanation of Market Background

This glossary explains the components of the Market Background charts at the beginning of this report.
All returns are in Sterling terms, unhedged, unless otherwise stated. Where "hedged" returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).



**Market Background – DGF**

- Diversified Growth Funds ("DGFs") – Due to the lack of a market index for DGFs, we illustrate their performance by showing the returns of ten of the largest funds by assets under management.
- Returns are shown net of each manager's standard fee. While every effort has been taken to select vehicles with institutional/clean fee structures, the impact may not necessarily reflect any particular client's fee arrangements.
- The 'Average DGF' performance is an equally-weighted average of the sample of 10 managers' performance figures.
- We have shown Cash+3.5% as an example performance comparator, although it should be noted that not all DGFs will have this performance target.
- 3m Libor is used for the underlying cash return.
- Volatility is calculated by annualising the volatility of daily returns.
- As clients have specific selection criteria, the managers included may not necessarily meet any given client's criteria.
- DGFs encompass a range of investment approaches, return targets, and risk profiles. Consequently, different managers' returns are not necessarily a like-for-like comparison.

**Market Background – Real Assets**

- Real Assets – The market indices underlying these charts are:
  - Core UK Property: IPD Monthly UK Index
  - Long Lease UK Property: IPD Long Income Property Fund Index

# Explanation of Market Background

This glossary explains the components of the Market Background charts at the beginning of this report.
All returns are in Sterling terms, unhedged, unless otherwise stated. Where "hedged" returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).



**Market Background – Credit**

- Sector Returns and Credit Spreads – The market indices underlying this chart are as follows:
  - UK Inv Grade: BoAML Sterling Non-Gilt
  - US Inv Grade: BoAML US Corporate (GBP Hedged)
  - Euro Inv Grade: BoAML Euro Corporate (GBP Hedged)
  - Global High Yield: BoAML Global High Yield (GBP Hedged)
  - Emerging Markets: JP Morgan EMBI Global (GBP Hedged)
  - Leveraged Loans: S&P/LSTA US Leveraged Loan Equity (GBP Hedged)
- Global Broad Credit Market Return – The market index underlying this chart is the BoAML Global Broad Market Corporate Index (GBP Hedged):
  - The Global Broad Market Index tracks the performance of investment grade public debt issued in the major domestic and eurobond markets, including 'global' bonds.
  - Qualifying bonds must have at least one year remaining term to maturity and a fixed coupon schedule. Bonds must be rated investment grade and be domiciled in a country having an investment grade foreign currency long-term debt rating (based on a composite of Moody's and S&P).

**Market Background – Yields**

- Yields – Yields shown are annual yields (i.e. they have been converted from the "continuously compounded" basis quoted by the Bank of England).
- Example Liabilities – This illustrates how a typical scheme's past-service liabilities may have moved.
  - It is based on a simplified calculation assuming a scheme with duration 20 years and liabilities split 70% inflation-linked and 30% fixed.
  - Liability movement is calculated using yield changes and unwinding (short-term interest rate with no premium) only, with no accrual, outgo, or inflation experience.
  - A rise in yields equates to a fall in the calculated value of the liabilities (due to the higher discount rate at which the future cashflows are valued); conversely, a fall in yields means a rise in liabilities.

# Allspring – ESG Metrics (1)

| Data Source | Metric | Scoring | Description |
|---|---|---|---|
| MSCI | MSCI ESG Scores | Scores range from 10 (best) to 0 (worst) | MSCI measures and analyses companies' risk and opportunities arising from environmental, social and governance issues. By assessing indicators typically not identified by traditional securities analysis, ESG Ratings uncover hidden risks and value potential for investors. Ratings range from AAA (best) to CCC (worst). Scores range from 10 (best) to 0 (worst). |
| Sustainalytics | ESG Risk Score | ESG Risk assessment ranging from Negligible (best) to Severe (worst) | ESG Risk assessment consisting of Negligible (best), Low, Medium, High, and Severe (worst). |
| Trucost | Carbon Intensity-Direct+First Tier Indirect (tonnes CO2e/$MM) | GHG emissions over which the company has control, or derive from direct suppliers, divided by revenue | Greenhouse gases emitted by the direct operations of and suppliers to a company (scope 1, 2, and upstream scope 3) divided by revenue. |
| Trucost | Carbon-Direct+First Tier Indirect (tonnes CO2e) | GHG emissions over which the company has control (Direct + First Tier indirect) | Greenhouse gases emitted by the direct operations of and suppliers to a company (scope 1, 2, and upstream scope 3). |
| Trucost | Carbon-Scope 1 (tonnes CO2e) | GHG emissions from operations that are owned or controlled by the company | Greenhouse gas emissions generated from burning fossil fuels and production processes which are owned or controlled by the company (reference: GHG Protocol). |
| Trucost | Carbon-Scope 2 (tonnes CO2e) | GHG emissions from consumption of purchased electricity, heat or steam by the company | Greenhouse gas emissions from consumption of purchased electricity, heat or steam by the company (reference: GHG Protocol). |
| Trucost | Carbon-Scope 3 (tonnes CO2e) | Other indirect GHG emissions not covered in Scope 2 | Other upstream indirect greenhouse gas emissions, such as from the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. T&D losses) not covered in Scope 2, outsourced activities, waste disposal, etc. (in line with GHG Protocol standards) (reference: GHG Protocol). |




Source: Allspring.

# Allspring – ESG Metrics (2)

| Data Source | Metric | Scoring | Description |
|---|---|---|---|
| Trucost | Reserves CO2 emissions from Coal (tonnes) | GHG emissions embedded in coal reserves in tonnes CO2 | GHG emissions embedded in coal reserves in tonnes CO2. |
| Trucost | Reserves CO2 emissions from Gas (tonnes) | GHG emissions embedded in gas reserves in tonnes CO2 | GHG emissions embedded in gas reserves in tonnes CO2. |
| Trucost | Reserves CO2 emissions from Oil (tonnes) | GHG emissions embedded in oil reserves in tonnes CO2 | GHG emissions embedded in oil reserves in tonnes CO2. |
| Trucost | tCO2e (under)/over 2°C carbon budget base year-horizon year | tCO2e (under)/over 2°C carbon budget base year-horizon year | This indicates the difference between a company's projected emissions pathway and the required pathway to reach 2°C alignment over the time horizon assessed, measured in tonnes of carbon dioxide equivalent. A negative value indicates a company's transition pathway is aligned with a 2°C outcome, while a positive value indicates a company's transition pathway is misaligned with a 2°C outcome. |





Source: Allspring.

# Disclaimers

**Performance, Opinions, and Estimated Liabilities**

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- Our opinions (and comparison vs criteria) of the investment managers stated in this report are based on Isio's research and are not a guarantee of future performance. These are valid at the time of this report but may change over time.
- Our opinions of investment products are based on information provided by the investment management firms and other sources. This report does not imply any guarantee as to the accuracy of that information and Isio cannot be held responsible for any inaccuracies therein. The opinions contained in this report do not constitute any guarantees as to the future stability of investment managers which may have an effect on the performance of funds.
- Funds that make use of derivatives are exposed to additional forms of risk and can result in losses greater than the amount of invested capital.



