London Borough of Hammersmith & Fulham

Pension Fund Committee

Agenda

Tuesday 10 September 2024 at 7.00 pm
145 King Street (Ground Floor), Hammersmith, W6 9XY

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

MEMBERSHIP

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

CONTACT OFFICER: Amrita White
Committee Coordinator
Governance and Scrutiny
☎: 07741234765
E-mail: Amrita.White@lbhf.gov.uk

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: 29 August 2024

Pension Fund Committee
Agenda

Item		**Pages**
1.	**APOLOGIES FOR ABSENCE**	
2.	**DECLARATIONS OF INTEREST**	
3.	**MINUTES OF THE PREVIOUS MEETING**	5 - 12
4.	**AVIVA INVESTORS PRESENTATION**	13 - 14

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

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.

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.

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.

3. MINUTES OF THE PREVIOUS MEETING 5 - 12

To approve the open and exempt minutes of the meeting held on 23th July 2024 as an accurate record.

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.

4. AVIVA INVESTORS PRESENTATION 13 - 14

This item provides the Pension Fund Committee with an opportunity to discuss the still ongoing redemption process of the LBHF Fund's allocation to Aviva's Infrastructure Income portfolio, with representatives from Aviva to be present at the meeting.

Local Government Act 1972 –
<u>Access To Information Proposed resolution:</u>

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 23 July 2024

PRESENT

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

Co-opted members: Michael Adam and Peter Parkin

Other Councillors: Councillors Rowan Ree and Ashok Patel

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

Marian George (Independent Investment Advisor)

External: Emily McGuire, Chirag,Jasani and Jonny Moore (Isio Group)

Dave Sapsford and Mark Versey (Aviva Investors)

1. APPOINTMENT OF VICE CHAIR

RESOLVED
That the Pension Fund Committee elected Councillor Adrian Pascu-Tulbure as the Vice Chair for the 2024/25 Municipal Year.

2. APPOINTMENT OF CO-OPTED MEMBERS

RESOLVED
That the Pension Fund Committee appointed Michael Adam and Peter Parkin as non-voting co-opted members for the 2024/25 Municipal Year

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED
That the open and exempt minutes of the meetings held on 20th February 2024 were approved.

4. DRAFT MINUTES OF THE PREVIOUS PENSIONS BOARD MEETING

RESOLVED

That the minutes of the Pensions Board meeting held on 27th February 2024 were noted.

5. APOLOGIES FOR ABSENCE

There were no apologies for absence received.

6. DECLARATIONS OF INTEREST

There were no declarations of interest.

7. AVIVA INVESTORS PRESENTATION

Phil Triggs (Tri borough Director of Treasury and Pensions) provided a summary of the key points. The first tranche of redemption payments (£5m) was paid on 30th January 2024, but the remainder of the redeemed funds would not be available to be paid back until at least August 2024. At the last Pension Fund Committee meeting of 20th 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.

The Chair also requested that representatives from Aviva should attend this Committee 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 were still awaited.

Mark Versey (Aviva Investors) apologised to the Committee for not meeting the redemption process timeline. It was noted that a thorough investigation had been conducted and the team had worked tirelessly to sell assets, however, this was unsuccessful due to the prevailing interest rate environment. It was noted that six energy and heating units, which powered hospitals across the country had been sold. A legally binding offer had been received and once the legal documents were signed and funds transferred the payment would be made. An agreement would be expected within the next two weeks and the expectation was that the Council would receive its redemption monies by the end of August 2024. However, there could be delays in this timeline due to the administrative process and timing in receiving the signatures from the NHS Trust.

Aviva expressed pride in the returns the fund had generated. Upon reviewing the fund’s performance over the investment period, Aviva felt that they had achieved the objectives set out for the fund, however, there had been a delay in the redemption process due to the inability to sell assets last year.

The Chair requested that Aviva attend the next Pension Fund Committee meeting in September 2024 if the redemption monies had not been received by the end of August 2024.

Councillor Adam Peter Lang raised a series of concerns on the length of time it was taking Aviva to make the payment, noting that this delay was unacceptable. Mark Versey (Aviva Investors) outlined the reasons for the delay, noting that this was mainly due to the nature of the illiquid assets such as infrastructure. He explained that Aviva had taken all the appropriate steps to meet the deadline but was unable to secure a bid for the assets within the timeframe due to the high interest rate market. Since then, market liquidity had improved, offering much more stability.

Councillor Florian Chevoppe-Verdier asked for further clarification on the income generated from the fund and the associated management fees since the 31 December redemption deadline. Mark Versey (Aviva Investors) noted that over the whole investment period from inception the fund generated an annualised return of 0.6% and the management fees were approx. 0.5% per annum.

Members asked Aviva if they would provide any compensation for losses occurred as a result of the late redemption. In response Mark Versey (Aviva Investors) noted that Aviva would investigate this further and write to the Council within a week.

Michael Adam (Co-opted Member) asked a series of questions. Firstly, he enquired whether the price that Aviva had accepted for the assets sold was above or below the most recent net asset value. Secondly, he questioned how the sell offer could be legally binding for the buying party before the final documentation was received. Mark Versey (Aviva Investors) explained that the assets were sold in line with the most recent net asset value. Dave Sapsford (Aviva Investors) in relation to the legally binding offer explained the legal process, noting that signatures from the buyer of the assets had been received and next step was to obtain signatures from the NHS Trusts to complete the process.

Marian George (Independent Investment Advisor) expressed concerns that the August summer break could potentially cause further delays in the process. Mark Versey (Aviva Investors) explained that based on the information available and delegated authorities received from two Trusts, Aviva had high expectations that the money would be paid in August 2024.

Councillor Laura Janes requested that a copy of the full investigation conducted by Aviva be sent to the Committee.

Action: Aviva

Councillor Florian Chevoppe-Verdier requested that confirmation be sent to the Committee on which Trusts, Aviva had received delegated authority from.

Action: Aviva

Councillor Adrian Pascu-Tulbure, reflecting on the lessons learned, asked whether sufficient emphasis was placed on communication as a crucial element in the redemption process. Mark Versey (Aviva Investors) assured members that as part of Aviva's internal assessment more regular communication would take place with investors.

The Chair summarised the following actions requested by the Committee:

- A write up of the full investigation conducted by Aviva.
- Confirmation on which Trusts, Aviva had received delegated authority from.
- Aviva to look at providing compensation for losses occurred as a result of the late redemption.
- Confirmation of the dates of the internal boards and evidence of the two Trusts that had provided delegated authority.
- A narrative of the wider lessons learned.
- Formally clarify and set out Aviva's apologies to the Committee.

Action: Aviva

Councillor Rowan Ree enquired whether Aviva believed the redemption terms were adequate or if they should be revised going forward. Mark Versey (Aviva Investors) explained that Aviva would review this area for future fund launches and felt that 18 months from receipt of notice to final payment of funds was an appropriate timeframe.

RESOLVED
That the Pension Fund Committee discussed the numerous concerns surrounding the redemption process (Infrastructure Income portfolio) with Aviva.

8. DATA CENTRES OPPORTUNITY

Jonny Moore (Isio Group) noted that the Pension Fund Committee was provided with a training session of an investment opportunity in property data centres. It was noted that the Committee should consider this asset class and whether data centres were deemed an attractive opportunity.

The Chair noted that he found the training provided by Isio Group to be highly informative, especially regarding this asset class and was keen to learn more about this investment proposition.

Councillor Florian Chevoppe-Verdier was impressed with the presentation. He requested for the papers to be compliant of the Web Content Accessibility Guidelines (WCAG), so they were accessible for all the borough's residents.

Action: Isio

Councillor Laura Janes suggested that officers explored the wider ESG factors and impact considerations for this type of investment. In response Jonny Moore (Isio Group) noted that this would form part of the analysis.

Councillor Adrian Pascu-Tulbure noted that it was commendable for the Committee to explore new emerging opportunities. However, he cautioned against the risk of investing by following trends and suggested that officers evaluate each opportunity on its own merit.

Marian George (Independent Investment Advisor) said that she saw an opportunity to invest in data centres. However, she emphasised the importance of asset allocation. It was noted that officers needed to consider the risk-return, trade-off and size of the investment. She also expressed concern that the fund already had 20 mandates within the LBHF portfolio, which she felt was a high number. Additionally, she highlighted that the government's current direction was strongly focused on pooling whereas this opportunity would involve investing outside of the pool.

Michael Adam (Co-opted Member) suggested to look at an opportunity to engage with other LCIV members to ascertain their interest.

Action: Phil Triggs

Councillor Adam Peter Lang said that further investigation was needed to assess the risk element and how it might change, including the impact on the complexity of portfolio management. Additionally, he felt that the Committee should consider more investment opportunities within the UK.

Action: Phil Triggs

Phil Triggs (Tri borough Director of Treasury and Pensions) noted that the assumption among consultants and officers was that investing in this asset class would involve a global approach encompassing the UK, Europe and the Unites States. Over the years, moving to global investment return benchmarks had proven beneficial. The aim was to meet the fund's fiduciary responsibility and achieve the best return with a balanced and diversified portfolio.

Phil Triggs reassured the Committee that a full due diligence process would be carried out before any decision was made to invest going forward.

RESOLVED

That the Pension Fund Committee considered an allocation of pension fund assets to data centres

9. DRAFT PENSION FUND STATEMENT OF ACCOUNTS

Sian Cogley (Pension Fund Manager) provided a summary of the key points. It was noted that the draft Pension Fund Statement of Accounts 2023/24 provided the Committee with an opportunity to review and comment on any matters pertaining to the financial statements.

Councillor Florian Chevoppe-Verdier, congratulated officers and consultants for their continued hard work which contributed to the enhanced performance across the Fund's investment portfolio, greater than in the previous year.

Councillor Adrian Pascu-Tulbure asked for further clarification to be provided on the management fees. Phil Triggs (Tri borough Director of Treasury and Pensions) explained that standard management fees had remained steady. There had been an increase in performance fees and greater transparency was now available in transaction costs.

RESOLVED

That the Pension Fund Committee noted the 2023/24 draft Statement of Accounts

10. PENSION FUND QUARTERLY UPDATE Q1 2024

Sian Cogley (Pension Fund Manager) provided a summary of the key points. It was noted that on 15 May 2024, the Minister for Local Government wrote to the LBHF administering authority, consulting on efficiencies in the LGPS. The response (attached as Appendix 5) was submitted prior to the deadline of 19 July 2024.

Jonny Moore (Isio Group) explained that the format of the reporting had been adapted to ensure it was more accessible for people to read. Overall, the investment performance report showed that, over the quarter to 31st March 2024, the market value of the assets increased by £53m to £1,360m. The Fund had 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 31st March 2024. Additionally, the CIO for London CIV had resigned more recently after a few months in the CIO post.

The Chair enquired if London CIV had provided any indication of the interim arrangements following the departure of the current CIO. In response Phil Triggs (Tri borough Director of Treasury and Pensions) noted that Robert Treich was appointed as the interim CIO and was highly regarded.

Councillor Adam Peter Lang asked for further clarification to be provided on the complexity of the Council's asset allocation. Jonny Moore (Isio Group) explained that the fund had a good level of diversification and a reasonably significant allocation to equities. Despite its complexity it was manageable and aligned with the broader LGPS. Phil Triggs added that the Hammersmith and Fulham fund was one of the most diversified in the LGPS with an extensive basket of investment categories. He also provided a summary of the benefits of this type of allocation.

Marian George (Independent Investment Advisor) noted that while diversification was beneficial, caution should be exercised against adding additional mandates from a governance perspective.

Councillor Florian Chevoppe-Verdier, relating to the risk register requested that an extra column be included on how its evolved and look at adding some more visual aesthetics.

Action: Isio

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

RESOLVED
That the Pension Fund Committee noted the update.

11. KEY PERFORMANCE INDICATORS

Eleanor Dennis (Head of Pensions) introduced the report which provided a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Hammersmith & Fulham Pension Fund. The Key Performance Indicators (KPIs) for the period January – March 2024 Q4, inclusive were shown in Appendix 1.

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, despite an increase in the number of cased processed by 153, it fell short of the 95% KPI target in 2 areas (active retirements and refunds).

Eleanor Dennis highlighted that the PFC's commitment to getting a good service on behalf of members and beneficiaries, with the issuing of the formal letter of dissatisfaction and the continued constructive challenging seems to be bearing fruit with continued improving performance now experienced by the Fund.

Councillor Florian Chevoppe-Verdier thanked Eleanor Dennis for a comprehensive report and was pleased to see an improvement in helpdesk calls performance. He asked how the Committee could continue to support the Head of Pensions with driving for an excellent service for the Fund, Eleanor Dennis confirmed once service was being delivered on or above target on all areas , the focus should be increased on member experience.

Councillor Laura Janes enquired whether the SLA's had been adjusted to be more realistic and asked if officers were satisfied with the overall improvements made by LPPA. Eleanor Dennis responded that these improvements were based on the existing SLA's already in place and felt that they were in line with her expectations.

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

RESOLVED
That the Pension Fund Committee noted the contents of this report

12. PENSIONS ADMINISTRATION UPDATE

Eleanor Dennis (Head of Pensions) presented the report highlighting that LPPA had disbanded their complaint team as instead the respective case area were responsible for responding to their own complaints. There was a encouraging increase in engagement from fund employers as submissions of monthly reports had increased to 90%.

Councillor Florian Chevoppe-Verdier referring to page 133 asked for further details to be provided on the costs relating to over payments. Eleanor Dennis noted this was currently around £1,100 and explained that these amounts were written off due to the length of time it had taken to investigate the case and try and recover the monies before the regulatory time limit had passed.

Councillor Ashok Patel enquired about the nature of the complaints received. In response Eleanor Dennis noted that the nature covered a broad range of topics for complaint such as to the LPPA service overall and specific issues encountered with experiences with retirements and bereavements.

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

RESOLVED
That the Pension Fund Committee approved the recommendation in respect of the increased budget for pension admission costs as detailed in Appendix 1 and noted the contents of this report

13. FUND EMPLOYER CESSATIONS

Eleanor Dennis (Head of Pensions) noted that this paper sets out the cessation activity for the Fund. There was also a recommendation of a decision to be made by the Committee with reference to Fund employers that had ceased in the Fund but had a surplus at the time that they are ceasing to be a participating employer in the Fund. The recommendation is that the surpluses are processed as detailed in exempt appendix 1.

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

RESOLVED
That the Pension Fund Committee approved to pay the exit credits as set out in the exempt appendix 1

14. 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: 7:00pm
Meeting ended: 9:40pm

Chair ....

Contact officer: Amrita White
Committee Co-ordinator
Governance and Scrutiny
☎: 07741234765
E-mail: Amrita.White@lbhf.gov.uk

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 10 September 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 still ongoing redemption process of the LBHF Fund’s allocation to Aviva’s Infrastructure Income portfolio, with representatives from Aviva to be present at the meeting.

RECOMMENDATIONS

The Pension Fund Committee is recommended to discuss the continuing process 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 committee meeting of 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 2022/23 financial year, Aviva confirmed that the redemption notice was received and that total redemptions from three individual investors (including LBHF) for this annual 2022 window amounted to less than 10% of the NAV threshold. Therefore, no additional time for liquidation was flagged outside the standard liquidity procedures.

3. The redemption monies were due back to the LBHF 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 is yet to be received.

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. 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 funds be still outstanding by the date of the committee meeting.

6. Representatives from Aviva duly attended the Committee meeting of 23 July 2024 and gave an update on the redemption process and ongoing progress with the actions from the February meeting.

7. The Chair of the Pension Fund Committee requested that representatives from Aviva should attend the next meeting of the Pension Fund Committee on 10 September 2024 to provide an additional update, should the final 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

Agenda Item 5

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: **Pension Fund Committee**

Date: 10/09/2024

Subject: Key Performance indicators

Report author: Eleanor Dennis, Head of Pensions

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

This paper sets out a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Hammersmith & Fulham Pension Fund. The Key Performance Indicators (KPIs) for the period April – June 2024 i.e., Quarter 1 (Q1), inclusive are shown in Appendix 1.

RECOMMENDATIONS

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

Wards Affected: None

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

Finance Impact

There are no direct financial implications as a result of this report. 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,19th August 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) 19th August 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 Q1 for the pension fund scheme year 2024/25. The KPI's detailed in Appendix 1 of the pension administration report cover the period 01 April 2024 to 30 June 2024 inclusive.

3. During the period April to June 2024, quarter 1 (Q1), LPPA processed 1462 (101 less than Q4) SLA cases, Hammersmith & Fulham Pension Fund. The overall quarterly KPI performance was 97.5% a small increase from Q4's 97.2% and from 96.9% in Q3. However, although performance was achieved in most cases it fell short of the 95% KPI target in 2 areas (aggregations and refunds).

Performance in key areas

4. Retirements – Performance in this task area is at the highest level since LPPA has started to provide services to the Fund. has seen a much needed improvement. Active retirements are at their highest level at 97.4% and have been continually improving over the last 12 months. Deferred retirements saw 98.3% of cases processed on time. We would like to see this sustained, and the quality of processing and member experience improve.

5. Deaths – The processing of death cases in Q1 saw a slight fall in KPI performance at 95.8% compared to 98.2% in Q4 of cases processed on time. The Head of Pensions continues to work with the LPPA team to improve and sustain this performance.

6. Transfers – Performance in this area remained good with 97% for transfer in and 99.1% of cases being processed within the agreed SLA's. It is encouraging to see good performance being sustained.

7. Refunds – Performance on this case type continues to be below target at 93.3% but is a slight improvement on the 93% achieved in Q4.

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 HFPF. Having 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 the quality of the service experienced by LBHF pension team will also improve in 2024/25. The Head of Pensions has had assurances from LPPA senior management team that quality will improve, and that service delivery will be maintained at a target hitting level.

10. None

Risk Management Implications

11. None

Climate and Ecological Emergency Implications

12. None

Consultation

13. None

LIST OF APPENDICES

Appendix 1 – LPPA Q1 24/25 KPI report for Hammersmith & Fulham Pension Fund

Appendix 2 – LPPA Q1 24/25 Supplementary KPI information

Quarterly Administration Report

Hammersmith & Fulham Pension Fund

1st April - 30th June 2024

LPP
Local Pensions Partnership
Administration

lppapensions.co.uk

CONTENTS

Page 19

DEFINITIONS

Page 6

Casework Performance - All Cases

Performance is measured once all information is made available to LPPA to enable them to complete the process.

Relevant processes are assigned a target timescale for completion, and the performance is measured as the percentage of processes that have been completed within that timescale.

Page 7

Casework Performance - Standard

'Deaths' are included as a specific process, but it is important to highlight that processing can take a significant amount of time to complete fully. Furthermore, there can be seasonal aspects which impact case volumes ie. higher mortality rates during winter.

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
- Ill Health Reviews
- Complaints

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 & 10

Contact Centre Performance

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

OUR CORE VALUES

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

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

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

Casework Performance

In this section…

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

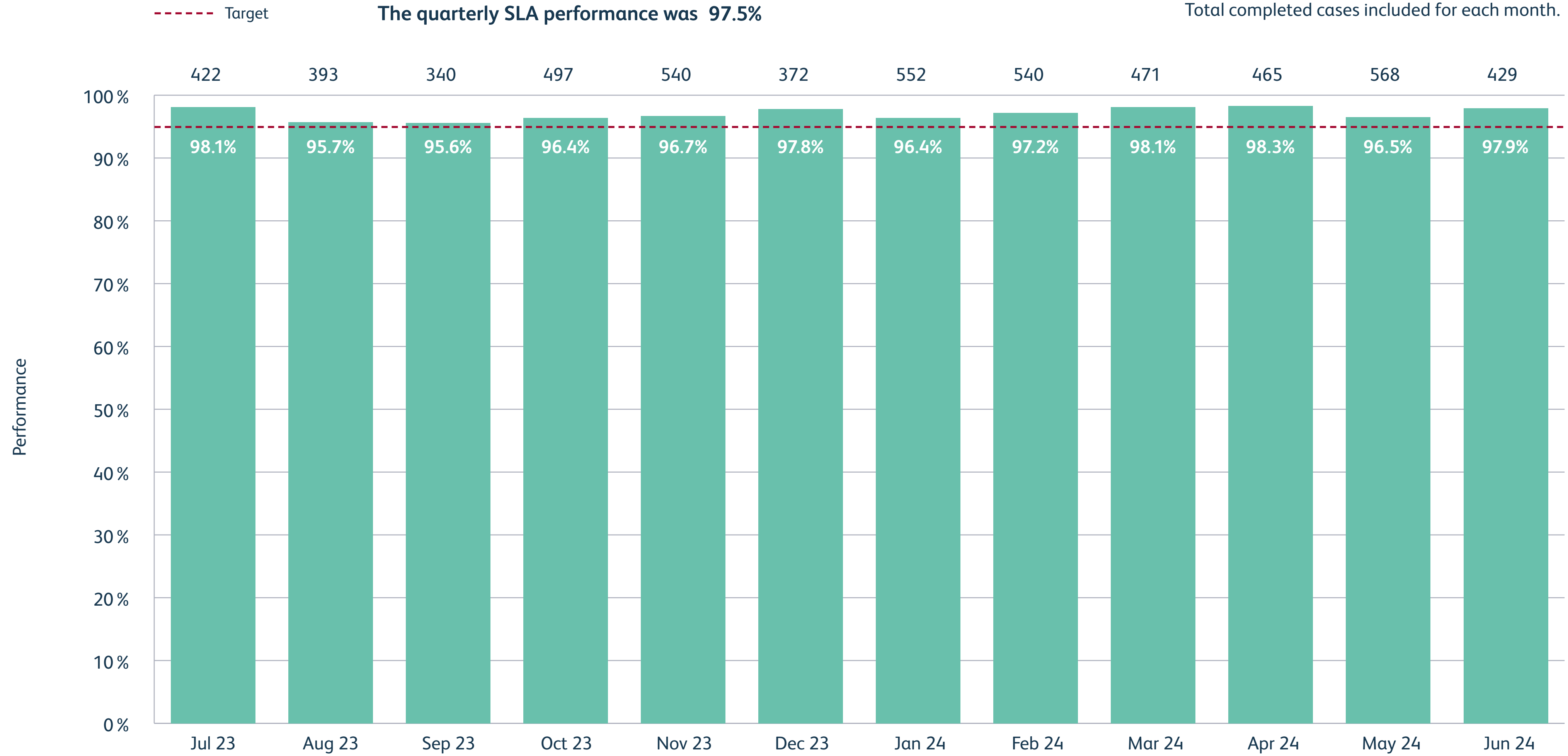
CASEWORK PERFORMANCE

PERFORMANCE – ALL CASES

CLIENT SPECIFIC

The quarterly SLA performance was 97.5%

Total completed cases included for each month.



CASEWORK PERFORMANCE

PERFORMANCE STANDARD

CLIENT SPECIFIC

Target (95 %)

	SLA target (working days)	Total Processed	%
New Starters	10	9	100.0%
Transfers In	10	67	97.0%
Transfers Out	10	113	99.1%
Estimates	10	53	96.2%
Deferred Benefits	15	167	96.4%
Retirements - Deferred	5	172	98.3%
Retirements - Active	5	77	97.4%
Refunds	5	75	93.3%
Deaths	5	144	95.8%
Correspondence	10	51	100.0%
Aggregation	10	112	92.9%
Other *(see Definitions – page 3)*		422	99.5%
Total		**1,462**	

Contact Centre Calls Performance

The Contact Centre deals with all online enquiries and calls from Members for all funds that LPPA provides administration services for.

In this section…

- Wait time range
- Calls answered

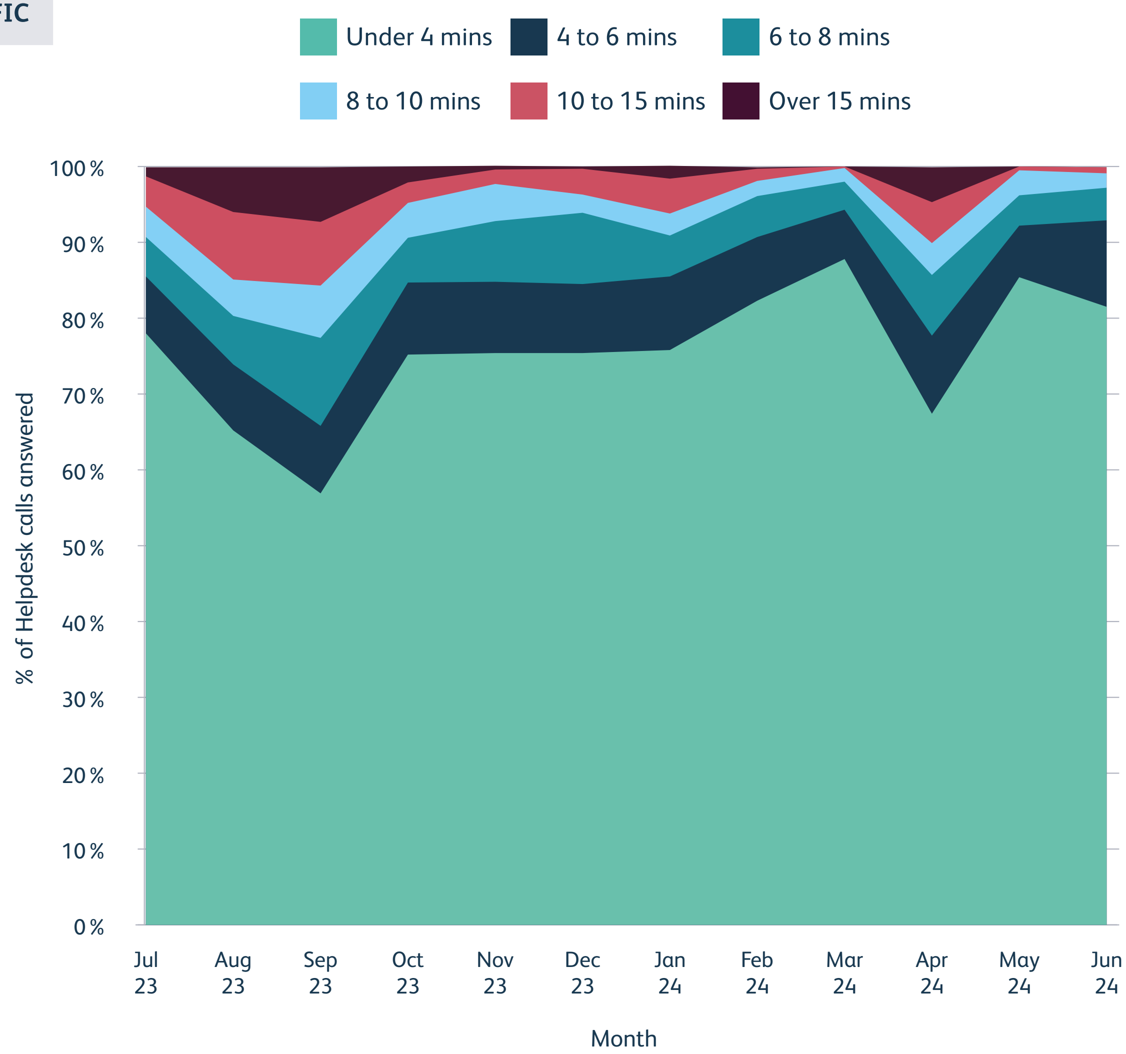
CONTACT CENTRE CALLS PERFORMANCE

WAIT TIME RANGE

CLIENT SPECIFIC

Page 26

	Under 4 mins	4 to 6 mins	6 to 8 mins	8 to 10 mins	10 to 15 mins	Over 15 mins
Jul 23	78.0 %	7.5 %	5.2 %	4.0 %	4.0 %	1.2 %
Aug 23	65.2 %	8.7 %	6.4 %	4.8 %	8.9 %	5.9 %
Sep 23	56.9 %	8.9 %	11.6 %	6.9 %	8.4 %	7.2 %
Oct 23	75.2 %	9.5 %	5.9 %	4.6 %	2.7 %	2.1 %
Nov 23	75.4 %	9.4 %	8.0 %	4.9 %	1.9 %	0.5 %
Dec 23	75.4 %	9.1 %	9.4 %	2.4 %	3.4 %	0.3 %
Jan 24	75.8 %	9.7 %	5.4 %	2.9 %	4.6 %	1.7 %
Feb 24	82.3 %	8.4 %	5.4 %	2.0 %	1.6 %	0.2 %
Mar 24	87.8 %	6.5 %	3.7 %	1.8 %	0.2 %	0.0 %
Apr 24	67.4 %	10.3 %	8.0 %	4.2 %	5.4 %	4.6 %
May 24	85.4 %	6.8 %	4.0 %	3.3 %	0.5 %	0.0 %
Jun 24	81.5 %	11.4 %	4.3 %	1.9 %	0.8 %	0.0 %



CONTACT CENTRE CALLS PERFORMANCE

CALLS ANSWERED

CLIENT SPECIFIC

Page 27

LPP

Local Pensions Partnership Administration

LPP
Local Pensions Partnership
Administration

Hammersmith & Fulham Pension Fund Committee Q1 Supplementary Data

April – June 2024

WORKING TOGETHER

COMMITTED TO EXCELLENCE

FORWARD THINKING

DOING THE RIGHT THING

Summary of SLA’s missed across all pay impacting case types and resolutions

Deaths – KPI 95.8%

•6 processes missed SLA.

•**Reasons for missed SLA’s –** Cases rejected at the checking stage, then re-work resulted in missing the SLA.

•**Resolutions** - On track to improve as the team experience increases and lessons are learnt.

Retirements Active – KPI 97.4%

•1 process missed SLA

•**Reasons for missed SLA’s** – Cases rejected at checking stage then re-work resulted in missing the SLA
•**Resolutions** – On track to improve as team experience improves

Additional Information

Missed SLA cases for Deaths

6 cases missed the SLA in Q1 and all of these were payments to next of kin.

	Process	Number of Days Missed	Month Completed	
	LG Death Grant to be paid Trivial Commutation	1 6	May 24 June 24	
	LG Death in Retirement	18	May 24	
	LG Death in Retirement	22	June 24	
	LG Death in Retirement	31	July 24	
	LG Death in Retirement	33	July 24	

Additional Information

Missed SLA’s for Retirements

5 cases missed the SLA in Q3. 2 of them were payment tasks. Payments in summary are as below:

	Process	Number of Days Missed	Month Completed	
	LG Retirement	20	April 24	

Local Pensions Partnership Administration

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 10/09/2024

Subject: Pension Administration Update

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

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

One of the key priorities for the Hammersmith & Fulham LGPS Fund is to 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.

RECOMMENDATIONS

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

Wards Affected: None

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

Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for pension fund members, the Council and the council tax payer.

Finance Impact

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

Sukvinder Kalsi, Director of Finance, 19th August 2024

Legal Implications

This report is for noting only regarding the current standards of administration provided by LPPA. There are no direct legal implications arising.

Angela Hogan, Chief Solicitor (Contracts and Procurement), 20th August 2024

Background Papers Used in Preparing This Report

None

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 are committed to improving the service going forward with initiatives such as the introduction of a client relationship team, a centralised mailbox, training academy for their staff and client and employer forums, whilst seeking independent feedback.

Update on key areas

2. Employers – Engagement from employers on monthly files being submitted has increased to 90% however 10% are not up to date. The LBHF pension team has

collaborated with LPPA to increase the engagement with employers, and it is hoped this does not lead to a backlog of unsubmitted monthly files.

3. Complaints – The were 12 complaints being worked on at the end of Q1, which were mostly concerning the general service received by members from LPPA.

4. Helpdesk – The number of calls to the LPPA Helpdesk fell in Q1 to 1316, compared to 1357 received in Q4. The service provision continues to improve, at the end of Q1 the average call wait times were 1 minute 49. With an 1.6 % average abandonment rate at the end of Q1, compared to 1.0% at the end of Q4.

5. Communications – LPPA have focused on communicating with the membership on pension scams and working after retirement.

6. Engagement – There continues to be a positive trend from all membership groups engaging with the online portal. The end of Q1 saw 5473 members registered, compared with 5189 members in Q4, registered with the online portal. A continued upward trend.

7. Members - For 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 67% positive response from members with 15% further cases being investigated and tracing exercise commenced and 18% with their pensions suspended.

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 have identified HFPF has 3590 affected members across all case types. The LBHF records were reviewed in May 2024. The UPM functionality to revise eligible retired members is due to be delivered for LPPA testing on 5th September, and pending LPPA approval will be enabled in their live UPM systems on 16th October. This functionality will enable their teams to start applying the McCloud underpin for these members before October 24th in line with the national guidelines.

   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 governance codes of practice for governing bodies of 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). The Head of Pensions is drafting a document to demonstrate the Fund compliance.

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 – Work is continuing on the 23/24 audits, with regular meetings and prompt sharing of data by all stakeholders.

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.

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 the areas of aggregations and refunds and some continued issues with quality. LPPA do however to take onboard constructive feedback and are keen to improve.

Equality Implications

12. None

Risk Management Implications

13. None

Climate and Ecological Emergency Implications

14. None

Consultation

15. None

Appendices

None

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to:	Pension Fund Committee
Date:	10 September 2024
Subject:	ESG Metrics Training
Report author:	Siân Cogley, Pension Fund Manager
Responsible Director:	Phil Triggs, Tri-Borough Director of Treasury and Pensions

---

SUMMARY

This report includes training on ESG investing and ESG metrics, in particular the ESG metrics that are reported regarding the Fund's investment with Allspring.

RECOMMENDATIONS

The committee is requested to note the principles of the training and apply to their decision-making regarding manager selections to the fund.

Wards Affected: None

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

Financial Impact

None.

Legal Implications

None.

DETAILED ANALYSIS

Background

1. At the Committee meeting of 20 February 2024, Councillors requested further training on the ESG metrics reported for Allspring in the performance reports included as part of the quarterly update report.

2. At the 23 July 2024 meeting, when discussing a potential asset allocation to data centres, ESG concerns were highlighted by the Committee.
3. In light of these concerns, the training (facilitated by Appendix 1 to this report), aims to cover the objectives as set out below:

- Providing a recap of ESG investing.
- Provide an overview of ESG metrics.
- Facilitate training on the ESG metrics that are reported to the Committee for Allspring.

LIST OF APPENDICES

Appendix 1: ESG Metrics Training LBHF Pension Fund August 2024

ESG Metrics Training

London Borough of Hammersmith & Fulham Pension Fund

August 2024

isio.

Objectives for today

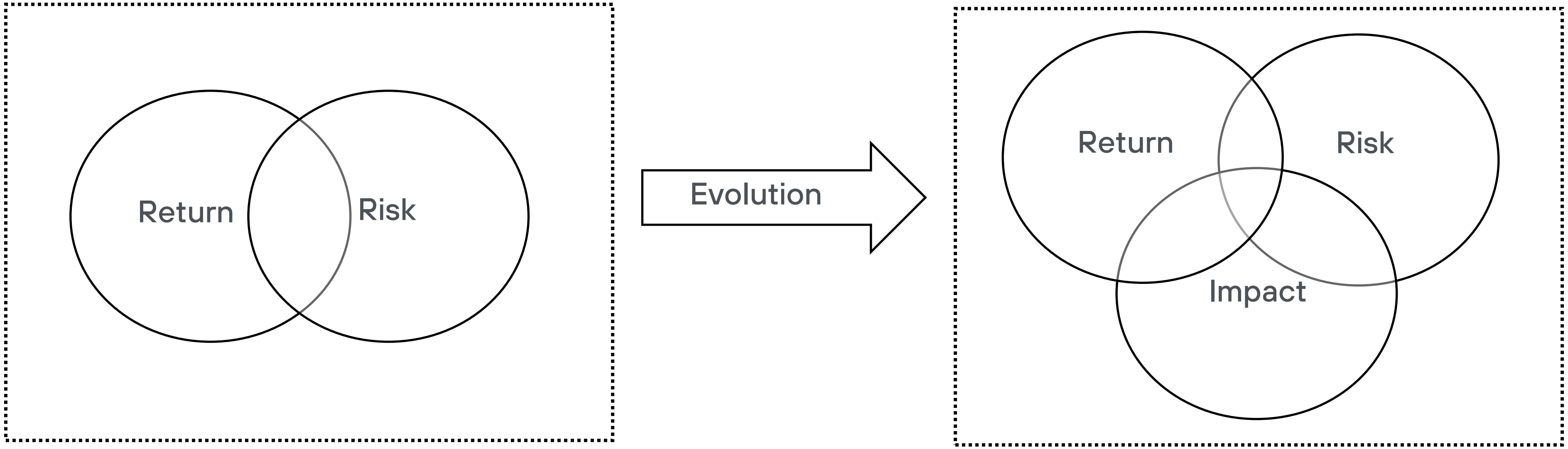
- Provide:
  - an recap of to ESG investing
  - an overview of ESG metrics
  - training on the ESG metrics we report on for Allspring