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isio.

Committee Report
Reporting Period: Q4 23/24
Pension Fund Current Account Cashflow Actuals and Forecast for period Jan - Mar-24

Appendix 3

**Pension Fund Current Account Cashflow Actuals and Forecast for period Jan - Mar-24**

| | Jan-24 | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 | Aug-24 | Sep-24 | Oct-24 | Nov-24 | Dec-24 | F'cast Annual Total | F'cast Monthly Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | | |
| | Actual | Actual | Actual | F'cast | F'cast | F'cast | F'cast | F'cast | F'cast | F'cast | F'cast | F'cast | | |
| **Balance b/f** | **8,880** | **13,168** | **15,880** | **15,643** | **13,586** | **11,850** | **9,541** | **6,742** | **4,028** | **9,687** | **6,936** | **4,200** | **£000s** | **£000s** |
| Contributions | 8,145 | 6,357 | 6,334 | 6,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 66,836 | 5,570 |
| Pensions | (6,330) | (6,307) | (6,336) | (6,957) | (6,533) | (6,609) | (6,700) | (6,614) | (6,641) | (6,651) | (6,635) | (6,642) | (78,955) | (6,580) |
| Lump Sums | (2,315) | (1,367) | (737) | (600) | (600) | (600) | (600) | (600) | (600) | (600) | (600) | (600) | (9,819) | (818) |
| Net TVs in/(out) | 292 | (1,746) | (501) | (300) | (300) | (300) | (300) | (300) | (300) | (300) | (300) | (300) | (4,656) | (388) |
| Net Expenses/other transactions | 4,496 | 4,487 | 209 | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (200) | 7,391 | 616 |
| **Net Cash Surplus/(Deficit)** | **4,288** | **1,424** | **(1,032)** | **(2,057)** | **(2,633)** | **(2,709)** | **(2,800)** | **(2,714)** | **(2,741)** | **(2,751)** | **(2,735)** | **(2,742)** | **(19,202)** | **(1,600)** |
| Distributions | | 1,288 | 795 | | 897 | 400 | | | 400 | | | 400 | 4,180 | 697 |
| **Net Cash Surplus/(Deficit) including investment income** | **4,288** | **2,712** | **(237)** | **(2,057)** | **(1,736)** | **(2,309)** | **(2,800)** | **(2,714)** | **(2,341)** | **(2,751)** | **(2,735)** | **(2,342)** | **(15,022)** | **(1,252)** |
| Transfers (to)/from Custody Cash | | | | | | | | | 8,000 | | | | 8,000 | 2,667 |
| **Balance c/f** | **13,168** | **15,880** | **15,643** | **13,586** | **11,850** | **9,541** | **6,742** | **4,028** | **9,687** | **6,936** | **4,200** | **1,858** | **113,117** | **1,415** |

**Current account cashflow actuals compared to forecast in Jan - Mar-24**

| | Jan-24 | | Feb-24 | | Mar-24 | | Jan - Mar-24 |
|---|---|---|---|---|---|---|---|
| | Forecast | Actual | Forecast | Actual | Forecast | Actual | Variance |
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Contributions | 5,500 | 8,145 | 5,000 | 6,357 | 5,000 | 6,334 | 5,336 |
| Pensions | (6,413) | (6,330) | (6,377) | (6,307) | (6,353) | (6,336) | 169 |
| Lump Sums | (600) | (2,315) | (600) | (1,367) | (600) | (737) | (2,619) |
| Net TVs in/(out) | (300) | 292 | (300) | (1,746) | (300) | (501) | (1,056) |
| Expenses/other transactions | (200) | 4,496 | (200) | 4,487 | (200) | 209 | 9,791 |
| Distributions | | | 897 | 1,288 | 400 | 795 | 786 |
| Transfers (to)/from Custody Cash | | | | | | | |
| **Total** | **(2,013)** | **4,288** | **(1,580)** | **2,712** | **(2,053)** | **(237)** | **12,408** |

**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 -

Return of divested monies from Aviva in January is making up a significant amount of variance in the other transactions line. This is because we were unsure in the initial forecast when this would be paid.

**Pension Fund Custody Invested Cashflow Actuals and Forecast for period Jan - Mar-24**

| | Jan-24 | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 | Aug-24 | Sep-24 | Oct-24 | Nov-24 | Dec-24 | F'cast Annual Total | F'cast Monthly Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | | |
| | Actual | Actual | Actual | F'cast | F'cast | F'cast | F'cast | F'cast | F'cast | F'cast | F'cast | F'cast | | |
| **Balance b/f** | **8,116** | **9,892** | **7,893** | **7,253** | **7,262** | **11,271** | **11,280** | **21,289** | **25,298** | **17,307** | **17,316** | **21,325** | **£000s** | **£000s** |
| Sale of Assets | 5,361 | | | | | | 10,000 | | | | | | 15,361 | 3,840 |
| Purchase of Assets | (3,576) | (2,595) | (585) | | | | | | | | | | (6,757) | (2,252) |
| **Net Capital Cashflows** | **1,785** | **(2,595)** | **(585)** | | | | **10,000** | | | | | | **8,605** | **717** |
| Distributions | | 567 | | | 4,000 | | | 4,000 | | | 4,000 | | 12,567 | 1,396 |
| Interest | 67 | 25 | 20 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 193 | 16 |
| Management Expenses | | | | | | | | | | | | | | |
| Foreign Exchange Gains/Losses | (75) | 3 | (75) | | | | | | | | | | (146) | (49) |
| Class Actions | | | | | | | | | | | | | | |
| Other Transactions | | | | | | | | | | | | | | |
| **Net Revenue Cashflows** | **(8)** | **595** | **(55)** | **9** | **4,009** | **9** | **9** | **4,009** | **9** | **9** | **4,009** | **9** | **12,613** | **1,051** |
| **Net Cash Surplus/(Deficit) excluding withdrawals** | **1,776** | **(2,000)** | **(640)** | **9** | **4,009** | **9** | **10,009** | **4,009** | **9** | **9** | **4,009** | **9** | **21,218** | **1,768** |
| Contributions to Custody Cash | | | | | | | | | | | | | | |
| Withdrawals from Custody Cash | | | | | | | | | (8,000) | | | | (8,000) | (727) |
| **Balance c/f** | **9,892** | **7,893** | **7,253** | **7,262** | **11,271** | **11,280** | **21,289** | **25,298** | **17,307** | **17,316** | **21,325** | **21,334** | **13,218** | **1,041** |

| London Borough of Hammersmith and Fulham Pension Fund Risk Register | | | | | | Appendix 4 |
|---|---|---|---|---|---|---|
| Risk Group | Risk Ref. | Risk Description | Mitigation actions | Revised likelihood | Total risk score | Reviewed on |
| 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. | **TREAT**<br>1) Continued dialogue with investment managers regarding management of political risk in global developed markets.<br>2) Investment strategy integrates portfolio diversification and risk management.<br>3) The Fund alongside its investment consultant continually reviews its investment strategy in different asset classes. | 3 | **30** | 31/03/2024 |
| 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. | **TREAT**<br>1) Cashflow forecast maintained and monitored. Cashflow position reported to sub-committee quarterly.<br>2) The Fund receives quarterly income distributions from some of its investments to help meet its short term pensions obligations.<br>3) The fund will review the income it receives from underlying investments and make suitable investments to meet its target income requirements. | 2 | **24** | 31/03/2024 |
| Asset and Investment Risk | 3 | The London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious. | **TORELATE**<br>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.<br>2) Monitor the ongoing fund and pool proposals are comprehensive and meet government objectives.<br>3)Fund representation on key officer groups.<br>4) Ongoing Shareholder Issue remains a threat<br>5) LCIV new CEO Dean Bowden has now started as of January 2023. | 2 | **20** | 31/03/2024 |
| 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. | **TREAT**<br>1) The Investment Management Agreements (IMAs)clearly state LBHF's expectations in terms of investment performance targets.<br>2) Investment manager performance is reviewed on a quarterly basis. Outperformance for the year is 3%<br>3) The Pension Fund Committee is positioned to move quickly if it is felt that targets will not be achieved.<br>4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee.<br>5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures. | 2 | **20** | 31/03/2024 |
| 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. | **TREAT**<br>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.<br>2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation.<br>3) Actuarial valuation and strategy review take place every three years post the actuarial valuation.<br>4) IAS19 data is received annually and provides an early warning of any potential problems.<br>5) The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data. | 2 | **20** | 31/03/2024 |
| 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 | **TOLERATE**<br>1) Officers consult and engage with DLUHC, LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences.<br>2) Officers engage in early planning for implementation against agreed deadlines.<br>3) Uncertainty surrounding new DLUHC guidance | 3 | **18** | 31/03/2024 |
| 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. | **TREAT**<br>1) Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work carried out by the London CIV.<br>2) Officers continue to monitor the ongoing staffing issues and the quality of the performance reporting provided by the London CIV. | 2 | **16** | 31/03/2024 |
| Liability Risk | 8 | Impact of economic and political decisions on the Pension Fund's employer workforce. | **TOLERATE**<br>1) The Fund Actuary uses prudent assumptions on future of employees within workforce.<br>2) Employer responsibility to flag up potential for major bulk transfers outside of the LBHF Fund.<br>3) Officers to monitor the potential for a significant reduction in the workforce as a result of the public sector financial pressures. | 2 | **16** | 31/03/2024 |
| 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 | **TREAT**<br>1) Officers regularly receive updates on the latest ESG policy developments from the fund managers.<br>2) The Pensions Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which engages with companies on a variety of ESG issues including climate change. | 2 | **12** | 31/03/2024 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 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.<br><br>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. | **TREAT**<br>1) Review ISS in relation to published best practice (e.g. Stewardship Code, Responsible Investment Statement)<br>2) The Fund currently holds investments all it passive equities in a low carbon tracker fund, and is invested in renewable infrastructure.<br>3) The Fund's actively invests in companies that are contributing to global sustainability through its Global Core Equity investment<br>4) The Fund has updated its ESG Policy and continues to review its Responsible Investment Policy<br>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.<br>6) Officers attend training sessions on ESG and TCFD requirements. | 2 | **18** | 31/03/2024 |
| Asset and Investment Risk | 11 | Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy | **TREAT**<br>1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants.<br>2) Officers, alongside the Fund's advisor, set fund specific benchmarks relevant to the current position of fund liabilities.<br>3) Fund manager targets set and based on market benchmarks or absolute return measures. | 1 | **11** | 31/03/2024 |
| Asset and Investment Risk | 12 | Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation. | **TREAT**<br>1) At time of appointment, the Fund ensures advisers have appropriate professional qualifications and quality assurance procedures in place.<br>2) Committee and officers scrutinise, and challenge advice provided routinely. | 1 | **10** | 31/03/2024 |
| Asset and Investment Risk | 13 | Financial failure of third party supplier results in service impairment and financial loss. | **TREAT**<br>1) Performance of third party suppliers regularly monitored.<br>2) Regular meetings and conversations with global custodian (Northern Trust) take place.<br>3) Actuarial and investment consultancies are provided by two different providers. | 1 | **10** | 31/03/2024 |
| Asset and Investment Risk | 14 | Failure of global custodian or counterparty. | **TREAT**<br>1)At time of appointment, ensure assets are separately registered and segregated by owner.<br>2)Review of internal control reports on an annual basis.<br>3)Credit rating kept under review. | 1 | **10** | 31/03/2024 |
| Asset and Investment Risk | 15 | Financial failure of a fund manager leads to value reduction, increased costs and impairment. | **TREAT**<br>1) Adequate contract management and review activities are in place.<br>2) Fund has processes in place to appoint alternative suppliers at similar price, in the event of a failure.<br>3) Fund commissions the services of Legal & General Investment Management (LGIM) as transition manager.<br>4) Fund has the services of the London CIV. | 1 | **10** | 31/03/2024 |
| Liability Risk | 16 | Failure to identify GMP liability leads to ongoing costs for the pension fund. | **TREAT**<br>1) GMP to be identified as a Project as part of the Service Specification between the Fund and LPPA. | 1 | **6** | 31/03/2024 |
| Liability Risk | 17 | Rise in ill health retirements impact employer organisations. | **TREAT**<br>1) Engage with actuary re assumptions in contribution rates. | 1 | **5** | 31/03/2024 |
| Liability Risk | 18 | Rise in discretionary ill-health retirements claims adversely affecting self-insurance costs. | **TREAT**<br>1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations. | 1 | **5** | 31/03/2024 |
| 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%.<br><br>Inflation continues to rise in the UK and globally due to labour shortages, supply chain issues, and high energy prices. | **TREAT**<br>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.<br>2) Officers continue to monitor the increases in CPI inflation on an ongoing basis.<br>3) Short term inflation is expected due to a number of reasons on current course. | 3 | **30** | 31/03/2024 |
| Liability Risk | 20 | Scheme members live longer than expected leading to higher than expected liabilities. | **TOLERATE**<br>1)The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required.<br>2)The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down. | 2 | **22** | 31/03/2024 |
| Liability Risk | 21 | Employee pay increases are significantly more than anticipated for employers within the Fund.<br><br>Persistently high inflation will potentially lead to unexpectedly high pay awards. | **TOLERATE**<br>1) Fund employers continue to monitor own experience.<br>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.<br>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).<br>4) Pay rises generally remain below inflation. | 2 | **20** | 31/03/2024 |
| Liability Risk | 22 | Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers. | **TOLERATE**<br>1) Review "budgets" at each triennial valuation and challenge actuary as required.<br>2) Charge capital cost of ill health retirements to admitted bodies at the time of occurring.<br>3) Occupational health services provided by the Council and other large employers to address potential ill health issues early. | 2 | **14** | 31/03/2024 |
| Liability Risk | 23 | Impact of increases to employer contributions following the actuarial valuation. | **TREAT**<br>1) Officers to consult and engage with employer organisations in conjunction with the actuary.<br>2) Actuary will stabilise employer rates when valuation concludes March 2023. | 1 | **13** | 31/03/2024 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Regulatory and Compliance Risk | 24 | Changes to LGPS Regulations | **TREAT**<br>1) Fundamental change to LGPS Regulations implemented from 1 April 2014 (change from final salary to CARE scheme).<br>2) Future impacts on employer contributions and cash flows will considered during the 2019 actuarial valuation process.<br>3) Fund will respond to several ongoing consultation processes.<br>4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulations 8 (compulsory pooling) to be monitored. | 2 | **12** | 31/03/2024 |
| Liability Risk | 25 | Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution | **TOLERATE**<br>1) Political power required to effect the change. | 1 | **10** | 31/03/2024 |
| 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. | **TOLERATE**<br>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.<br>2) Evidence has shown that members have not been transferring out of the CARE scheme at the previously anticipated rates. | 1 | **10** | 31/03/2024 |
| Liability Risk | 27 | Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing. | **TREAT**<br>1) Review maturity of scheme at each triennial valuation.<br>2)Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions.<br>3) Cashflow position monitored monthly. | 1 | **9** | 31/03/2024 |
| Liability Risk | 28 | The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities. | **TREAT**<br>1) Review at each triennial valuation and challenge actuary as required.<br>2) Growth assets and inflation linked assets in the portfolio should rise as inflation rises. | 2 | **14** | 31/03/2024 |
| Regulatory and Compliance Risk | 29 | Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration. | **TREAT**<br>1) Maintain links with central government and national bodies to keep abreast of national issues.<br>2)Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood. | 1 | **7** | 31/03/2024 |