ESG Recap

Introduction to Responsible Investing

Traditional Finance

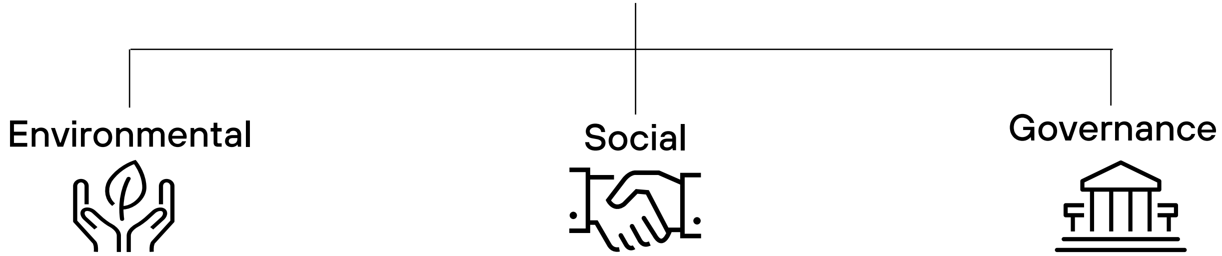
Three Dimensional Finance



Traditional finance fails to incorporate externalities into investment decision making

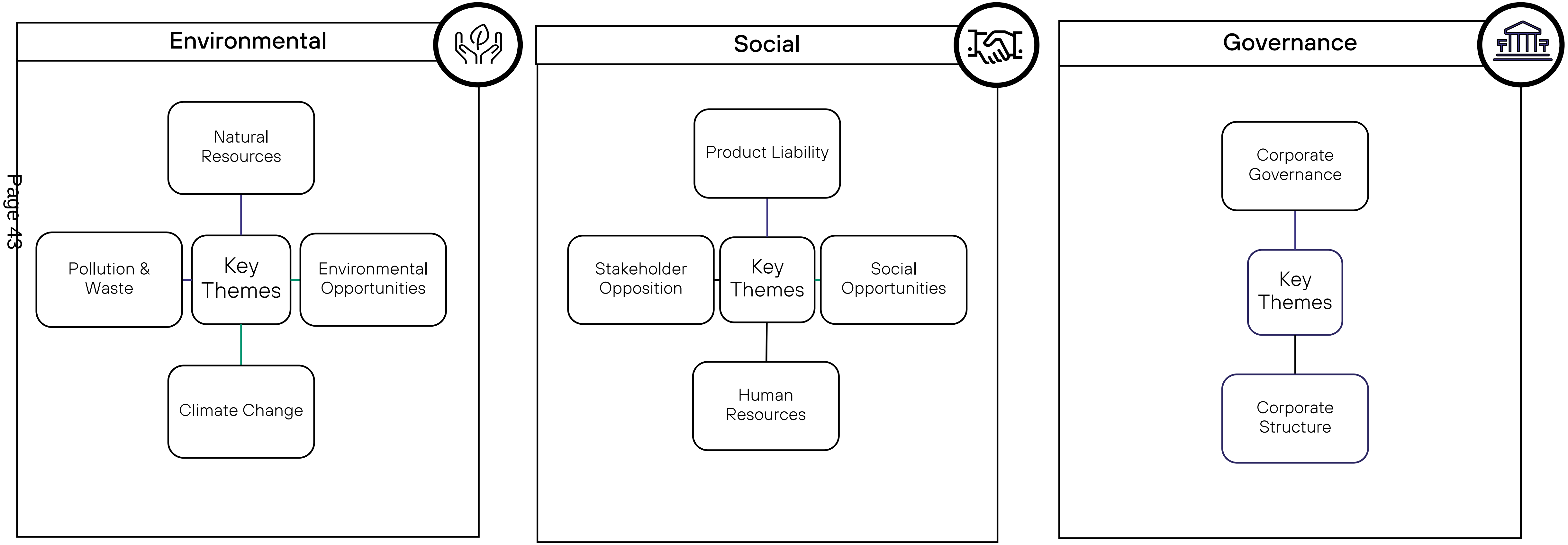
Modern finance considers **responsible investing** (i.e.. Environmental, Social, & Governance) factors in investment decision making

Responsible Investing



Responsible Investing - An overview

"An approach to investing that aims to incorporate Environmental, Social and Governance factors in investment decisions, to better manage risk and generate sustainable, long term returns." - United Nations



The outlook for Responsible Investing is strong

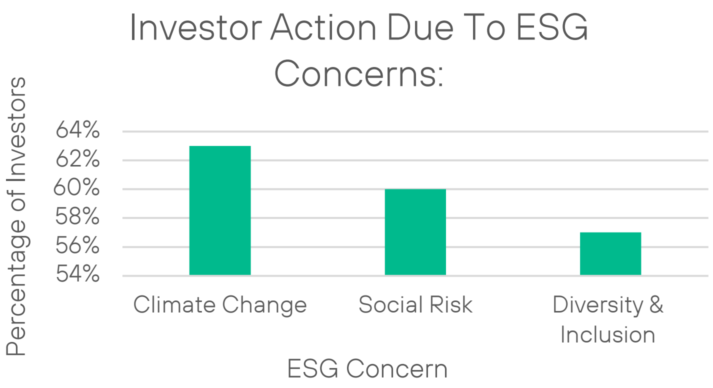
Societal attitudes continue to change…

Data on public attitudes to the environment and the impact of climate change showed that in 2022, **75%** of the UK population considered **environmental issues** to be one of the **top 3 concerns** facing the country.

Source : Office for National Statistics 2022

extensive investment rationale is increasing …

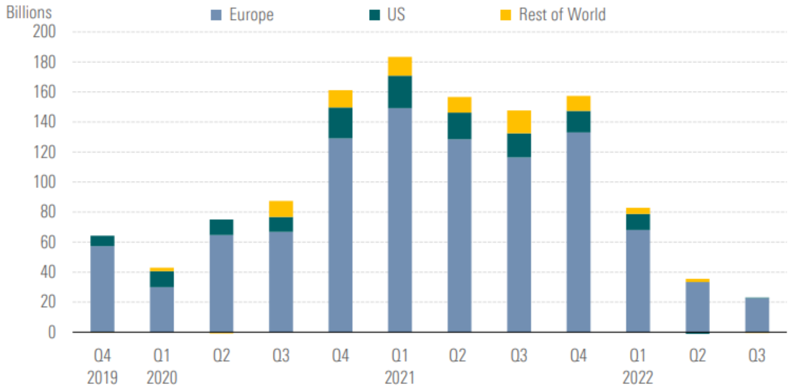
Investor survey, Responsible Investing rationale



Source : Nuveen, Responsible Investing Survey 2021

… leading to growth in Sustainable AUM

Quarterly Global Sustainable Fund Assets ($) , 2019-2022



Source : Morningstar Direct

ESG Metrics Overview and Training

Page 45

TCFD metrics – what we expect to be required

Total greenhouse gas emissions (Scope 1 & 2)

Total amount of greenhouse gas emissions emitted by the underlying portfolio companies, attributed to the investor based on the total investment in each company.

Carbon footprint (Scope 1 & 2)

An intensity measure of emissions that assesses the level of greenhouse gas emissions arising from a $1 million investment in a company.

Implied temperature rise (“ITR”)

The temperature pathway the mandate aligns to, expressed as a projected increase in global average temperatures by the end of the century.

A Paris-aligned strategy should have an ITR of 1.5^0C.

Data quality

Exposure to emissions data that is verified, reported, estimated and unavailable.

Verified: Data that has been independently verified

Reported: Data directly reported by the company.

Estimated: Data that has been estimated by the investment manager or an ESG data provider.

Allspring ESG metrics in our reporting

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).
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.

Source: Allspring.

1) Allspring ESG benchmark scores

MSCI ESG SCORE

	Fund		Benchmark[1]	
	Value	Coverage	Value	Coverage
MSCI Overall Score	7.4	98%	7.2	92%

Data is sourced from MSCI ESG Research where companies are rated on a scale of 0 – 10 (0 -worst, 10 - best). Weighted average scores exclude effects of unrated securities.

SUSTAINALYTICS ESG RISK SCORE

	Value	Coverage
Fund	20	95%
Benchmark[1]	21	94%

ESG Risk Ratings measure exposure to and management of ESG risks. Lower risk scores reflect less ESG risk. Sustainalytics ESG Risk Scores measure ESG risks on a scale of 0 – 100 (0 - no ESG Risk, >40 - Severe ESG Risk).

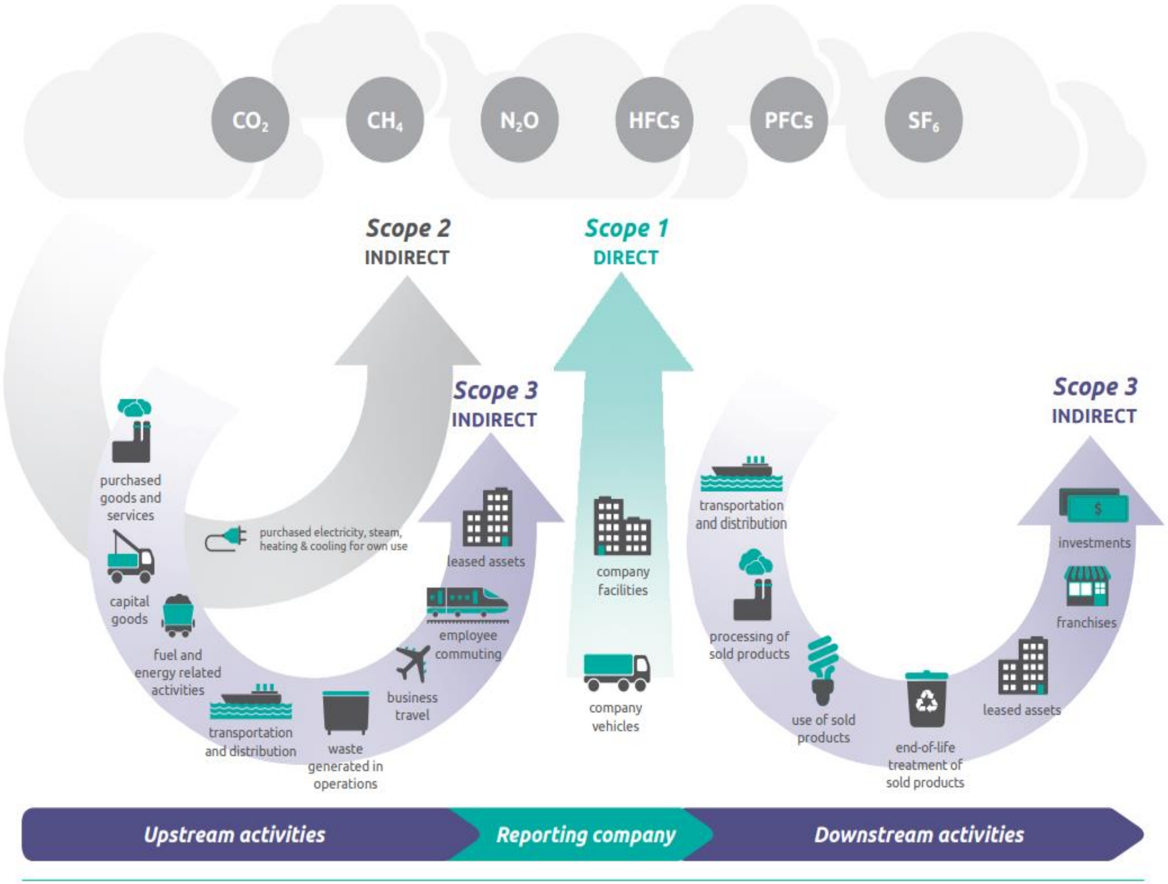
Example – MSCI Overall ESG Score

The weighted scores for all ESG issues are aggregated to form the overall ESG score. Industry Benchmarking: The score is then compared to industry peers to determine where the company stands in relation to others in the same sector. Final Score and Rating: The overall ESG score is usually presented on a scale from 0 to 10, with 10 being the best. This score is then used to assign a rating, typically from AAA (best) to CCC (worst).

- Market wide indices from a range on well known data providers
- Selection criteria are bespoke and proprietary
- Example selection criteria used are:
  - Selection of relevant ESG issues:
    - Industry Relevance
    - Time Horizon
    - Stakeholder Materiality
  - Assessment of exposure
    - Company Exposure
    - Sector and Geographic Factors
  - Assessment of management
    - Policies and Programs
    - Performance
    - Trend Analysis
  - Score and weighting
    - Issues Scores
    - Weighting

2) What are absolute carbon metrics - scope 1, 2 & 3 emissions

Page 49



Scope 1 & 2: This includes emissions from company facilities and vehicles (**Scope 1**), as well as emissions from the use of electricity or heating (**Scope 2**).

Scope 3: Because they relate to up/ downstream indirect emissions, **Scope 3** are much more difficult for companies to assess, let alone for managers to report.

Scope 3 emissions are expected to be required in TCFD reporting from the **second year onwards,** when regulations come in for LGPS.

2) How are absolute carbon metrics and footprint calculated?

Metric	Description	Calculation
Absolute Emissions (Scopes 1 & 2)	Total amount of greenhouse gas emissions emitted by the underlying portfolio companies, attributed to the investor based on the total investment in each company	$\sum_{n}^{i}\left(\frac{\text{Current value of investment}_{i}}{\text{Investee company enterprise value}_{i}}\right) \text{ X investee company's scope 1 and 2 emissions}_{i}$
Carbon Footprint (Scopes 1 & 2)	An intensity measure of emissions that assesses the level of greenhouse gas emissions figure arising from $1 million investment in a company	$\frac{\sum_{n}^{i}\left(\frac{\text{Current value of investment}_{i}}{\text{Investee company enterprise value}_{i}} \text{ X investee company's scope 1 and 2 emissions}_{i}\right)}{\text{Current value of all investments (£ millions)}}$

3) Allspring Carbon Intensity Metrics

Page 51

CARBON CHARACTERISTICS

	Fund		Benchmark[1]		
	Value	Coverage	Value	Coverage	% above / below benchmark
Carbon to value invested (metric tons CO2e/$MM invested)*	37	89%	48	72%	-23%
Weighted average carbon intensity (metric tons CO2e/ $1MM revenues)*	67	96%	94	89%	-29%

*Carbon emissions includes operational and first-tier supply chain greenhouse gas emissions. Data sourced from S&P Trucost Limited.

Carbon to Value Invested

Carbon to Value invested= $\frac{\text{Company's Total Carbon Emissions (tons of CO 2 e)}}{\text{Value of the Investment (USD)}}$

- Higher Carbon to Value Invested: Suggests that the portfolio has a higher carbon intensity per dollar invested, indicating greater exposure to carbon risks.

Weighted Average Carbon Intensity

Carbon Intensity= $\frac{\text{Company's Total Carbon Emissions (tons of CO 2 e))}}{\text{Company's Revenue (in million USD)}}$

- A lower WACI score indicates that the portfolio is less exposed to carbon-intensive companies, suggesting lower climate-related risks. Conversely, a higher WACI score implies higher exposure to carbon risks.
- WACI is widely used by investors who are focused on sustainable investing or who want to align their portfolios with climate targets, such as reducing carbon emissions in line with global climate agreements

Additional Information

Key terminology

Term	Definition
Net-Zero	Achieving a state in which the activities within the value-chain of a company (or country) result in no net impact on the climate from greenhouse gas emissions
Paris Agreement	An international treaty adopted in 2015 with nations committing to keep the rise in mean global temperature to well below 2 °C above pre-industrial levels, and preferably limit the increase to 1.5 °C
Transition Risk	Risks associated with transition to a low carbon economy. Transitioning to a lower-carbon economy can entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change
Physical Risk	Risks to assets held within a portfolio which may be impaired or destroyed as a result of climatic weather events
Temperature Pathway	Projected rise in global average temperature, it is currently estimated that we are on a 2.5°C pathway (by 2100)
UN Sustainable Development Goals (SDGs)	A set of 17 global goals designed to be a "blueprint to achieve a better and more sustainable future for all", intended to be achieved by 2030

Key definitions

Absolute carbon emissions (Scope 1 & 2)

Total amount of greenhouse gas emissions emitted by the underlying portfolio companies, attributed to the investor based on the total investment in each company.

Carbon footprint (Scope 1 & 2)

An intensity measure of emissions that assesses the level of greenhouse gas emissions arising from a £1 million investment in a company.

Weighted average carbon intensity (‘WACI’) (Scope 1 & 2)

An intensity measure of emissions that assesses the level of greenhouse gas emissions arising from £1 million of sales/revenue generated by the company.

Investments in companies with 1.5^{0}C SBTi targets In place

Exposure to companies with 1.5^{0}C-aligned carbon emission reduction targets listed on the Science Based Targets initiatives database.

Implied temperature rise (‘ITR’)

The temperature pathway the mandate aligns to, expressed as a projected increase in global average temperatures by the end of the century. A Paris-aligned strategy should have an ITR of 1.5^{0}C.

Climate VaR

Measures the potential size of the loss attributable to climate-related risks a portfolio may experience, within a given time horizon, if a particular climate scenario unfolds, such as a hot house scenario with temperatures rising by 4-5^{0}C by the end of the century.

Fossil fuel extraction exposure

Var to companies active in the fossil fuel sector, i.e. companies that have revenues of more than 10% linked to activities including exploration and extraction of fossil fuels, processing/ refinement of oil and transport of fossil fuels.

Extent of ‘green’ revenue exposure

Var to revenue that are aligned with sustainable business activities, examples include climate change mitigation and adaptation, the transition to a circular economy and the protection and restoration of biodiversity and ecosystems.

Climate related engagements

Exposure to portfolio companies for which engagement or voting on climate-related risk and opportunities has been a substantive topic over the course of the previous 12 months.

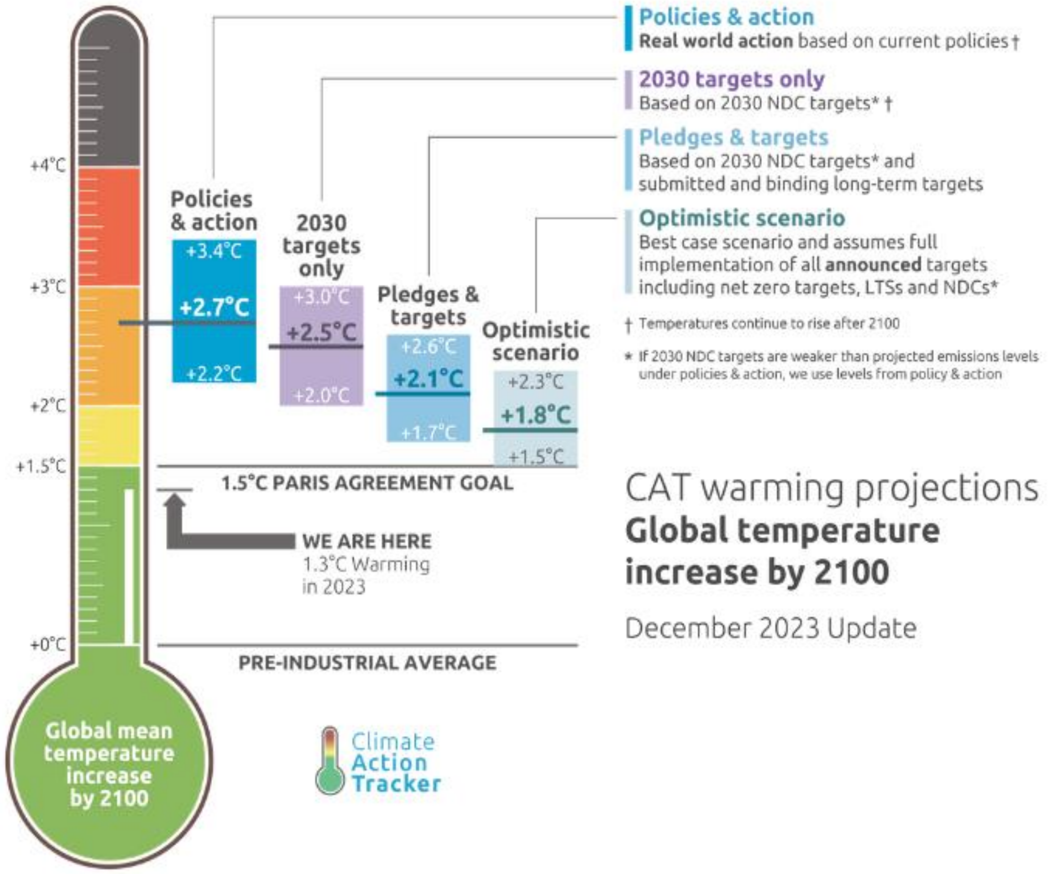
Global warming projections

Greenhouse gases ('GHGs') are released into the atmosphere from various activities, including burning fossil fuels. These GHGs result in a **'greenhouse effect'**.