| 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. | **TREAT**<br>1) Administering Authority actively monitors prospective changes in membership.<br>2) Maintain knowledge of employer future plans.<br>3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant.<br>4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate.<br>5) Monitoring of gilt yields for assessment of pensions deficit on a termination basis. | 2 | **18** | 31/03/2024 |
| Employer Risk | 31 | Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.<br><br>Current economic conditions will cause strain on smaller employers. | **TREAT**<br>1) Transferee admission bodies required to have bonds in place at time of signing the admission agreement.<br>2) Regular monitoring of employers and follow up of expiring bonds. | 1 | **11** | 31/03/2024 |
| Resource and Skill Risk | 32 | Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints. | **TREAT**<br>1) Change to LPPA has increased resilience in the administration service<br>2) Ongoing monitoring of contract and KPIs | 2 | **14** | 31/03/2024 |
| Resource and Skill Risk | 33 | Poor reconciliation process leads to incorrect contributions. | **TREAT**<br>1) Reconciliation is undertaken by the pension fund team. Officers to ensure that reconciliation process notes are understood and applied correctly the team.<br>2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process. | 2 | **8** | 31/03/2024 |
| Resource and Skill Risk | 34 | Failure to detect material errors in bank reconciliation process. | **TREAT**<br>1) Pensions team to continue to work closely with staff at HCC to smooth over any teething problems relating to the newly agreed reconciliation process. | 1 | **6** | 31/03/2024 |
| Resource and Skill Risk | 35 | Failure to pay pension benefits accurately leading to under or over payments. | **TREAT**<br>1) There are occasional circumstances where under/over payments are identified. Where underpayments occur, arrears are paid as soon as possible, usually in the next monthly pension payment. Where an overpayment occurs, the member is contacted, and the pension corrected in the next month. Repayment is requested and sometimes this is collected over several months. | 1 | **6** | 31/03/2024 |
| Resource and Skill Risk | 36 | Unstructured training leads to under developed workforce resulting in inefficiency. | **TREAT**<br>1) Implementation and monitoring of a Staff Training and Competency Plan as part of the Service Specification between the Fund and LPPA.<br>2) Officers regularly attend training seminars and conferences<br>3) Designated officer in place to record and organise training sessions for officers and members | 1 | **6** | 31/03/2024 |
| Resource and Skill Risk | 37 | Lack of guidance and process notes leads to inefficiency and errors. | **TREAT**<br>1) The team will continue to ensure process notes are updated and circulated amongst colleagues in the Pension Fund and Administration teams. | 1 | **5** | 31/03/2024 |
| Resource and Skill Risk | 38 | Lack of productivity leads to impaired performance. | **TREAT**<br>1) Regular appraisals with focused objectives for pension fund and admin staff. | 1 | **5** | 31/03/2024 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Resource and Skill Risk | 39 | Failure by the audit committee to perform its governance, assurance and risk management duties | TREAT<br>1) Audit Committee performs a statutory requirement for the Pension Fund with the Pension Fund Committee being a sub-committee of the audit committee.<br>2) Audit Committee meets regularly where governance issues are regularly tabled. | 2 | **12** | 31/03/2024 |
| 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. | **TREAT**<br>1) Person specifications are used at recruitment to appoint officers with relevant skills and experience.<br>2) Training plans are in place for all officers as part of the performance appraisal arrangements.<br>3) Shared service nature of the pensions team provides resilience and sharing of knowledge.<br>4) Officers maintain their CPD by attending training events and conferences. | 1 | **10** | 31/03/2024 |
| Resource and Skill Risk | 41 | Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions. | **TREAT**<br>1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval)<br>2) Comprehensive training packages will be offered to members.<br>3) Co-opted members boost resilience. | 2 | **18** | 31/03/2024 |
| 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. | **TREAT**<br>1)Keep quantitative and qualitative requirements under review to ensure that they continue to meet the requirements.<br>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.<br>3)Existing and new Officer appointments subject to requirements for professional qualifications and CPD. | 1 | **8** | 31/03/2024 |
| Resource and Skill Risk | 43 | Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding | **TREAT**<br>1) Succession planning processes are in place.<br>2) Ongoing training of Pension Fund Committee members.<br>3) Pension Fund Committee new member induction programme.<br>4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer. | 1 | **5** | 31/03/2024 |
| 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. | **TREAT**<br>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<br>2) Recruitment is almost complete for the retained team<br>3) Officers have received handover pack from the departing RBKC retained pensions team.<br>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.<br>5) A number of staff have been recruited with few posts unfilled. | 2 | **20** | 31/03/2024 |
| 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. | **TOLERATE**<br>1) The Pensions Administration team have shifted to working from home<br>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.<br>3) Revision of processes to enable electronic signatures and configure the telephone helpdesk system to work from home.<br>4) Since the original outbreak the administator has been able to return to business as usual | 1 | **8** | 31/03/2024 |
| 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. | **TREAT**<br>1) Contract monitoring in place with all providers.<br>2) Procurement team send alerts whenever credit scoring for any provider changes for follow up action.<br>3). Officers to take advice from the investment advisor on fund manager ratings and monitoring investment | 2 | **18** | 31/03/2024 |
| Administrative and Communicative Risk | 47 | Concentration of knowledge in a small number of officers and risk of departure of key staff. | **TREAT**<br>1) Process notes are in place.<br>2) Development of team members and succession planning improvements to be implemented.<br>3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs. | 2 | **14** | 31/03/2024 |
| 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. | **TREAT**<br>1) Update and enforce admin strategy to assure employer reporting compliance.<br>**TOLERATE**<br>1) Northern Trust provides 3rd party validation of performance and valuation data. Admin team and members can interrogate data to ensure accuracy. | 1 | **11** | 31/03/2024 |
| 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. | **TREAT**<br>1) Contract in place with HCC to provide service, enabling smooth processing of supplier payments.<br>2) Process in place for LPPA to generate lump sum payments to members as they are due.<br>3) Officers undertaking additional testing and reconciliation work to verify accounting transactions. | 1 | **8** | 31/03/2024 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Administrative and Communicative Risk | 50 | Inability to respond to a significant event leads to prolonged service disruption and damage to reputation. | **TREAT**<br>1) Disaster recovery plan in place as part of the service specification between the Fund and new provider LPPA<br>2) Ensure system security and data security is in place<br>3) Business continuity plans regularly reviewed, communicated and tested<br>4) Internal control mechanisms ensure safe custody and security of LGPS assets.<br>5) Gain assurance from the Fund's custodian, Northern Trust, regarding their cyber security compliance. | 1 | **8** | 31/03/2024 |
| Administrative and Communicative Risk | 51 | Failure of pension payroll system resulting in pensioners not being paid in a timely manner. | **TREAT**<br>1) In the event of a pension payroll failure, we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers. | 1 | **7** | 31/03/2024 |
| 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. | **TREAT**<br>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.<br>2) All files are backed up daily. | 2 | **6** | 31/03/2024 |
| Regulatory and Compliance Risk | 53 | Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation. | **TREAT**<br>1) Data encryption technology is in place which allow the secure transmission of data to external service providers.<br>2) LBHF IT data security policy adhered to.<br>3) Implementation of GDPR<br>4) Project team in place to ensure smooth transition | 1 | **11** | 31/03/2024 |
| 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 | **TREAT**<br>1) Ensure that a cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board. | 1 | **9** | 31/03/2024 |
| Reputational Risk | 55 | Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss. | **TREAT**<br>1) Third parties regulated by the FCA and separation of duties and independent reconciliation processes are in place.<br>2) Review of third party internal control reports.<br>3) Regular reconciliations of pensions payments undertaken by Pension Finance Team.<br>4) Periodic internal audits of Pensions Finance and HR Teams. | 1 | **10** | 31/03/2024 |
| Reputational Risk | 56 | Financial loss of cash investments from fraudulent activity | **TREAT**<br>1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised.<br>2) Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal audit assist in the implementation of strong internal controls. Processes recently firmed up<br>3)Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls). | 1 | **11** | 31/03/2024 |
| Reputational Risk | 57 | Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage. | **TREAT**<br>1) Officers maintain knowledge of legal framework for routine decisions.<br>2)Eversheds retained for consultation on non-routine matters. | 1 | **11** | 31/03/2024 |
| Reputational Risk | 58 | Inaccurate information in public domain leads to damage to reputation and loss of confidence | **TREAT**<br>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.<br>2) Maintain constructive relationships with employer bodies to ensure that news is well managed. | 2 | **10** | 31/03/2024 |
| 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 | **TREAT**<br>1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process.<br>2) Pooled funds are not subject to OJEU rules. | 1 | **7** | 31/03/2024 |
| 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. | **TREAT**<br>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.<br>2) Through strong governance arrangements and the active reporting of issues, the Fund will seek to report all breaches as soon as they occur in order to allow mitigating actions to take place to limit the impact of any breaches. | 1 | **8** | 31/03/2024 |
| Regulatory and Compliance Risk | 61 | Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests | **TREAT**<br>1) Publication of all documents on external website.<br>2) Officers expected to comply with ISS and investment manager agreements.<br>3) Local Pension Board is an independent scrutiny and assistance function.<br>4) Annual audit reviews. | 1 | **10** | 31/03/2024 |