In 2015, the **Paris Agreement** was adopted, **which aims to keep average temperature rise to well below 2°C, with ambitions towards 1.5°C,** this century (above pre-industrial levels).

It is estimated that we are currently at **1.3°C warming** relative to pre-industrial average and that we're on track for **2.5°C warming this century**.

Significant decarbonisation would be required to meet the Paris Agreement, and some may now consider that an unrealistic scenario.



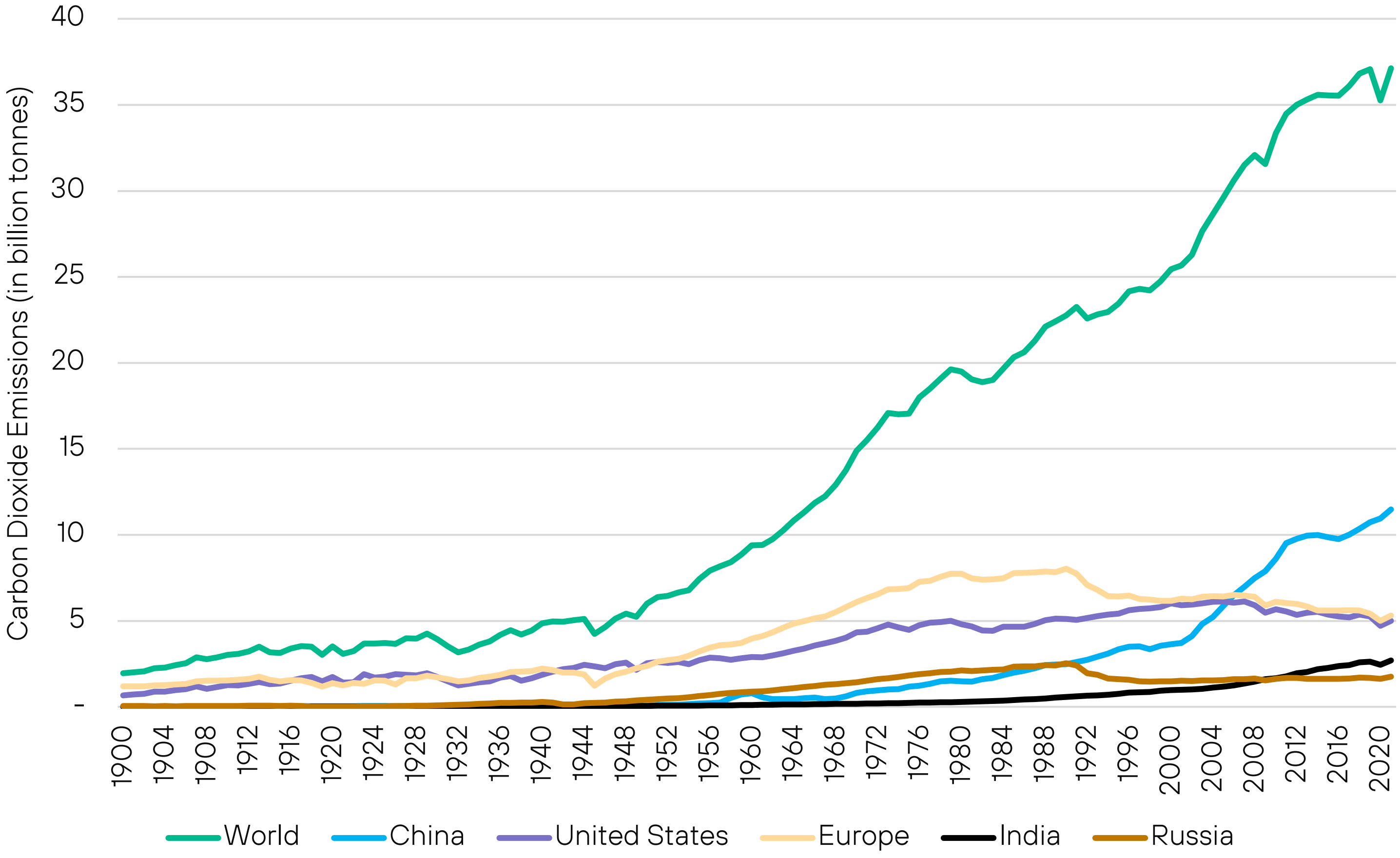
Source: Climate Action Tracker

Emissions to date

- 40 billion tonnes of CO_2 was emitted globally over 2023.
- It is estimated that to date we have emitted a total of c. 1,700 billion tonnes of CO_2 into the atmosphere.
- In order to keep global temperatures below a 1.5°C rise, **emissions need to be reduced by at least 43% by 2030** compared to 2019 levels, and at least 60% by 2035.
- **Significant decarbonisation** is required to achieve the Paris goal.

Page 56

Regional annual carbon dioxide emissions



Source: Global Carbon Project. The 5 regions shown are the highest global emitters.

Contacts

Emily McGuire
Partner
+44 (0)207 046 9997
emily.mcguire@isio.com

Jonny Moore
Manager
+44 (0)131 222 2469
jonny.moore@isio.com

Andrew Singh
Associate Director
+44 (0)131 202 3916
andrew.singh@isio.com

Craig Campbell
Assistant Consultant
+44 (0) 141 739 9141
craig.campbell@isio.com

Agenda Item 8

London Borough of Hammersmith & Fulham

Report to:	Pension Fund Committee
Date:	10 September 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 report is to provide the committee with potential alternative options surrounding the placement of an fund allocation to property data centres.

Recommendations

The committee is requested to consider whether a data centre allocation is appropriate for the Fund and where it could fit into the Fund's investment strategy and asset allocation.

If the committee decides to proceed with further due diligence or move immediately to a fund allocation to data centres, it is recommended that they invite the prospective fund managers outlined in Appendix 2 to attend the next committee meeting.

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 accommodate 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 information technology.

1.2. This asset class sits alongside traditional real estate and property infrastructure investments. The portfolios are designed to produce returns primarily from rental payments (based on power capacity rather than traditional property leases) and asset sales.

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

1.4. In terms of the property 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.

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

2. Investment Strategy

2.1. As an initial step, Isio presented asset class training and their initial thoughts on the data centre opportunity to the committee at the 23 July 2024 committee meeting.

2.2. The Committee debated the presentation's information and agreed to proceed with further work in the area, with a focus on gaining increased comfort with several key areas, including:

- Strategic fit of an allocation within the wider LBHF fund strategy.
- Alignment with the regulatory environment (UK levelling up etc).

- ESG impact of the asset class.
- Attractiveness of the product/asset managers currently available in the market.

2.3 The appendices to this report address the concerns raised at the 23 July committee meeting and provide a further overview to the risks and benefits of the asset class.

3. Next Steps

3.1 The committee is asked to review the appendices to this report and consider whether a data centre allocation is appropriate for the Fund.

3.2 If the committee wishes to proceed, it is recommended that the three managers suggested in Appendix 2 are invited to the November 2024 meeting of the committee to present.

3.3 The proposed nature of the initial strategic allocation is suggested to be 2.5% (circa.£35m of the Fund) within the secure income section of the Fund's strategic asset allocation.

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 Centre Investment Opportunity – Asset Allocation Considerations Aug 2024
Appendix 2 - LBHF Data Centre Investment Opportunity – Manager Longlist Due Diligence Aug 2024 (EXEMPT)

London Borough of Hammersmith & Fulham Pension Fund

Data Centre Investment Opportunity – Asset Allocation Considerations

August 2024

isio.

Introduction and Background

Introduction

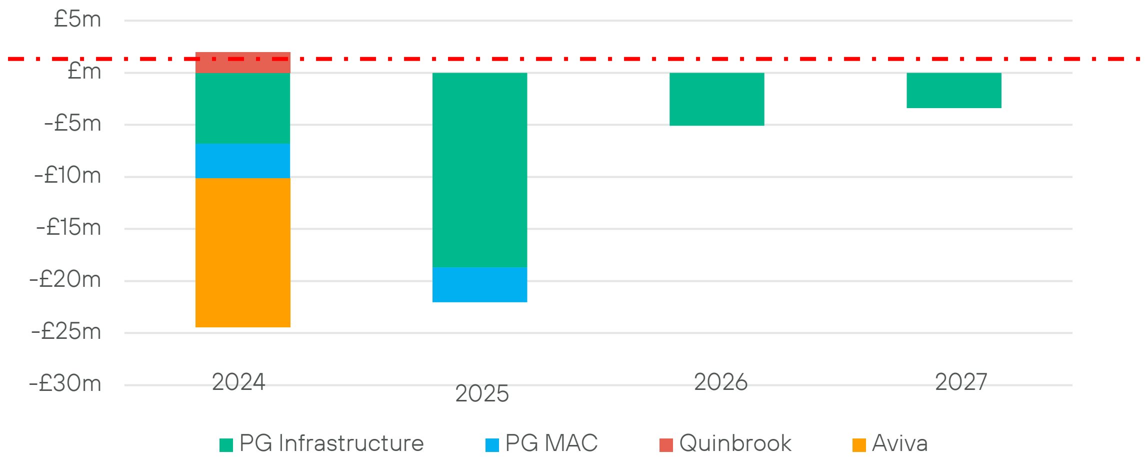
- This paper has been prepared for the Pension Fund Committee (the "Committee") of the London Borough of Hammersmith and Fulham Pension Fund (the "Fund"). The purpose of this paper is to:
    - Consider whether a Data Centre allocation is appropriate for the Fund and where it could be implemented in the Fund's investment strategy
    - Set out potential alternative options illustrating where a Data Centre allocation could be made
    - Analyse current and potential alternative portfolios using Isio's asset liability modelling tool SOFIA, covering:
        - Risk vs return characteristics
        - Overall portfolio liquidity
    - An Isio recommendation based in relation to asset allocation and sizing
- This paper should be considered in conjunction with a second Isio paper relating to a long list of Data Centre managers (due to be presented at the August 2024 Committee meeting) and the context of the asset class training the Committee received in July 2024.

Background

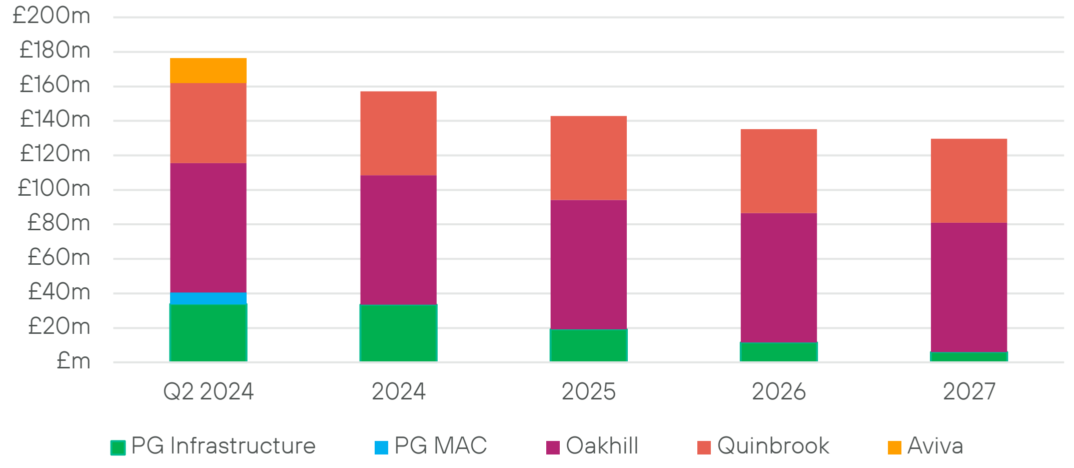
- As an initial step, Isio presented asset class training and our initial thoughts on the Data Centre opportunity to the Committee at the July 2024 Committee meeting.
- The Committee debated the training and agreed to proceed with further work in the area, with a focus on gaining increased comfort with several key areas, including:
    - Strategic fit of an allocation with the wider strategy
    - Alignment with the regulatory environment (asset pooling, UK levelling up etc)
    - ESG impact of the asset class
    - Attractiveness of the products currently available in the market

Evolution of the Current Secure Income Allocation

Projected Cashflows Secure Income Portfolio

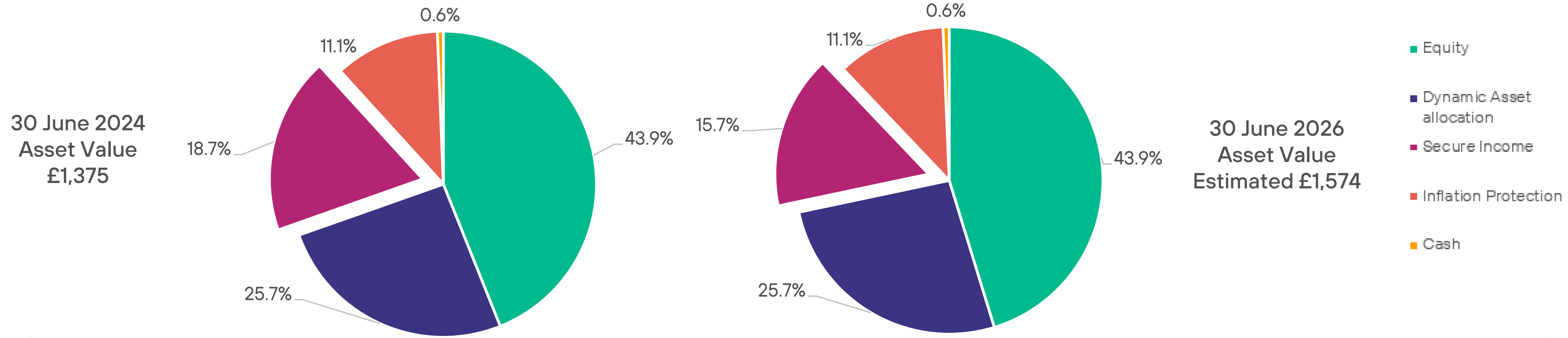


Projected NAV Secure Income Portfolio



Page 63

Estimated Portfolio Building Block Allocations



Notes: NAV and cashflow projections based on information provided by the asset managers. The Darwin Leisure Development Fund has been excluded from the analysis above as the manager was unable to provide cashflow data but we understand the fund is currently cashflow neutral. Roll forward of building blocks accounts for expected return only and not employer or employee contributions.

Source: Aviva, Partners Group, Oakhill and Quinbrook

Current Secure Income Allocation it's Evolution (2)

Evolution of Allocation

- Given the expected investment characteristics of Data Centres we believe they best fit in the Fund's Secure Income allocation. These were outlined in further detail in July's training session.
- The analyses on the previous page shows the Fund's allocation to this building block is currently underweight relative to the strategic target (18.8% vs 20.0% at June 2024).
- This allocation is expected to move further underweight in the coming years based on the latest projected cashflow information provided by the Fund's managers:
    - Following the sale of energy centres based at NHS hospital sites the Aviva IIF expects to pay out a redemption of £14.3m in September 2024.
    - Partners Direct Infrastructure is winding down over the next 4 years and is expected to return all capital over this period.
    - Partners Group MAC will complete distributions this year.
    - Quinbrook will continue to draw outstanding capital over 2024/25
- We estimate, based on the latest projections, which are subject to change, that c. £50m of cash will be returned to the Fund over the next 3 years and be available for investment, with this predominantly falling in years one and two.

Allocation Proposal

- Further investment in the Secure Income Allocation is needed in order to maintain the target weight. The pie charts on the previous page show the impact of not redeploying in the Secure Income Allocation – it becomes increasingly underweight over time.
- As such, we propose £35m (2.5%) of total Fund assets should be considered for a Data Centre allocation. This amount represents a balance between the cash "naturally available", a meaningful allocation for the Fund, and one that is not too sizable given the focused nature of Data Centre strategies.
- This allocation will bring the Fund's allocation to Secure Income closer to the target. The excess distributions expected to be received can either by reinvested to rebalance the Fund closer to its strategic target, or held in cash whilst future decisions are made on the Fund's overall investment strategy (at a time closer to when total proceeds will be received).
- We expect the Data Centre funds we are considering to draw capital over the next 2-3 years, however, there may be a timing mismatch between cash being returned from the wider Secure Income allocation. We believe it is appropriate to bridge any gaps using the Fund's other liquid holdings (e.g. cash or equities). If required.
- Overleaf we have modelled a scenario of taking the full £35m amount from current distributions and also equities to demonstrate the impact of the two extremes of the Fund's risk/return characteristics.

Asset Allocation Options and Impact

Building Block	Asset Class	Strategic Target Allocation	Allocation 31 March 2024	Current Vs Strategic Target	Option 1 (Funded Fully from Distributions)	Option 2 (Funded Fully from Equity)
Equity	Equity – Global Passive	13.0	13.2	+3.5	13.2	13.2
	Equity – Global Passive	27.0	30.3		30.3	27.8 (-2.5)
Dynamic Asset Allocation	Absolute Return	10.0	11.1	+1	11.1	11.1
	Buy & maintain Corporate Bonds	15.0	14.9		14.9	14.9
Secure Income	Diversified Credit	9.0	9.7	-1.2	9.2 (-0.5)	9.7
	Direct Infrastructure	5.0	2.4		1.9 (-0.9)	2.4
	Infrastructure Equity	3.5	4.6		3.5 (-1.1)	4.6
	Leisure Development	2.5	2.1		1.6	2.1
	Data Centre	-	-		*2.5 (+2.5)*	*2.5 (+2.5)*
Inflation Protection	Property Long Lease	5.0	3.6	-3.9	3.6	3.6
	Ground Rents	7.5	5.8		5.8	5.8
	Residential Property	2.5	1.7		2.5	1.7
Cash	Cash	-	0.6		-	0.6
	Expected Return	**Gilts +3.8%**	**Gilts +3.8%** (+0.02%)	-	**Gilts +3.9%** (+0.05%)	**Gilts +3.9%** (+0.07%)
	Risk (£m 3 year, 1 in 20 VaR)	**£477.5m**	**£508.6m (+£31.1m)**		**£517.3m** (+£39.8m)	**£505.0m** (+£27.5m)

- We believe there should be sufficient capital returned to the Fund over the next 2-3 years to Fund a 2.5% allocation to Data Centres. This amount will also better align the Fund's Secure Income allocation to target over time. 2-3 years is estimated to be the timeframe over which any new allocation would draw down.
- However, there may be a mismatch of timings of when cash is received and required to be invested in a new mandate. As such we propose this met through the Fund's other liquid mandate. This could be cash, equity, absolute return or diversified credit.
- Alongside the scenario of using distributions only to fund new investment, we have shown the impact to risk/return of fulling funding a £35m allocation from equity. This is driven by the equity allocation being overweight vs target and this scenario is likely to show the most extreme impact on risk and return given the higher risk nature of equities.
- We highlight that in each scenario, the change in expected return and risk is broadly muted given the Fund's total size, with a slightly higher risk and return from investing in Data Centres given its relatively high risk profile and more specialist nature.

Other Strategic and Regulatory Considerations

Additional Consideration	Comment

Regulatory guidance for LGP pooling and local investment	• The Department for Levelling Up, Housing and Communities ("DLUHC") set out proposals for the LGPS across five key areas, including the three outlined below, to undergo consultation over the 12 week period from 11 July 2023 to 2 October 2023: Having considered the responses, we expect the government to implement the proposals set out in the consultation, but we await further guidance on some aspects.
	  • Accelerate and expand asset pooling: proposed deadline for all liquid assets to be pooled by 31 March 2025, including consideration of the use of fewer pools, with each LGPS fund to set out which assets are pooled, under pool management and not pooled, including a detailed "comply or explain" rationale under statutory guidance including value for money considerations.
	  • Levelling up: amend regulations to require LGPS funds to have a plan to invest up to 5% of assets to support levelling up in the UK (i.e. into projects which make a measurable contribution to one of the levelling up missions set out in the Levelling Up White Paper ("LUWP"), supports any local area within the UK) and to report annually on progress against the plan.
	  • Private equity: LGPS funds to consider investments to meet the government's ambition of a 10% LGPS fund allocation into high growth companies via unlisted equities. We are still awaiting further explanation on the definition of this..
	• An investment in Data Centres does not fit well with the guidance above and the Committee should be comfortable with this and the additional scrutiny it may draw.
	• We have spoken with LCIV who do not current offer a Data Centre product or intend to in the near future which helps mitigate this. We are also aware that some of the shortlisted managers have significant interest form other potential LGPS to invest in their products..

Illiquid investment in a close ended structure	• Data Centres is an illiquid asset class and fund structures are close ended and fixed term for 6-10 years. This means any allocation will be committed to and held "off pool" for the long term. See comment above.
Total illiquid allocation for the Fund	• The total target allocation to illiquid assets is currently 26%. Although not an issue, we would caution increasing the allocation materially further from here given it may result in reduced flexibility in the investment strategy. We believe funding a new allocation to Data Centres primarily through distributions helps manager this, given the Secure Income allocation is current underweight. • The Committee should consider if they are comfortable with the level of assets which are not readily available for liquidity needs.
ESG impact	• The ESG credentials of an allocation to Data Centres is discussed the accompanying report to this paper. • Data Centres are not a high ESG impact asset class although managers do consider how ESG can be incorporated through implementation. • This should be considered in relation to the general trend towards ESG and incoming TCFD regulations for LGPS.

Isio Recommendation and Next steps

Isio Recommendation

- We believe that Data Centres offer an attractive opportunity for the Fund to drive growth.
- Data centres offer attractive risk/return characteristics and will produce and income for the Fund, while adding an exposure which is not currently present in the portfolio, so offering a differentiated return driver.
- Given the focused nature of the strategy we propose an initial strategic allocation of 2.5% of the Fund (c.£35m) is targeted within the Secure Income allocation. We believe this will also help align the Secure Income allocation to the target over time.
- This allocation could be funded via distributions from the other holdings in the Secure Income allocation coming back to the Fund in coming years with any timing shortfall met via the other liquid assets held by the Fund (cash and/or equities)
- The analysis shows that an allocation would represent a marginal increase from the portfolio's long term risk vs return characteristics, but a good opportunity to drive return in the near term.
- The Committee should also ensure they are comfortable with the other considerations set out in this paper ahead of proceeding.

Next Steps

- The Committee should consider the information contained in this paper alongside the second Isio paper relating to a long list of Data Centre managers (due to be presented at the August 2024 Committee meeting)
- If the Committee are minded to proceed with further due diligence, as a next step, we propose the Committee meet the preferred managers for further due diligence.
- We suggest arranging this "beauty parade" in the short term, given that a final close for the Principal fund is expected to take place at the end of 2024.
- We look forward to discussing this paper further with the Committee..

Appendices

A1: Asset Class Assumptions

A2: Modelling Methodology

A3: Disclaimers

A1: Return and Volatility Assumptions (1)

Introduction to the Assumptions

- These are our "best estimate" asset class return, volatility and correlation assumptions. We believe there is a 50:50 chance that the actual outcome will be above/below our assumptions.
- The assumptions are long-term, for a 10-year period, expressed in Sterling terms.
- Return assumptions are:
    - Annualised (i.e. geometric averages), rounded to the nearest 0.1%.
    - Expressed relative to the yield on fixed interest gilts (the annual yield at the 10-year tenor on the Bank of England spot curve). This yield was 4.0% as at 31 March 2024.
    - Net of management fees.
    - Before tax. UK pension schemes are exempt from tax on investments. The impact of taxation may reduce returns for other investors.
- Volatility assumptions are based on the standard deviation of annual returns over a 10-year period, rounded to the nearest 0.5%.
- Bond volatilities are sensitive to the duration of the index. Our Fixed Interest Gilts (FIG) and Index-Linked Gilts (ILG) assumptions both relate to Over 15 Year indices, but the cashflow profile of the ILG index is considerably longer than the FIG index. Hence the difference in volatilities is partly explained by the different index durations.
- Correlation assumptions are based on the correlation of annual returns over a 10-year period, rounded to the nearest 5%.

Limitations and Risk Warnings

- There can be no guarantee that any particular asset class or investment manager will behave in accordance with the assumptions.
- The assumption setting process is subjective and based on qualitative assessments rather than a wholly quantitative process. Newer asset classes can be harder to calibrate due to the lack of a long-term history. Some asset classes may rely on active management to help deliver the assumed return. The returns on illiquid assets may vary by vintage; in these cases the quoted return expectation is necessarily an estimate encompassing multiple vintages.
- Where these assumptions are used within asset-liability modelling, please note that the model's projections are sensitive to the econometric assumptions. Changes to the assumptions can have a material impact upon the modelling output

A1: Return and Volatility Assumptions (2)

Asset Class	Sector [1]	Return [2]	Volatility [3]
Equity	Developed Markets – Passive	4.0%	20.0%
	Developed Markets – Core Active	4.5%	20.5%
	Global Unconstrained	5.0%	21.0%
	Developed – SmallCap Passive	4.6%	24.0%
	Emerging Markets – Passive	5.5%	28.0%
Property	UK Balanced Property	2.4%	13.0%
	Long Lease Property	2.5%	8.0%
	Private Rented Sector	3.0%	13.0%
	Global Property Secondaries	6.0%	30.0%
Hedge Funds	Multi-Strategy Fund of Funds	2.5%	10.0%
	Global Macro	3.0%	13.0%
Diversified Growth Funds	DGF (lower risk) [5]	2.8%	10.0%
	DGF (higher risk) [5]	3.5%	12.5%
Alternatives	Private Equity	6.5%	26.0%
	Diversified Alternatives	6.0%	18.0%
	Infrastructure Equity (lower risk) [5]	4.2%	10.0%
	Infrastructure Equity (higher risk) [5]	4.9%	15.0%

Notes: Please refer to full explanations and caveats on previous pages.

[1] Includes active management except where specified as passive.

[2] Expected return per annum, net of fees, relative to the yield on fixed-interest gilts.

[3] Expected standard deviation of absolute annual returns.

[4] Includes allowances for downgrades and defaults.

[5] "Lower risk" and "higher risk" are relative descriptions within the asset category only, with no wider meaning.

Source: Isio

Asset Class	Sector [1]	Return [2]	Volatility [3]
Credit [4]	Corp. Bonds (IG All-Stk) – Passive	0.6%	7.5%
	Corp. Bonds (IG All-Stk) – Active	0.9%	7.5%
	Corp. Bonds (IG >15y) – Passive	0.5%	11.0%
	Corp. Bonds (IG >15y) – Active	0.8%	11.5%
	Absolute Return Bonds	1.5%	4.0%
	Asset-Backed Secs (IG lower risk) [5]	1.0%	2.5%
	Asset-Backed Secs (IG higher risk) [5]	2.0%	5.0%
	CLO	2.6%	9.0%
	Direct Lending	4.2%	10.5%
	Distressed Debt	7.0%	18.0%
	Diversified Credit	2.5%	11.0%
	Diversified Private Credit	4.2%	10.0%
	High Yield Credit	3.0%	11.0%
	Infrastructure Debt – Senior	2.0%	6.0%
	Infrastructure Debt – Junior	3.3%	9.5%
	Multi-Asset Credit (lower risk) [5]	2.6%	6.5%
	Multi-Asset Credit (higher risk) [5]	3.3%	9.0%
	Private Debt Secondaries	5.0%	11.0%
	Real Estate Debt – Senior	1.8%	6.0%
	Real Estate Debt – Whole Loan	3.5%	9.0%
	Real Estate Debt – Junior	5.0%	14.0%
	Secured Finance (lower risk) [5]	2.5%	6.0%
	Secured Finance (higher risk) [5]	3.3%	8.5%
	Semi-Liquid Credit	3.5%	9.0%
Gilts	Fixed Int. Gilts (>15y) – Passive	0.0%	11.5%
	Index-Linked Gilts (>15y) – Passive	0.0%	12.0%
Cash	Cash	0.0%	1.5%

A2: Modelling Methodology (1)

Modelling Principles

This report, and the work relating to it, complies with "Technical Actuarial Standard 100: General Actuarial Standards Version 2.0" ("TAS 100").

This report was commissioned by London Borough of Hammersmith & Fulham Pension Fund and has been prepared by Isio in our capacity as external adviser, for the purpose of assisting the Fund in reviewing the feasibility of an investment into Data Centres. If there is a desire to use it for any other purpose or make any other decisions, please inform Isio and we will consider what further information or work may be needed for such purposes or decisions.

The report uses the modelling methodology, assumptions and data that are described below. An alternative methodology of deterministic modelling was considered, but rejected as being over-simplistic for the task at hand. (Deterministic modelling typically uses the Normal distribution to represent risk, which may understate the likelihood of "fat tails", and may fail to capture the asymmetric downside risk of credit defaults). Alternative data and assumptions were not considered, as those used are believed to best represent the initial position and the expected evolution into the future.

SOFIA is a stochastic model that simulates a large number of possible future economic outcomes, in which financial conditions develop in a number of different ways, defined by assumptions for average outcomes and the range of variability. The results of the projections are shown by ranking the calculated outcomes from best to worst and presenting the following scenarios:

- Median: this is the middle outcome and can be thought of as the "expected result". Half of the modelled outcomes are better than this and half are worse.
- Bad: this splits the results so that there is a one in ten (10%) chance of having a worse outcome. This is a measure of risk.
- Very Bad: this splits the results at a one in twenty (5%) chance of having a worse result. This is a more extreme measure of downside risk.
- Good and Very Good (where shown): these illustrate possible positive outcomes.

The "Value at Risk", where shown, is defined as the difference between the Median scenario and the Bad or Very Bad scenario, i.e. it represents the variability of funding outcomes and shows the magnitude of the possible downside from the expected result. Please note that this is not the same as the possible downside loss from the starting position.

Investment Strategy Analysis

Different investment strategies are modelled in order to illustrate the effects of different risk/return trade-offs. For each portfolio, the model assumes that the chosen strategy remains fixed over the full projection period. Assets are annually rebalanced back to the original allocation

.

A2: Modelling Methodology (2)

Modelling Risk Warnings

Isio's central asset-class assumptions are assessed and revised at each calendar quarter-end. The assumptions used within this modelling exercise are set out in the Appendix.

Certain assumptions are sourced directly from the Moody's Analytics Economic Scenario Generator and available market data, or set via adjustments to these sources. Where required or deemed to be more appropriate, assumptions are entirely determined by Isio. The assumption setting process is subjective and based on qualitative assessments rather than a wholly quantitative process. Where judgement is required, input is received from Isio's internal asset-class research teams.

The only risk factors considered in our modelling are those that affect the values of pension schemes' assets and the financial assumptions used to value schemes' liabilities. Some of the risks that are not reflected include demographic risks (e.g. uncertainty of life expectancy), future changes to members' benefits, and legislative risks. The modelling results should therefore be viewed alongside those risks, as well as other qualitative considerations including portfolio complexity, governance burden, and liquidity risk.

The model's projections are sensitive to the starting position and the econometric assumptions. Changes to the assumptions can have a material impact upon the output. There can be no guarantee that any particular asset class, fund or mandate will behave in accordance with the assumptions. Newer asset classes can be harder to calibrate due to the lack of a long-term history.

The modelling analysis is based on portfolios containing a range of asset classes and different approaches to investment management. Clients should not make decisions to invest in these asset classes or approaches to investment management based solely on the modelling analysis.

No guarantee can be offered that actual outcomes will fall within the range of simulated results. Actual outcomes may be better than the simulated 95th percentile or worse than the simulated 5th percentile.

Data Sources

The starting asset value is £1,361.1, sourced from Northern Trust. The starting liability value is £1,440.0m, sourced from Hymans Robertson LLP as part of the July Committee Meeting Pack. The discount rate has been set at 4.4% as per the last actuarial valuation. The liabilities are modelled as discounted cashflows expected to be paid to scheme members in future years. These cashflows are generic cashflows scaled to high-level liability characteristics. Key high-level characteristics of the liability profile, including the split between membership types, and the duration and inflation sensitivity, were taken from the most recent actuarial valuation. We judge that the use of high-level liability information, rather than detailed cashflow projections, is sufficient for the purpose of the modelling in this report.

A3: Disclaimers

- This report has been prepared for the sole benefit of the London Borough of Hammersmith and Fulham Pension Fund and based on their specific facts and circumstances and pursuant to the terms of Isio Group Limited/Isio Services Limited's 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.
- Please note that Isio may have an ongoing relationship with various investment management organisations, some of which may be clients of Isio. This may include the City of Westminster Pension Fund's existing investment managers. Where this is the case, it does not impact on our objectivity in reviewing and recommending investment managers to our clients. We would be happy to discuss this further if required.
- In the United Kingdom, this report is intended solely for distribution to Professional Clients as defined by the Financial Conduct Authority's Conduct of Business Sourcebook. This report has not therefore been approved as a financial promotion under Section 21 of the Financial Services and Markets Act 2000 by an authorized person.
- The information contained within the report is available only to relevant persons, and any invitation, offer or agreement to purchase or otherwise acquire investments referred to within the report will be engaged in only with relevant persons. Any other person to whom this communication is directed, must not act upon it.
- Isio Service Limited is authorised and regulated by the Financial Conduct Authority FRN 922376.

Contacts

Emily McGuire
Partner
+44 (0)207 046 9997
emily.mcguire@isio.com

Andrew Singh
Associate Director
+44 (0)131 202 3916
andrew.singh@isio.com

Jonny Moore
Manager
+44 (0)131 222 2469
jonny.moore@isio.com

Craig Campbell
Assistant Consultant
+44 (0) 141 739 9141
craig.campbell@isio.com

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to:	Pension Fund Committee
Date:	10 September 2024
Subject:	Pension Fund Quarterly Update Q2 2024
Report author:	Siân Cogley, Pension Fund Manager
Responsible Director:	Phil Triggs, Director of Treasury and Pensions

SUMMARY

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

- overall performance for the quarter ended 30 June 2024;
- cashflow update and forecast;
- assessment of risks and actions taken to mitigate these.

RECOMMENDATIONS

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

Wards Affected: None.

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: Q1 2024/25

1. This report and attached appendices make up the pack for the quarter one (Q1) review ended 30 June 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 30 June 2024, the market value of the assets increased by £11m to £1,371m.

   - The Fund has underperformed its benchmark net of fees by 0.56%, delivering an absolute return of 0.82% over the quarter.

   - The total Fund delivered a positive return of 8.31% on a net of fees basis over the year to 30 June 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 March 2025. 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. At the Committee meeting of the 23 July 2024, Cllr Chevoppe-Verdier requested that the Pension Fund risk register is aligned with the format of the Audit Committee risk register. Work in this area is still ongoing and there has not been a change for the September 2024 meeting. The register should be aligned by the November Committee meeting.

5. Cllr Melton has requested a discussion paper on arms and weapons. Fund managers have been contacted to provide information to facilitate the request with a paper to be brought by officers to the November meeting of the Committee.

6. The breaches of the law log has not been included in this quarter as there have been no breaches to report.

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 Q3 2024.

8. Aviva's chief executive will present to the committee at its meeting on 10 September 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 had a change in trend:
    - Risk 7 – *LCIV has inadequate resources to monitor investment strategy.* This has been amended from trending down to trending up. It was moved to trending down in the February 2024 meeting due to the appointment of Aoifinn Devitt as CIO. However, Aoifinn Devitt has now resigned. Though an interim CIO has been appointed, officers have assessed there to be a slightly higher level of risk than in the previous quarter.