Response to LGPensions@levellingup.gov.uk **19 July 2024**

London Borough of Hammersmith and Fulham Pension Fund Response

Submitted by:
Cllr Ross Melton (Chair of the Pension Fund Committee)
Sukvinder Kalsi (S151 Officer)
Phil Triggs (Tri-Borough Director of Treasury and Pensions)

**Efficiencies in local government and the management of Local Government Pension Scheme (LGPS) funds**

The London Borough of Hammersmith and Fulham Pension Fund (LBHF PF) is dedicated to delivering excellent service to all LGPS scheme members. This commitment includes achieving cost efficiencies, providing value for money, ensuring effective governance, and generating positive excess returns. The Fund's investments span a diverse range of asset classes, consisting of global equities, bonds, property, multi-asset credit, infrastructure, private markets, renewables, and cash. As at 31 March 2024, the Fund's total net asset value was £1.36 billion with approximately 60% of its assets pooled with the London CIV.

The LBHF Fund is part of the Tri-Borough Treasury and Pensions team, along with Westminster City Council and the Royal Borough of Kensington and Chelsea. Recently, the London Borough of Bexley joined as an additional partner, benefiting from the Tri-Borough team's expertise in treasury and pension investment, governance and accounting services. This collaboration among the four London boroughs enables the Funds to achieve cost savings, economies of scale, a depth of knowledge, robust governance processes, and best practices, with a combined AUM of £6.2 billion

Question 1: How your fund will complete the process of pension asset pooling to deliver the benefits of scale

The London Borough of Hammersmith and Fulham Pension Fund supports the government’s asset pooling initiative, recognising LGPS pooling as a viable strategy to achieve economies of scale and value for money. Currently, 60% of the Fund's assets are pooled. The Fund leverages various services offered by the asset pool, including asset management, climate-related reporting, and asset manager engagement. The Fund aims to transition further assets into the London CIV LGPS pool by the 31 March 2025 deadline. However, it is important to note that LGPS Funds invest in a diverse range of assets, some of which are highly specialised and long-term, so it is recognised by the Fund that the Pool will not always have a suitable vehicle for the Fund’s objectives.

Since 2016, the Fund's investment consultant has played a crucial role in improving the Westminster Fund's funding level, which increased from 97% to 105% as of the 31 March 2022 actuarial valuation. This significant improvement is largely due to the excellent investment advice provided by the consultant. Over the five years leading to 31 March 2024, the LBHF Fund spent an average of £91k per annum on investment consultancy fees. As LGPS funds are responsible for setting their own strategic asset allocations and making autonomous investment decisions, it is essential for committees to have access to expert investment advice.

The London CIV LGPS asset pool has an effective governance structure, featuring dedicated committees to facilitate decision-making. The pool holds shareholder meetings bi-annually, allowing funds to hold the pool accountable and exercise shareholder powers. Additionally, the pool company hosts four shareholder committee meetings annually, enabling shareholders to consult on the pool company's medium-term financial strategy, financial performance, responsible investment, governance, and emerging issues. Officers also contribute to the pool's monthly business update meetings and participate in working groups focused on creating new fund offerings on the CIV platform and ensuring cost transparency

Question 2: How you ensure your LGPS fund is efficiently run, including consideration of governance and the benefits of greater scale.

The LBHF Fund has streamlined, effective and robust governance in place, with an experienced team working across four London LGPS Funds. The shared service structure allows for effective governance, as well as economies of scale and cost saving efficiencies. The representation of four boroughs allows for a stronger voice in holding the pool company and other service providers to account and having a greater impact and influence on decision-making processes. Officers maintain a constant dialogue with the LCIV asset pool in regard to manager performance and the potential for cost fee savings. In addition, the Chair of the Pension Fund Committee participates as shareholder representative on the pool company's Shareholder Committee.

By partnering with three other London boroughs, the LBHF Fund has been able to provide savings on the governance and staffing arrangements, with costs shared across the four boroughs, providing excellent value for money and cost efficiencies for its scheme members. The shared Treasury and Pensions team provides effective cost savings, experience, invaluable knowledge, skills and excellent governance arrangements, which safeguard collectively over £6.2bn in LGPS assets.

Since the inception of the LCIV pool company, the Fund has transitioned across 60% of assets, with estimated savings of £1.355 in the year ended 31 March 2023. The LBHF Fund administration function is outsourced to Local Pensions Partnership Administration (LPPA), under a shared services arrangement. At 31 March 2023, the Fund's administration costs per member were 4% higher than that of the average London LGPS Pension Fund.

**LONDON BOROUGH OF HAMMERSMITH & FULHAM**

**Report to:** **Pension Fund Committee**

**Date:** 23/07/2024

**Subject:** Key Performance indicators

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

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

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**SUMMARY**

This paper sets out a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Hammersmith & Fulham Pension Fund. The Key Performance Indicators (KPIs) for the period January – March 2024 i.e., Quarter 4 (Q4), inclusive are shown in Appendix 1.

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**RECOMMENDATIONS**

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

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**Wards Affected:** None

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| Our Values | Summary of how this report aligns to the H&F Values |
|---|---|
| Being ruthlessly financially efficient | Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for 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,8th May 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) 21st May 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 the Pension Regulator's Code of Practice that states that pension administration should be included as an agenda item for governing body meetings and that measures should be in place to ensure the scheme is being properly administered. The code outlines that that governing bodies should receive appropriate information and reports to enable challenge where appropriate.

2. This report covers the performance of our administration partner LPPA over Q4 for the pension fund scheme year 2023/24. The KPI's detailed in Appendix 1 of the pension administration report cover the period 01 January 2024 to 31 March 2024 inclusive.

3. During the period January to March 2024, quarter 4 (Q4), LPPA processed 1563 SLA cases, which was an increase of 154 cases from Q3 for the Hammersmith & Fulham Pension Fund. The overall quarterly KPI performance was 97.2% a small increase from 96.9% in Q3. However, although performance was achieved in 97% of cases it fell short of the 95% KPI target in 2 areas (active retirements and refunds).

## Performance in key areas

4. Retirements – Performance in this task area has seen a much needed improvement. Although performance was below the 95% target, active retirements have seen an improved KPI of 92.1% compared to 90.1% in Q3, 85.7% in Q2 and 84.1% in Q1. The processing of deferred retirements saw a small decrease from Q3 at 95.8% with a KPI of 95.4% in Q4 compared to a KPI of 95% in Q2 and 87.9% in Q1.

5. Deaths – The processing of death cases in Q4 saw 98.2% of cases processed on time. A great improvement and the highest performance in the 23/24 scheme year, when compared to 92% in Q3, 93.85% in Q2 and the 85.7% delivered in Q1. The Head of Pensions continues to work with the LPPA team to improve and sustain this performance.

6. Transfers – Good performance was sustained, as despite a continued increase in the number of transfer cases processed, 208 in Q4 (an increase of 39 from Q3), there was continued above target KPI performance in this area. Most of cases were processed within the SLA in Q1 and Q2 which rose to 100% for transfer ins cases in Q3 and Q4.

7. Refunds – Performance on this case type fell to 93% in Q4 from 94.1% in Q3 but previously was being held at a higher level with 99.2% achieved in Q1 and 98.6% in Q2.

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. Overall the scheme year has seen some real strides forward in the level of service received by members of the LBHF. We have seen an improvement in the pension administration service provided by LPPA in the 2023/24 scheme year. 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**