List of Appendices

Appendix 1:	Scorecard as at 30 June 2024
Appendix 2a:	Isio Quarterly Performance Report for Quarter Ended 30 June 2024 (public)
Appendix 2b:	Isio Fee Benchmarking Report 30 June 2024 (EXEMPT)
Appendix 3:	Cashflow Monitoring Report
Appendix 4:	Pension Fund Risk Register

Appendix 1

Scorecard at 30 June 2024

London Borough of Hammersmith and Fulham Pension Fund Quarterly

Monitoring Report

	Mar 23 £000	Dec 23 £000	Mar 24 £000	Jun 24 £000	Report reference/Comments
Value (£m)	1,281	1,307	1,360	1,371	IRAS reports.
% return quarter	2.47%	3.34%	4.56%	0.82%	
% Return one year	-1.74%	5.71%	7.88%	8.31%	
LIABILITIES					
Value (£m)	1,021	1,037	1,040	1,011	Hymans Robertson LLP Estimated Funding Update
Surplus/(Deficit) (£m)	260	270	320	360	
Funding Level	125%	126%	130%	135%	
CASHFLOW					
Cash balance	8,805	7,510	15,643	10,789	Appendix 3
Variance from forecast	5,610	2,114	5,557	1,248	
MEMBERSHIP					
Active members	5,150	5,018	5,032	5,045	Reports from Pension Fund Administrator
Deferred beneficiaries	6,218	7.060	7,032	7,056	
Pensioners	5,960	6,091	6,033	6,097	
RISK					
No. of new risks				0	Appendix 4: Risk Register
No. of ratings changed				0	
LGPS REGULATIONS					
New consultations	None	1	None	1	Sep 23 - Was the Pooling Consultation Paper May 24 – Efficiencies in Management of LGPS Funds Consultation
New sets of regulations	None	None	None	None	

London Borough of Hammersmith & Fulham Pension Fund

Investment Performance Report to 30 June 2024

isio.

Contents

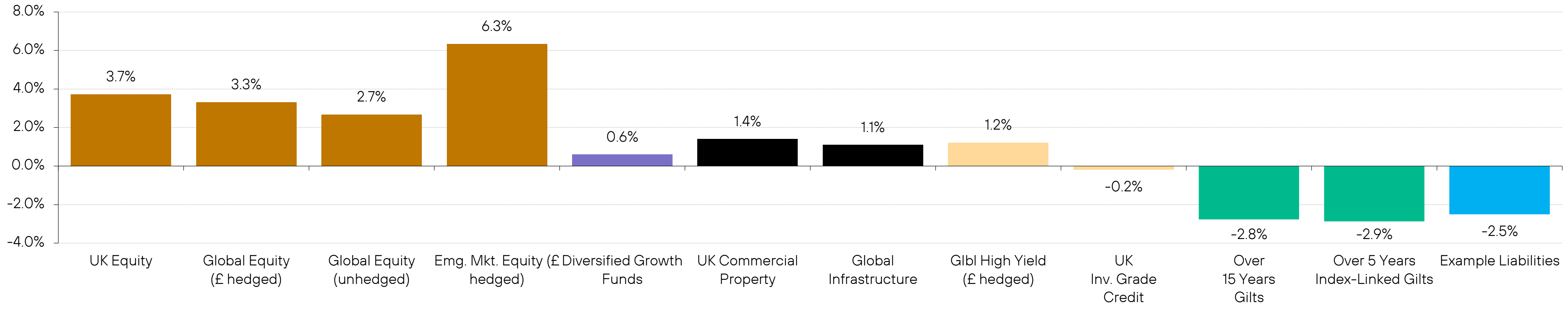
The contacts at Isio in connection with this report are:

Andrew Singh
Associate Director
Investment Advisory
+44 (0)1312023916
Andrew.Singh@isio.com

Jonny Moore
Manager
Investment Advisory
+44 (0)1313222469
Jonny.Moore@isio.com

Market Background – Q2 2024

Market movements over the quarter



Key Upcoming Events

Q3 2024 Base rate publications

- UK: The dates for the Bank of England's Monetary Policy Committee ("MPC") announcements are 1 August and 19 September.
- US: The dates for the US Federal Reserve's Federal Open Market Committee ("FOMC") meetings are 31 July and 18 September.

Q3 2024 Inflation publications

- UK: 17 July, 14 August, 18 September.
- US: 11 July, 14 August, 11 September.

Commentary

- Q2 2024 saw mixed returns across asset classes as economic data supported risk assets, but central bank messaging led to negative returns in some areas of bond markets. Whilst the ECB implemented a rate cut over the quarter, the US and UK maintained their current interest rates, noting any cuts would be data dependent. This rhetoric led to nominal and index-linked gilt yields rising over Q2.
- As such, investment grade bonds also experienced negative performance, following government bond yields higher amidst persistent services inflation. However, high yield bonds delivered positive returns as credit spreads remained stable.
- Global equities delivered strong returns over Q2, underpinned by positive investor sentiment due to strong earnings growth and easing headline inflation figures.
- Performance in the property sector was positive following an increase in consumer demand and activity. However, transaction volumes within the property market remain supressed as markets wait for interest rate cuts to materialise.

Sources: Refinitiv, DGF investment managers, LGIM, Isio calculations.

Executive Summary – Q2 2024

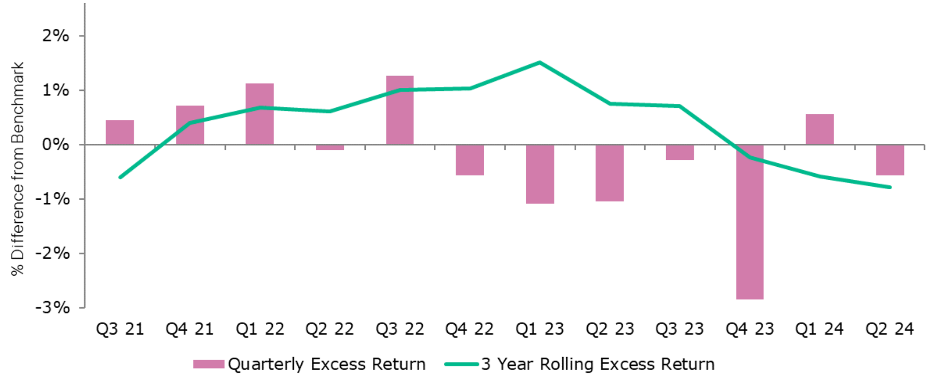
Fund Performance to 31 March 2024		3 months (%)			1 year (%)			3 years (% p.a.)		
		Fund	Benchmark	Relative	Fund	Benchmark	Relative	Fund	Benchmark	Relative
Equity	LCIV Global Equity Quality	0.1	2.8	(2.7)	13.9	20.1	(6.2)	6.8	8.6	(1.8)
	LGIM Low Carbon Mandate	2.8	2.9	(0.2)	21.5	21.7	(0.2)	10.1	10.3	(0.2)
Dynamic Asset Allocation	LCIV Absolute Return Fund	0.4	2.3	(1.9)	1.0	9.4	(8.4)	(0.3)	7.0	(6.7)
	LCIV Long Duration B&M	(2.3)	(1.8)	(0.4)	n/a	n/a	n/a	n/a	n/a	n/a
	LCIV Short Duration B&M	1.1	0.8	0.3	n/a	n/a	n/a	n/a	n/a	n/a
	Allspring Climate Transition Global B&M	(0.4)	(0.8)	0.4	n/a	n/a	n/a	n/a	n/a	n/a
Secure Income	Partners Group MAC[2]	3.3	2.3	1.0	1.4	9.4	(8.0)	7.9	7.0	0.9
	Oak Hill Advisors	1.9	2.3	(0.4)	21.8	9.4	12.4	4.5	7.0	(2.5)
	abrdn MSPC Fund[3]	0.0	-0.2	-0.2	7.8	11.9	(4.1)	(0.5)	(1.8)	1.3
	Darwin Alternatives	(0.5)	2.8	(3.2)	(15.5)	11.4	(27.0)	n/a	n/a	n/a
	Partners Group Infra[2]	1.8	3.2	(1.4)	6.9	13.4	(6.5)	16.9	11.0	5.9
	Aviva Infra Income[4]	(4.3)	2.8	(7.1)	(8.4)	11.4	(19.3)	0.8	9.0	(8.1)
	Quinbrook Renewables Impact	(4.4)	1.6	(6.1)	n/a	n/a	n/a	n/a	n/a	n/a
Inflation Protection	abrdn Long Lease Property Fund	0.2	(0.4)	0.6	(8.2)	6.8	(14.9)	(7.5)	(6.1)	(1.4)
	Alpha Real Capital	(0.5)	(4.6)	4.2	(12.7)	(9.0)	(3.7)	n/a	n/a	n/a
	Man GPM	2.8	2.3	0.5	(0.5)	9.4	(9.9)	n/a	n/a	n/a
Total Fund[1]		0.8	1.4	(0.6)	8.3	11.8	(3.5)	4.0	4.8	(0.8)

Page 82

Commentary

- The Total Fund delivered an absolute return of 0.8% on a net of fees basis over the quarter to 30 June 2024, underperforming the fixed weight benchmark by 0.6%.
- The Total Fund delivered positive absolute returns of 8.3% and 4.0% p.a. on a net of fees basis over the year and annualised three years respectively to 30 June 2024, underperforming its fixed weight benchmark by 3.5% and 0.8% 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 30 June 2024. The 3-year rolling excess return remained negative over the second quarter of 2024 with further underperformance 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 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 31 May 2024. [3] abrdn MSPC Fund performance provided by Northern Trust with quarter lag. [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 30 June 2024

Fund	Actual Asset Allocation				
	31 March 2024 (£m)	30 June 2024 (£m)	31 March 2024 (%)	30 June 2024 (%)	Benchmark Allocation (%)
LCIV Global Equity Quality	179.7	179.9	13.2	13.1	13.0
LGIM Low Carbon Mandate	412.6	424.1	30.3	30.9	27.0
Total Equity	**592.3**	**604.0**	**43.5**	**43.9**	**40.0**
LCIV Absolute Return Fund	151.2	151.8	11.1	11.0	10.0
Allspring Buy & Maintain (Climate Transition)	135.3	134.8	9.9	9.8	10.0
LCIV Buy & Maintain (Long Duration)	33.5	32.8	2.5	2.4	2.5
LCIV Buy & Maintain (Short Duration)	33.1	33.4	2.4	2.4	2.5
Total Dynamic Asset Allocation	**353.1**	**352.7**	**25.9**	**25.7**	**25.0**
Partners Group MAC	6.5	6.7	0.5	0.5	-
Oak Hill Advisors Diversified Credit Strategies	73.6	75.0	5.4	5.5	5.0
Partners Direct Infrastructure	33.2	33.8	2.4	2.5	5.0
Aviva Infrastructure Income	15.2	14.3	1.1	1.0	-
Quinbrook Renewables Impact	47.6	46.6	3.5	3.4	3.5
abrdn Multi Sector Private Credit	51.2	51.2	3.8	3.7	4.0
Darwin Alternatives Leisure Development Fund	29.0	28.9	2.1	2.1	2.5
Secure Income	**256.3**	**256.4**	**18.8**	**18.7**	**20.0**
Abrdn Long Lease Property	49.6	49.7	3.6	3.6	5.0
Alpha Real Capital Inflation Linked Income Fund	79.0	78.6	5.8	5.7	7.5
Man GPM	23.6	24.5	1.7	1.8	2.5
Total Inflation Protection	**152.2**	**152.9**	**11.2**	**11.1**	**15.0**
Bank Balance	7.3	8.6	0.5	0.6	-
Total Assets	**1,361.1**	**1,374.6**	**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 28 February 2024 and as at 31 May 2024). [12] Total Fund valuation includes £30k which is invested in private equity allocations with Unicapital, with these investments currently in wind down.

Fund Activity (1)

Item	Action points / Considerations	Status
Infrastructure and Renewable Infrastructure	**Aviva Investors Infrastructure Income Fund ("AIIIF")** • 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. • The London Borough of Hammersmith and Fulham Pension Fund received £262k on 20 June 2024, from the income distribution. The remaining redemption proceeds are expected to follow in one single tranche later in the year. • Further detail can be found in the Private Appendix attached to this report. **Quinbrook Renewables Impact Fund** • Over the quarter, Quinbrook issued one draw down requests for £1.1m to be paid by 30 May 2024 funded from excess cash held in the Trustee bank account. 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.	
Affordable Housing	**Man GPM Community Housing** • Man GPM issued one capital call during the second quarter of 2024. Issuing a drawdown request for c.£217k for payment by 9 May 2024, funded from excess cash held in the Trustee bank account. Following quarter end Man GPM issued a further drawdown request for c.£1.2m for payment by 24 July 2024, funded from excess cash held in the Trustee bank account. Following payment of this post quarter end request the Fund's total commitment is c.84% drawn for investment. • An update on the Community Housing Fund's investments in Grantham, Wellingborough and Saltdean can be found in the Private Appendix to this report.	

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 (2)

Item	Action points / Considerations	Status
London CIV	• Post quarter end, London CIV announced that their Chief Investment Officer, Aoifnn Devitt had decided to move on from her role at London CIV to pursue new opportunities and will be leaving in Q4 2024. • Meanwhile, Aoifinn is continuing to work for London CIV in an interim role for the remainder of her time, while London CIV completes solutions currently under construction and maintaining their current proposition. • London CIV has announced that there will be a gap between Aoifinn leaving and a new CIO joining. The head of London CIV's Public Markets, Rob Treich will support overseeing the investment process during the transition period. London CIV anticipate this personnel change will not hamper their planned programme of new service offerings. • Additionally, after a prolonged extended leave absence, Clients Relationships Manager Harry Lamprinopoulos has decided to leave London CIV, with the current client service function expected to be able to continue to deliver ongoing service without additional recruitment. • We are surprised by the short tenure of the recent CIO and will continue to monitor the situation closely. There is no immediate action to take on this news.	
LGIM	LGIM's holding company, Legal and General Group ('L&G') has recently announced several business changes, in particular, the combining of LGIM with L&G Capital (L&G's private markets business) into one entity to focus on expanding further into private market offerings. We expect a positive impact from the strategic review, with Antonio Simoes, the newly appointed CEO focusing on simplifying the business structure and capitalising on market opportunities. Further information on the L&G's business announcement and our views on the changes are detailed on the next page. There is no further action required by the Trustee at this time.	

Page 85

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 (3)

Background

On Wednesday 12 June, Legal & General ("L&G") announced several business changes relating to their forward-looking strategy following a broad strategic review led by Antonio Simoes, who was appointed as CEO in January 2024.

The changes involve setting targets over the coming financial years across areas L&G have identified as key growth areas to increase shareholder value. The main changes are as follows:

- Combining the existing Legal & General Investment Management ("LGIM") unit with L&G Capital, their private markets business, into one entity to expand into private markets;
- Michelle Scrimgeour departing as CEO of LGIM once a successor has been identified. Laura Mason, currently CEO of L&G Capital, will assume the role of CEO of Private Markets within the new entity;
- Prioritising Pension Risk Transfer as a key growth area, targeting underwriting £50-65bn of deals per annum by the end of 2028;
- Expanding their retail operations through their workplace DC platform, targeting total cumulative asset inflows of £40-50bn over 2024-28;
- Disposing of 'non-strategic assets' such as housebuilder Cala, through which L&G are reportedly looking to raise £1bn;
- Enacting £200m of share buybacks in 2024, with further possible buybacks in future years.

The above changes are being enacted with the view of streamlining L&G's operations and increasing shareholder value, with L&G targeting 6-9% annual growth in earnings per share over 2024-27. In addition, they are aiming to achieve 5% dividend growth in 2024 and 2% annual dividend growth over 2025-27.

The initial market reaction to the announcement was underwhelming, with L&G's share price falling by c.5% following the news – with some investors seemingly hoping for more ambitious earnings and dividend growth targets.

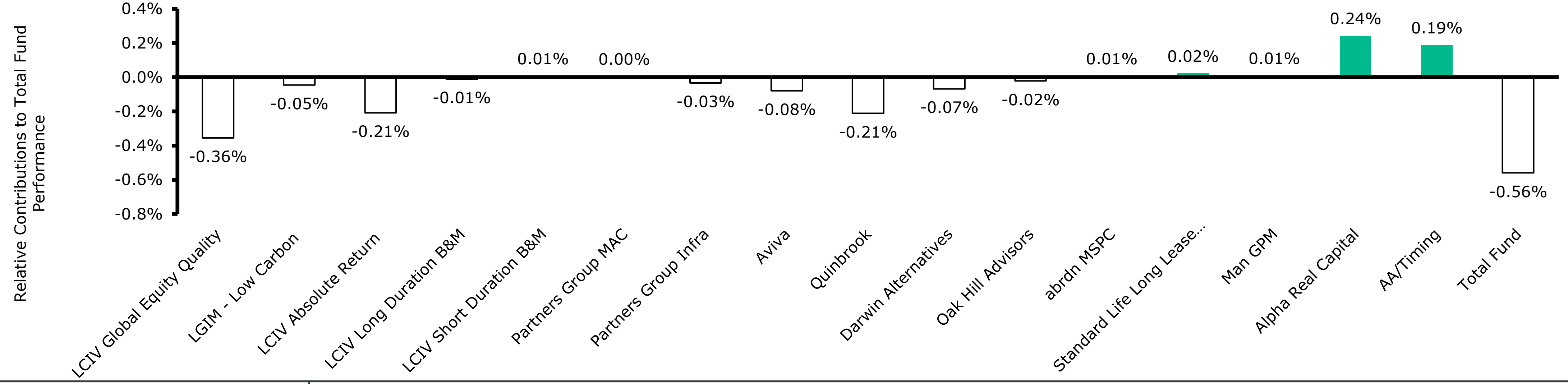
Isio View

- Overall, we expect a positive impact from the strategic review, with Simoes as the recently appointed CEO focusing on simplifying the business structure and capitalising on market opportunities to drive future growth across three distinct business units (Pension Risk Transfer, Asset Management And Retail).
- Whilst L&G are not expecting any significant short-term team changes to occur, based on our experience of other mergers within asset managers, such events can lead to team turnover. The largest impact would be felt if portfolio management / analyst team changes occur. We suspect overlap in these areas between the two business units to be limited, but we have identified real estate as an area that could be impacted. We'll monitor this closely to assess how LGIM establish Chinese walls to manage information flow and decide on a new team organisation structure.
- In addition, whilst LGIM have confirmed this is not a cost cutting exercise, we expect there to be some duplication of roles within the merged asset management entity, which could lead to redundancies. Moving forward, we will regularly monitor team turnover and client servicing to ensure there are no negative impacts from the proposed changes.
- L&G are actively running a recruitment process to identify a new CEO of LGIM to replace Michelle Scrimgeour, who will remain in the position until a successor is identified – which L&G expect to take several months. While this provides a handover period to transition to the new CEO and entity, we note the new CEO will likely come in with their own strategic ideas and priorities, so we will speak to them once appointed to assess these.
- A key challenge for the new LGIM CEO will be to successfully integrate the cultures of LGIM with L&G Capital as these two business units merge. While L&G believe the two cultures are well-aligned and we see many other managers operating in both public and private markets, we sometimes observe different investment philosophies and approaches between these two areas elsewhere, which may need reconciling.
- This integration offers L&G the potential to expand into private assets and launch strategies that straddle both public and private markets. However, a focus on new strategies and desire to simplify the business could lead to the consolidation of existing funds, as we have seen elsewhere. We will monitor this over time to assess how LGIM's product range evolves.