**<u>Appendix 1 – LPPA Q4 KPI report for Hammersmith & Fulham Pension Fund</u>**



LPP
Local Pensions Partnership
Administration

Hammersmith & Fulham Pension Fund

# Quarterly Administration Report

1st January - 31st March 2024

lppapensions.co.uk

# CONTENTS



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# DEFINITIONS

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**Page 6**

**Casework Performance - All Cases**

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

**Page 7**

**Casework Performance - Standard**

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

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

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

**Page 9**

**Helpdesk Performance**

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

## OUR CORE VALUES

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

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

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


Page 122

# Casework Performance

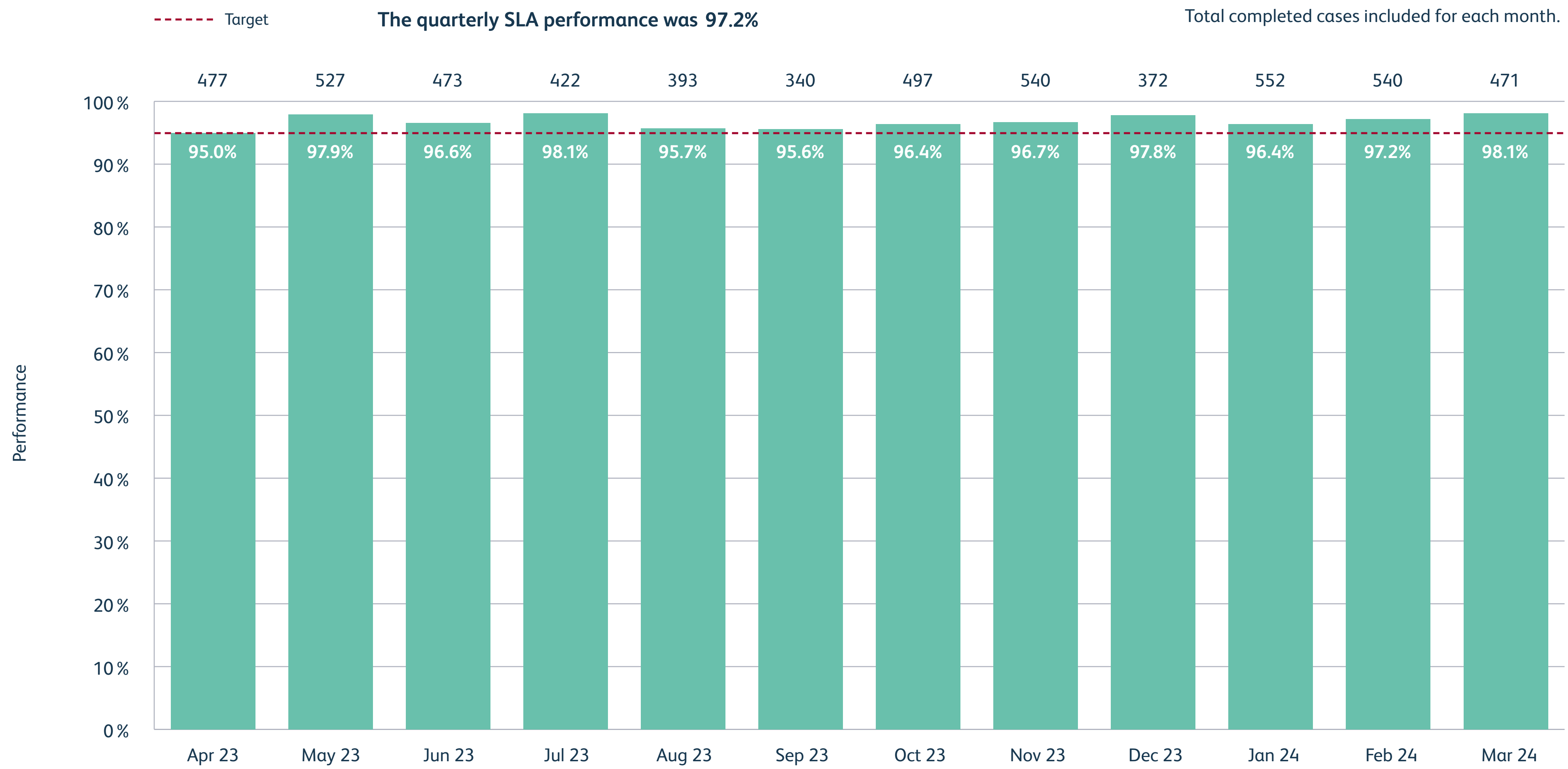
**In this section…**

- Performance – all cases
- Performance standard
- Ongoing casework at end of reporting quarter

# CASEWORK PERFORMANCE

## PERFORMANCE – ALL CASES

CLIENT SPECIFIC

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# CASEWORK PERFORMANCE

## PERFORMANCE STANDARD

CLIENT SPECIFIC

Target (95 %)

| | SLA target (working days) | Total Processed | % |
|---|---|---|---|
| New Starters | 10 | 34 | 100.0% |
| Transfers In | 10 | 56 | 100.0% |
| Transfers Out | 10 | 152 | 98.0% |
| Estimates | 10 | 29 | 96.6% |
| Deferred Benefits | 15 | 142 | 95.1% |
| Retirements - Deferred | 5 | 153 | 95.4% |
| Retirements - Active | 5 | 77 | 90.1% |
| Refunds | 5 | 114 | 93.0% |
| Deaths | 5 | 110 | 98.2% |
| Correspondence | 10 | 116 | 99.1% |
| Aggregation | 10 | 116 | 97.4% |
| Other *(see Definitions – page 3)* | | 464 | 98.9% |
| **Total** | | **1,563** | |