Note: Views based on information provided by L&G. "L&G" refers to the broader L&G Group, whereas "LGIM" refers specifically to the investment management arm.

Attribution of Performance to 30 June 2024

Relative Contributions to Total Fund Performance - Quarter



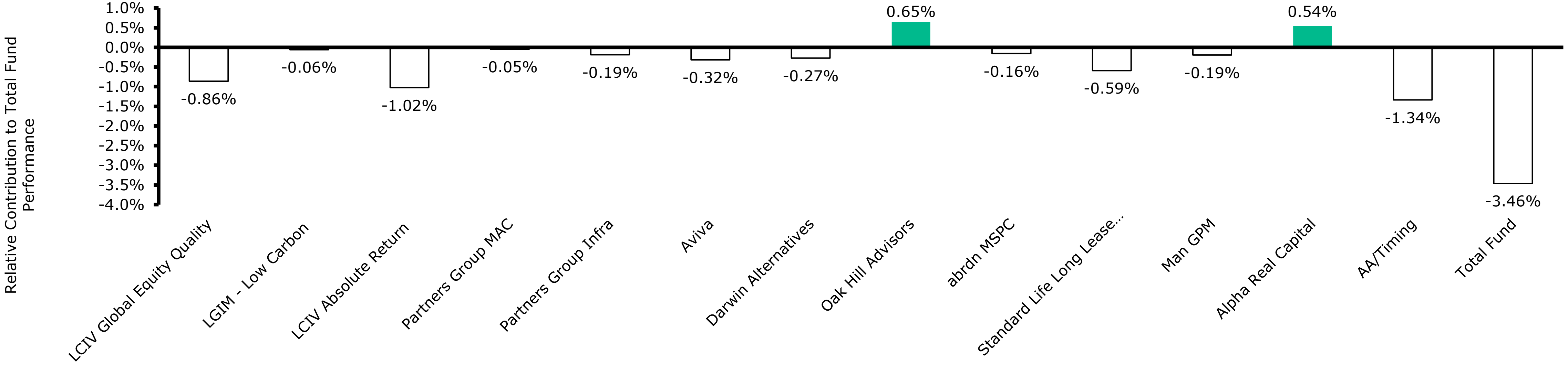
Page 87

Key area	Comments
Commentary	• The Fund underperformed its fixed weight benchmark by c. 0.6% over the quarter to 30 June 2024. • Underperformance can be attributed to the LCIV Global Equity Quality fund which underperformed the wider MSCI AC World Index driven by poor stock selection among each of the three main sources of sector exposure in the sub-fund: information technology, health care and financials. Additionally, Quinbrook underperformed the Fund's cash plus objective. LCIV Absolute Return also contributed to relative underperformance as a result of a positions that required borrowing Japanese Yen amid rising interest rates and downside protection strategies with equity put options if markets were to fall. • Relative underperformance was counteracted to a degree by Alpha Real Capital having outperformed their respective inflation-linked gilts benchmark over the three-month period. The source of the outperformance was from relatively high interest income as well as arears payments. • The impact of the Fund's underweight allocation to Darwin over a period of negative performance and overweight to the LGIM Low Carbon Equity Mandate over a period of positive performance amongst others, is captured in the "AA/Timing" bar.

Sources: Investment managers, Isio calculations.

Attribution of Performance to 30 June 2024

Relative Contributions to Total Fund Performance - Annual



Key area	Comments
Commentary	• Over the year to 30 June 2024, the Fund underperformed its fixed weight benchmark by c. -3.5%. • 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 30 June 2024. The strategy's defensive positioning, predominantly the cost of protection strategies to protect against falls in the equity markets has been detriment in recent period, alongside bond holdings that have been impacted by the rise in nominal yields since the start of the new year. • In addition, while equity markets have continued to deliver strong returns through year, the LCIV Global Equity Quality mandate has struggled to outperform the MSCI world equity comparator, largely due to the Fund's preference for quality stocks with predictable cashflows over a period where growth stocks have outperformed due to an improved economic outlook and corporate earnings. • Additionally, the negative attribution to relative returns over the year reflected in the "AA/Timing" bar can be attributed to the accumulation of the Scheme being marginally underweight to positively performing asset classes and

Sources: Investment managers, Isio calculations.

Investment Manager Updates

London CIV (1)

Sub-fund	Asset Class	Manager	Total AuM as at 31 March 2024 (£m)	Total AuM as at 30 June 2024 (£m)	Number of London CIV clients	Inception Date
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	1,473	1,474	5	11/04/16
LCIV Global Alpha Growth Paris Aligned	Global Equity	Baillie Gifford	2,305	2,333	11	13/04/21
LCIV Global Equity	Global Equity	Newton	605	620	3	22/05/17
LCIV Global Equity Quality	Global Equity	Morgan Stanley Investment Management	560	560	3	21/08/20
LCIV Global Equity Focus	Global Equity	Longview Partners	1,270	1,252	6	17/07/17
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	561	589	8	11/01/18
LCIV Sustainable Equity	Global Equity	RBC Global Asset Management (UK)	1,411	1,443	8	18/04/18
LCIV Sustainable Equity Exclusion	Global Equity	RBC Global Asset Management (UK)	724	750	5	11/03/20
LCIV PEPPA	Global Equity	State Street Global Advisors	941	975	4	01/12/2021
LCIV Global Total Return	Diversified Growth Fund	Pyrford	100	101	1	17/06/16
LCIV Diversified Growth	Diversified Growth Fund	Baillie Gifford	320	300	4	15/02/16
LCIV Absolute Return	Diversified Growth Fund	Ruffer	981	985	10	21/06/16
LCIV Real Return	Diversified Growth Fund	Newton	186	186	2	16/12/16
LCIV Global Bond	Fixed Income	PIMCO	888	887	10	30/11/18
LCIV Short Duration B&M Credit Fund	Fixed Income	Insight Investment Management	138	138	2	06/12/23
LCIV Long Duration B&M Credit Fund	Fixed Income	Insight Investment Management	814	789	6	06/12/23
LCIV MAC	Fixed Income	CQS & PIMCO	1,768	1,900	17	31/05/18
LCIV Alternative Credit	Fixed Income	CQS	508	521	4	31/01/22
Total			15,554	15,803		

Page 90

Investment Performance to 30 June 2024

Business

As at 30 June 2024, the London CIV had assets under management of £15.8bn within the 18 sub-funds (not including commitments to the private markets strategies), an increase of £200m 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 30 June 2024, the total assets under oversight, including passive investments held outside the London CIV platform, stood at £32bn, an increase of c. £400m over the quarter. Total commitments raised by the private market funds stood at c. £3.1bn of which c. £1.6bn had been drawn as at 30 June 2024.

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

Source: London CIV.

London CIV (2)

Sub-fund	Total Commitment as at 30 June 2024 (£'000)	Called to Date (£'000)	Fund Value as at 30 June 2024 (£'000)	Number of London CIV clients	Inception Date
LCIV Infrastructure Fund	475,000	315,874	371,356	6	31/10/2019
LCIV Real Estate Long Income Fund	213,000	213,000	155,484	3	11/06/2020
LCIV Renewable Infrastructure Fund	1,108,500	481,149	490,498	16	29/03/2021
LCIV Private Debt Fund	625,000	420,091	498,034	8	29/03/2021
LCIV UK Housing Fund	450,000	73,200	1,377	8	31/03/2023
The London Fund	250,000	104,026	99.774	4	15/12/2020

Source: London CIV.

Investment Performance to 30 June 2024

The table to the left provides an overview of the London CIV's private markets investments as at 30 June 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 continued to be the case over the second quarter of 2024, where the strategy has underperformed the MSCI-based benchmark by 2.7% over the three-month period, with the portfolio's quality bias proving detrimental over a period where growth stocks outperformed driven by optimism over AI stocks and hardware/semiconductor companies which the Manager perceives as cyclical. The strategy has underperformed the benchmark by 6.2% over the year and 1.5% p.a. over the three-year period. • 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 underperformed the Global Franchise Fund by 0.1% over the quarter.

Investment Performance to 30 June 2024

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)
Net of fees	0.1	13.9	7.1
Benchmark (MSCI World Net Index)	2.8	20.1	8.6
Global Franchise Fund (net of fees)	0.2	13.5	6.6
Net Performance relative to Benchmark	-2.7	-6.2	-1.5

Relative performance may not tie due to rounding

Fund Overview

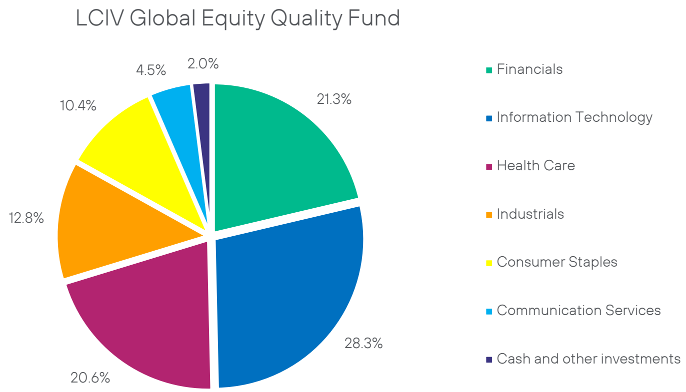
Morgan Stanley Investment Management was appointed to manage an active equity portfolio with a focus on sustainability when selecting investment opportunities, held as a sub-fund on the London CIV platform from 30 September 2020. The aim of the fund is to outperform the MSCI AC World Index.

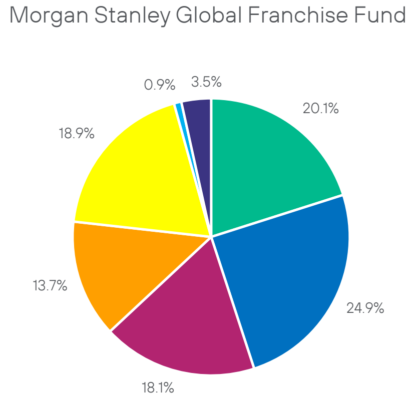
The charts at the bottom of the page compare the relative weightings of the sectors in the LCIV Global Equity Quality Fund and the Morgan Stanley Global Franchise Fund as at 30 June 2024.

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. 2.1% to tobacco stocks as at 30 June 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 30 June 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	43	39
No. of Countries	9	6
No. of Sectors*	6	7
No. of Industries*	18	15

*Not including cash

Holdings

Global Equity Quality Fund Holding	% of NAV
Microsoft	6.6
SAP SE	5.6
Visa	5.0
Accenture	4.0
Alphabet Inc Class A	3.6
Intercontinental Exchange Inc	3.6
RELX	3.4
UnitedHealth	3.3
Thermo Fisher Scientific	3.3
Aon	3.1
Total	41.5

Global Franchise Fund Holding	% of NAV
Microsoft	8.7
SAP SE	6.7
Visa	5.8
Accenture	5.0
Intercontinental Exchange	4.4
RELX	4.1
UnitedHealth	3.7
Thermo Fisher Scientific	3.5
Becton Dickinson	3.4
AON	3.3
Total	48.4

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 30 June 2024, compared with the Morgan Stanley Global Franchise Fund.

The top 10 holdings in the Global Equity Quality Fund account for c. 41.5% 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 2.8% on a net of fees basis over the quarter to 30 June 2024 as global equity markets continued to rally amid positive investment sentiment of economic growth prospects, although the fund slightly underperforming its MSCI World Low Carbon Target benchmark. • The LGIM MSCI World Low Carbon Index Fund delivered an absolute return of 21.5% on a net of fees basis over the one-year-period to 30 June 2024, slightly underperforming its MSCI World Low Carbon Target benchmark by 0.2%. Over the longer three-year period, the strategy delivered a positive absolute return of 10.2% 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.

Investment Performance to 30 June 2024

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)
Net of fees	2.8	21.5	10.2
Benchmark (MSCI World Low Carbon Target)	2.9	21.7	10.3
Net Performance relative to Benchmark	-0.2	-0.2	-0.1

Relative performance may not tie due to rounding

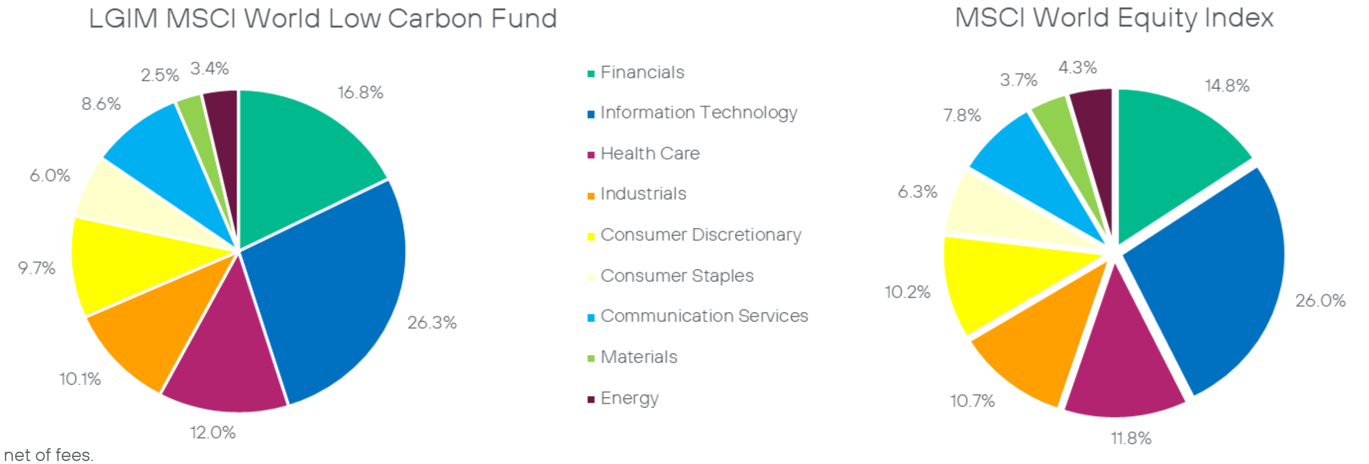
Fund Overview

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 30 June 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 30 June 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 returns of 0.4% and -0.3% over the quarter and year to 30 June 2024 respectively, underperforming its SONIA+5% p.a. target by 1.8% and 9.7% over each respective period. • While the Fund's growth assets delivered gains over the last two quarters, 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, which have an ongoing cost if markets rise (across credit, equity and volatility). Over the year the Fund's long Yen position has driven negative performance, with Yen depreciation against Sterling following lower than expected interest rate rises.

Page 95

Investment Performance to 30 June 2024

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	0.4	1.0	0.3	4.5
Target	2.3	9.4	7.0	5.9
Net performance relative to Target	-1.9	8.4	-6.7	-1.4

Relative performance may not tie due to rounding

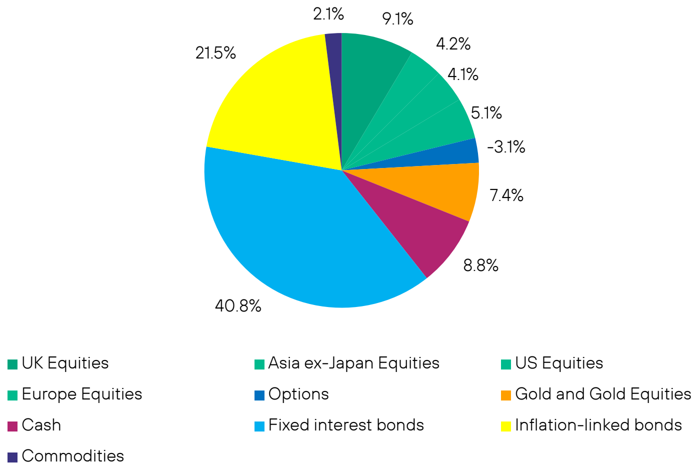
Fund Overview

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.

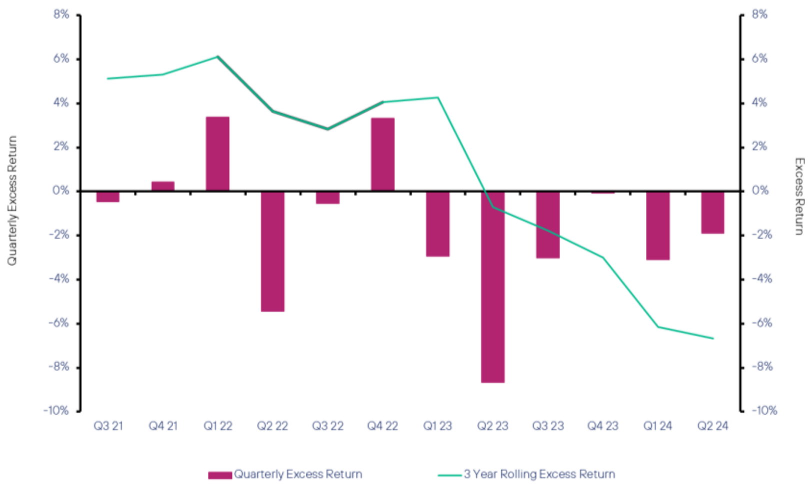
The LCIV Absolute Return Fund aims to deliver growth throughout the investment cycle and acts as a return-seeking diversifier from equities through a relatively defensively positioned portfolio. The manager has the ability to regularly alter the underlying asset allocation in response to market conditions.

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 retain some level of risk-on assets that will help capture upside if growth asset returns remain consistently positive.

Portfolio Sector Breakdown at 30 June 2024



Investment Performance to 30 June 2024



Sources: Northern Trust, London CIV and Ruffer.

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

Key area	Performance Commentary
Commentary	• The Short Duration Sub-Fund benefited from interest income and the tightening of credit spreads over the quarter. Credits spreads tightened marginally due to continued demand for bond assets. Additionally high grade corporate borrowers have performed well over the quarter due to strong corporate earnings delivering returns for the Sub-Fund. • The Long Duration Sub-Fund performance was impacted by the performance of longer duration investment grade credit which was more susceptible to benchmark government bond yields increasing as investors repriced the expected rate of interest rate cuts amid persistent inflation. The Sub-Fund also suffered from the anomaly of strong technical demand for sterling debt amidst a period of low issuance in sterling, causing dollar credit to trade with higher spreads than pound (for which the index does not hold USD denominated debt). The manager expects this to be temporary in nature.