# 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

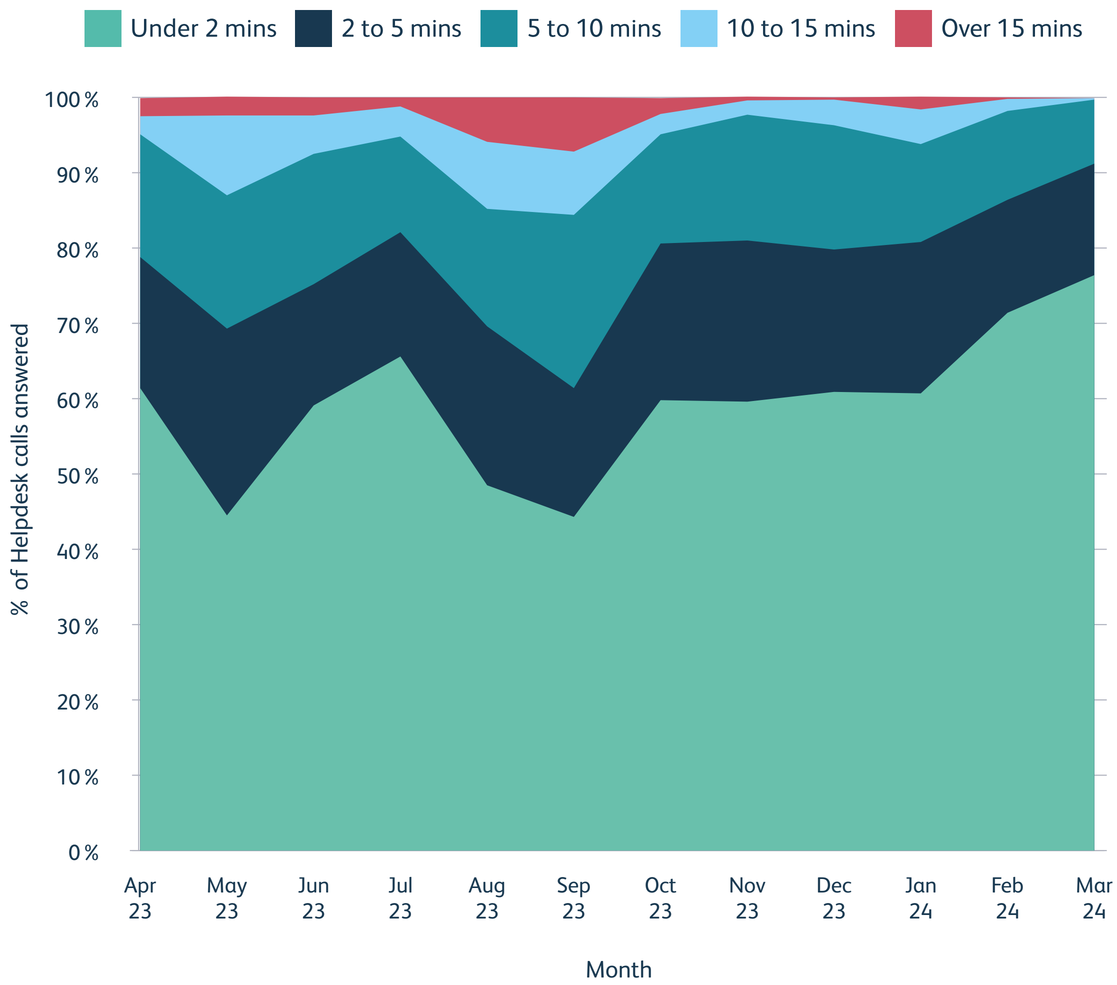
# HELPDESK CALLS PERFORMANCE

## WAIT TIME RANGE

CLIENT SPECIFIC



| | Under 2 mins | 2 to 5 mins | 5 to 10 mins | 10 to 15 mins | Over 15 mins |
|---|---|---|---|---|---|
| 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 % |
| Jan 24 | 60.7 % | 20.1 % | 13.0 % | 4.6 % | 1.7 % |
| Feb 24 | 71.4 % | 15.0 % | 11.8 % | 1.6 % | 0.2 % |
| Mar 24 | 76.4 % | 14.8 % | 8.5 % | 0.2 % | 0.0 % |



# HELPDESK CALLS PERFORMANCE

## CALLS ANSWERED

CLIENT SPECIFIC

LPP

Local Pensions Partnership Administration

**LONDON BOROUGH OF HAMMERSMITH & FULHAM**

**Report to: Pension Fund Committee**

**Date:** 23/07/2024

**Subject:** Pension Administration Update

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

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

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## SUMMARY

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


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## RECOMMENDATIONS

The Pension Fund Committee is asked to approve the recommendation in respect of the increased budget for pension admission costs as detailed in Appendix 1 and note the contents of this report.

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**Wards Affected: None**

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

## Finance Impact

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

Sukvinder Kalsi, Director of Finance, 24th May 2024

## Legal Implications

This report seeks approval to increase the budget for the Administration of the Fund. The budget is paid from the Pension Fund and it is within the remit of the Committee to approve the increase.

Angela Hogan, Chief Solicitor (Contracts and Procurement), 21st May 2024

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## Background Papers Used in Preparing This Report

**None**

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**DETAILED ANALYSIS**

## Analysis of Pension Administration

The Hammersmith & Fulham Pension Fund began its 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 for their staff and client and employer forums in 2023.

## Update on key areas

2. Employers – Engagement from employers on monthly files being submitted has increased to 85% however 10% are not up to date. LPPA have been slow to engage with employers and it is hoped this does not impact on ABS exercise. LPPA have supported some stakeholders with additional training and guidance to enable submissions to be completed. An employer newsletter was circulated at the end of May.

3. Complaints – 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. Helpdesk – The number of calls to the LPPA Helpdesk rose again in Q4 to 1357 from Q3 levels of 1198, 1187 received in Q2 and 1110 received in Q1. The service provision continues to improve, in Q4 average call wait times were 2 minutes 14 Q4. With an 2.4% average abandonment rate across all calls.

5. Communications – LPPA have created a dedicated retirement section on their website and increased engage with members who have attained the minimum retirement age and issued an employer newsletter in May and member newsletter in June. They have also commenced the annual life existence exercise for members overseas.

6. Engagement – There continues to be a positive trend from all membership groups engaging with the online portal. The end of Q4 saw 5189 members registered, compared with 4939 members in Q3, 4748 in Q2 and 4510 in Q1 registered with the online portal. This is up by 679 for the scheme year. There were 13 opt outs in Q4.

7. Members - From the HFPF there were 13 opt outs in Q4. LPPA have also commenced the annual life existence exercise for members and beneficiaries residing overseas. There has been a 50% response from members with further cases suspended and tracing exercise commenced.

8. Regulatory – There are a number of regulatory initiatives impacting the Hammersmith & Fulham pension fund, the key ones are;

   **McCloud** - LPPA systems have now been updated with the McCloud software and LPPA are identifying the affected members. The LBHF records were reviewed in May 2024.

   **Pensions Dashboard** – Pensions dashboards will allow individuals to access all their multiple pensions securely online including the state pension. The go live date for the Fund is October 2025.

   **The Pension Regulator Single Code** – Is a set of 10 governance codes of practice for pension schemes. Recently revised in March 2024 it requires that schemes regularly review their practice and governance against these guidelines. The new code puts a greater emphasis on areas such as cyber security, as well as the need to complete and review an Effective System Of Governance record (ESOG) and Own risk assessment (ORA).

9. 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.

10. Audit – Both the 2021/2022 and 2022/23 are complete and planning has started for the 23/24 audits. LPPA are working on a new process to ensure that future audits are planned and information is provided more efficiently.

11. Overpayments – The LBHF pensions team continue to work with LPPA and the LBHF debt recovery teams to try to recover further outstanding overpayment funds.

12. EXEMPT ITEM
Pension Administration services budget – The LPPA budget is in line with the agreed costs for 23/24 of £468,115. However as detailed in EXEPMT Appendices 1 and 2, the pension administration costs for 24/25 will be significantly higher.

**Recommendation – To approve the increase budget for 24/25.**

### 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**

EXEMPT Appendix 1 – Details on item 12 re increases pensions administration costs

EXEMPT Appendix 2 - LPPA Budget proposal for pension administration costs - 2024/25

**LONDON BOROUGH OF HAMMERSMITH & FULHAM**

**Report to:** **Pension Fund Committee**

**Date:** **23/07/2024**

**Subject:** **Fund Employer Cessations**

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

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

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**SUMMARY**

This paper sets out cessation activity for the Fund. There is also a recommendation of a decision to be made by the Committee with reference to Fund employers that have ceased in the Fund but have a surplus at the time that they are ceasing to be a participating employer in the Fund. The recommendation is that the surpluses are processed as detailed in EXEMPT appendix 1.

---

**RECOMMENDATIONS**

1. Appendices 1 - 4 are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

2. The recommendation is to pay the exit credits as set out in the exempt appendix 1

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**Wards Affected: None**

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

## Financial Impact

These are detailed in the exempt appendices.

## Legal Implications

These are detailed in the exempt appendices.

## Background Papers Used in Preparing This Report

**None**

**DETAILED ANALYSIS**

## Proposals and Analysis of Options

## Reasons for Decision

1. The decisions taken are in accordance with the legal and actuarial advice provided to the pension Fund.

**LIST OF APPENDICES**

Exempt Appendix 1 – Exempt Information, implications and recommendations

Exempt Appendix 2 – Caterlink (Hurlingham & Chelsea) cessation report

Exempt Appendix 3 – Churchill Catering Ltd (Brakenbury Primary School) cessation report

Exempt Appendix 4 – Churchill Catering Ltd (Thomas's academy) cessation report