Key Statistics

	Short Duration		Long Duration	
	31 Mar 2024	30 Jun 2024	31 Mar 2024	30 Jun 2024
Weighted Average Credit Rating	A	A	A-	A-
Yield to Maturity	5.29	5.54	5.20	5.58
Current Yield	3.96	3.84	4.52	4.97
Interest Rate Duration (Years)	2.46	2.38	11.60	11.31
Spread Duration (Years)	2.51	2.33	10.50	10.98

Investment Performance to 30 June 2024

Short Duration	Last Quarter (%)
Net of fees	1.1
Benchmark / Target	0.8
Net performance relative to Benchmark	0.2

Long Duration	Last Quarter (%)
Net of fees	-2.3
Benchmark / Target	-1.8
Net performance relative to Benchmark	-0.4

Relative performance may not tie due to rounding

Fund Overview

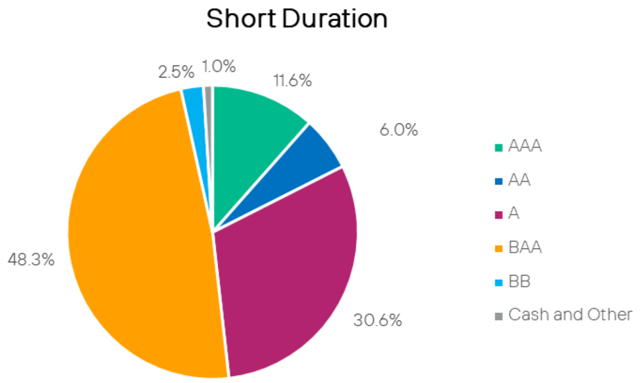
Insight Investment Management was appointed to manage a buy & maintain credit mandate across both a short and long duration strategy, held as sub-funds under the London CIV platform from 6 December 2023.

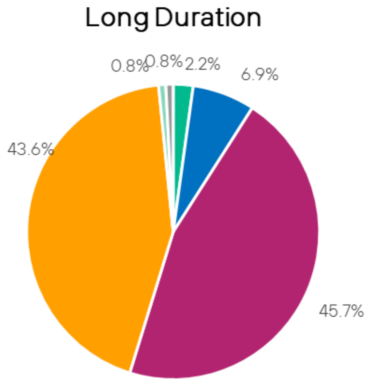
The aim of the short and long duration sub-funds is to achieve a portfolio yield to maturity in line with the iBoxx GBP Collateralized & Corporates 0-5 Index and the iBoxx £ Collateralized & Corporates 10+ Index respectively while limiting turnover. The manager has a fixed fee based on the value of assets.

Source: Northern Trust and London CIV.

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

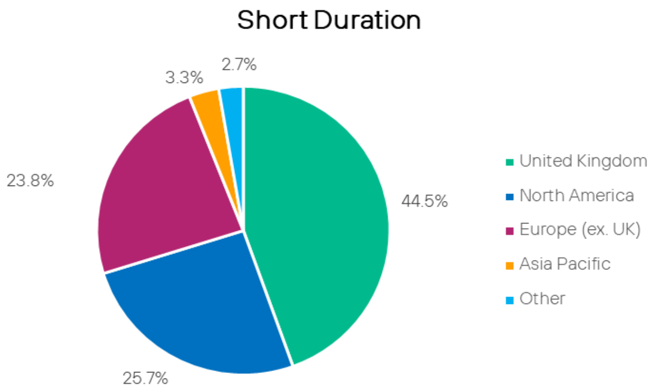
Portfolio Credit Rating Breakdown as at 30 June 2024

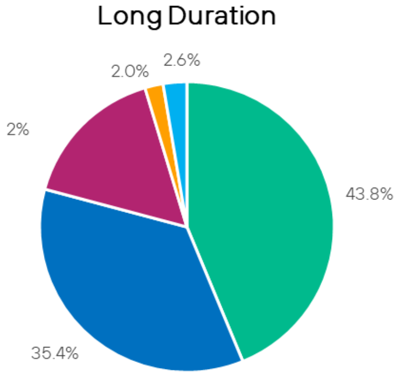




Page 97

Portfolio Regional Breakdown as at 30 June 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 30 June 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 negative return of -0.4% over the quarter to 30 June 2024 on a net of fees basis. • Negative returns of the fund were driven by expectations that central banks would cut interest rates later in the year, further away than previously anticipated, with strong economic data coming out particularly the US and persistent inflation reducing nominal yield fall optimism.

Investment Performance to 30 June 2024

	Last Quarter (%)
Net of fees	-0.4
Target	-0.8
Net performance relative to Target	0.4

Relative performance may not tie due to rounding

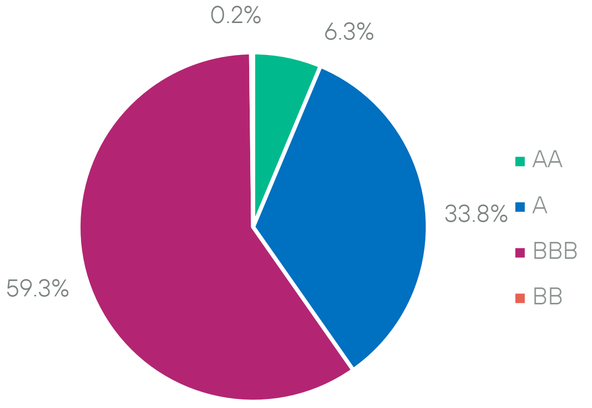
Fund Overview

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

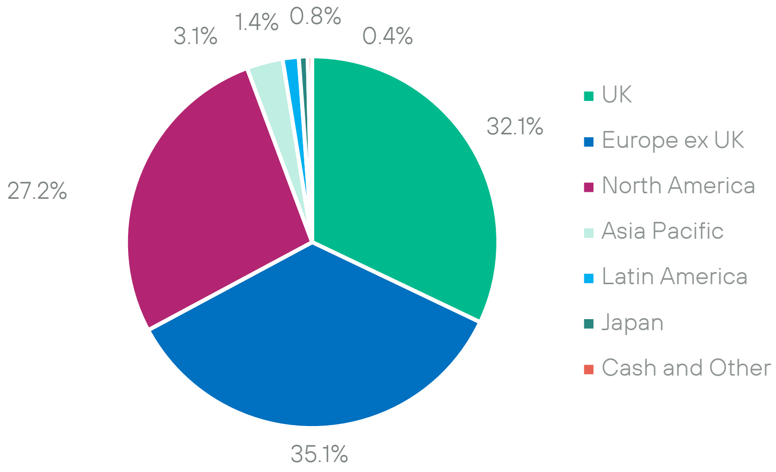
The aim of the Fund is to broadly track the performance of the ICE BofA Sterling Corporate Index, while simultaneously achieving various climate transition related targets. The manager has a fixed fee based on the value of assets.

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 30 June 2024.

Portfolio Credit Rating Breakdown as at 30 June 2024



Portfolio Regional Breakdown as at 30 June 2024



Source: Northern Trust and Allspring.

Allspring – Climate Transition Global Buy & Maintain (2)

ESG Metrics as at 30 June 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	95%	21	94%
Carbon to Value Invested (metric tons CO_2e/$1m invested)*	37	89%	48	72%
Weighted Average Carbon Intensity (metric tons CO_2e/$1m revenues)*	67	96%	94	89%
Coal Emissions (metric tons CO_2e/$1m invested)	0	N/A	25,552	N/A
Gas Emissions (metric tons CO_2e/$1m invested)	7,086	N/A	6,349	N/A
Oil Emissions (metric tons CO_2e/$1m invested)	8,769	N/A	6,739	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

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 1.5ºC 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 30 June 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 positive absolute return of 3.3% on a net of fees basis over the quarter to 31 May 2024, outperforming its 3 Month SONIA +4% benchmark by 1.0%.. • 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 30 June 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. • Partners Group issued one capital distribution paid on the 28th June 2024 for c.£98k

Page 100

Investment Performance to 31 May 2024

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	3.3	1.4	7.9	6.2
Benchmark / Target	2.3	9.4	7.0	5.9
Net performance relative to Benchmark	1.0	-8.0	0.9	0.2

Relative performance may not tie due to rounding

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 30 June 2024, based on the five positions remaining in the portfolio. The last loan is set to expire in 2030.

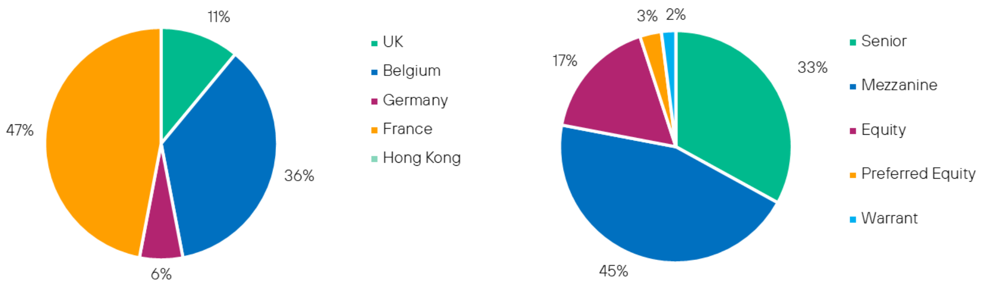
Proposed Fund Life Extension

During the quarter, 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 with approval from investors decided to extend the fund on 17 June 2024.

There are 5 investments remaining in the portfolio and Partners Group extended 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.

Portfolio Regional and Debt Type Breakdown at 30 June 2024



Quarterly Excess Returns

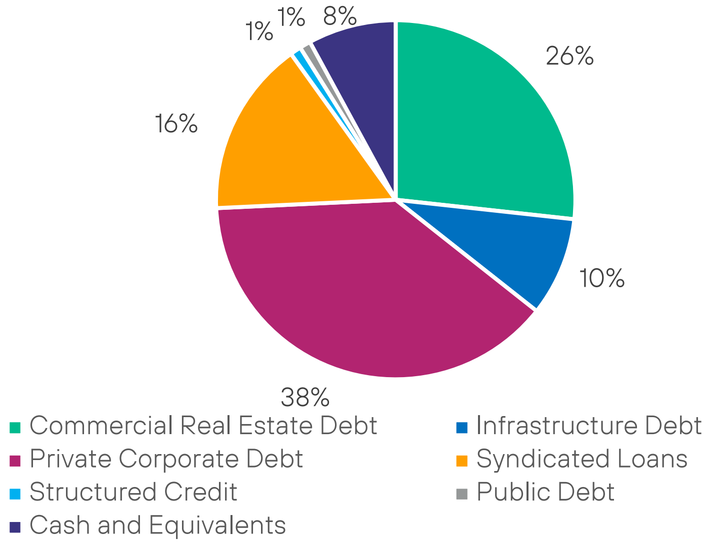
Source: Northern Trust and Partners Group.

Please note, performance shown is to 28 February 2024

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 rose and credit spreads tightened over Q1 2024, resulting in broadly flat performance.
Portfolio Composition	• As at 31 March 2024, the MSPC Fund portfolio has reached target allocation and consists of 23 private assets: • 5 infrastructure debt investments; • 8 senior real estate debts investments; • 1 whole loan real estate debt investment; and • 10 private corporate debt investments.

Portfolio Asset Type Breakdown at 31 March 2024



Investment Performance to 30 June 2024

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)
Net of fees	0.0	7.8	-0.5
Benchmark / Target	-0.2	11.9	-1.8
Net performance relative to Benchmark	0.2	-4.1	1.3

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

	31 Mar 2024	31 Dec 2024
Duration (years)	4.35	4.65
Average rating	BBB	BBB
Average portfolio spread	291bps	323bps
Average illiquidity premium	126bps	126bps
Average yield to maturity	7.20%	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 30 June 2024, c. 92% of the MSPC Fund portfolio has been invested in illiquid assets that will make up the long-term portfolio, while the remaining c. 8% 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 March 2024 is provided in the chart to the left.

Source: Northern Trust and abrdn.

Darwin Alternatives –Leisure Development Fund (1)

Key area	Performance Commentary
Commentary	• The Leisure Development Fund delivered a slightly negative absolute return of -0.5% over the quarter to 30 June 2024, underperforming its cash +6% p.a. target by 3.2%. Over the one-year period, the Fund has delivered an absolute return of -15.5%, underperforming its target by 27.0%. 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'. • Norfolk, Rivendale and Plas Isaf delivered strong rental incomes from rentals over the quarter. With home sales at Norfolk and Plas Isaf were lower than anticipated, dragging performance. Darwin believes unseasonably poor weather and slow economy continued to hamper bookings at the other sites. Darwin continues to blame delays to development projects meaning that the Fund is not generating development returns which has negatively impacted performance.

Investment Performance to 30 June 2024

	Last Quarter (%)	One Year (%)
Net of fees	-0.5	-15.5
Benchmark / Target	2.8	11.4
Net performance relative to Benchmark	-3.2	-27.0

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

- Blenheim Palace Lodge Retreat has underperformed over previous quarters. The Darwin and Blenheim Palace Marketing teams have worked closely with the BBC to film the final of 'Interior Design Masters' which aired on BBC1 in spring 2024 and attached around 3 million viewers. The show featured extensive footage at both the Palace and the lodge retreat, where the finalists transformed the interiors of two of the lodges. Helping generate significant social media interest.

- The lodge manufacturer Bentley Rowe has now finished Plas Isaf in May and the site is fully open. The site has a total of 40 holiday rentals lodges and 17 bases for holiday home ownership.

- Darwin have also been explored solar opportunities across a number of the portfolio sites. Installing solar panels or arrays would feed on-site electrical demand and allow then to export electricity to the grid when they have an excess. At this stage they are exploring the feasibility from both a financial and practical perspective.

- Darwin are expecting a planning decision for Rosetta site in early August which is expected to be recommended for approval on the 100 lodge development on the outskirts of Peebles. Kilnwick Percy and Stratford are both going through the planning process. Darwin are expecting a decision on both after the summer.

Source: Northern Trust and Darwin Alternatives.

Darwin Alternatives –Leisure Development Fund (2)

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.

Page 103

Portfolio

The table to the left shows details of the parks underlying the Darwin Alternatives Leisure Development Fund portfolio as at 30 June 2024.

Source: Darwin Alternatives.

Oak Hill Advisors – Diversified Credit Strategies

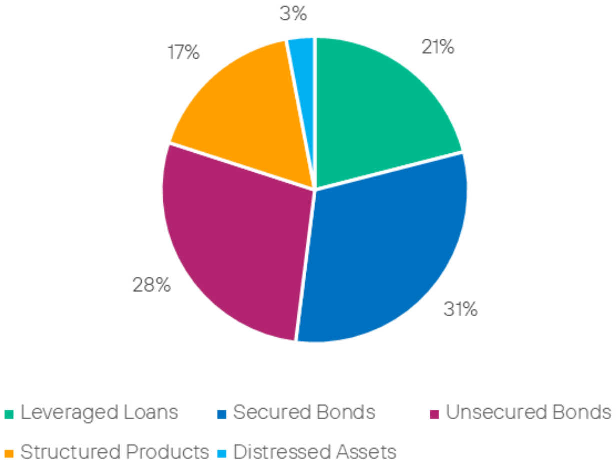
Key area	Performance Commentary
Commentary	• The strategy delivered a positive return of 1.9% on a net of fees basis over the quarter to 30 June 2024, underperforming the benchmark by 0.4%. As the strategy is measured against a Sterling cash-plus benchmark, we would expect relative performance differences over shorter time horizons. • The Fund's performance was driven by credit selection with high yield and leveraged loans outperforming their respective market indexes by 0.98% and 0.4% on a gross basis. • The strategy's opportunistic nature means that the fund can take on restructuring opportunities for issuers. There were no defaults over the second quarter of 2024 within the Diversified Credit Strategies portfolio, while three positions representing c. 0.8% of the total portfolio were downgraded. All three of the positions moved further down the sub-investment grade credit rating spectrum.

Investment Performance to 30 June 2024

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	1.9	21.8	4.5	4.5
Benchmark / Target	2.3	9.4	7.0	5.9
Net Performance relative to Benchmark	-0.4	12.4	-2.5	-1.4

Relative performance may not tie due to rounding

Portfolio Sector Breakdown at 30 June 2024



Quarterly Excess Returns

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 1.6% 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 30 June 2024.

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. • As at 31 March 2024, the Partners Group Direct Infrastructure Fund was in its realisation phase with an active portfolio of 13 investments having realised 9 positions to date. • 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 30 June 2024, with c. 84.9% of the total capacity drawn down from investors. • As at 30 June 2024, the Fund has delivered a net IRR of 14.3% since inception.

Investment Performance to 31 May 2024

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	1.8	6.9	16.9	15.3
Benchmark / Target	3.2	13.4	11.0	9.9
Net Performance relative to Benchmark	-1.4	-6.5	5.9	6.2

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

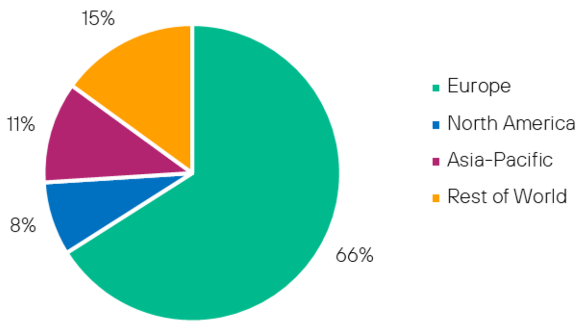
Partners Group have confirmed that the Direct Infrastructure Fund is unlikely to draw any further capital into the strategy. Remaining capital is held back for the purposes of meeting potential future currency hedging calls or follow-on capital for portfolio companies.

There were no further distributions over the quarter.

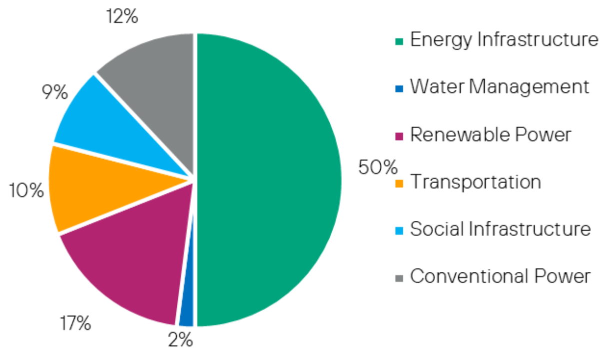
Page 105

Portfolio Breakdown by Region and Sector as at 31 March 2024

Regional Allocation



Allocation by Sector



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 negative return of 4.3% over the quarter to 30 June 2024. Aviva Investors primarily attributes this decrease in net asset value of three biomass assets including due to a delay in forecast operational commencement, and an increase in discount rates being applied to the future cashflows following an independent strategic review by KPMG. • Over the quarter to 31 March 2024, the income distribution of the Fund was 1.8% 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. The Fund's biomass assets and are not currently operating at full capacity. Aviva has confirmed that a rectification program is in place in respect of these assets. • The Hull and Boston biomass projects continue to operate with reduced availability, with a significant operational failure resulting in the Hull biomass plant being shut for the remainder of 2024. Following continued challenging performance, Evero (the operator) communicated a significant change in strategy, in Q2 2024 the decision was taken to commence a strategic review. This will determine the best approach for value maximisation moving forward with procurement and implementation of the capital works programme. The strategic review is expected to be completed in early Q3 2024. The decision to repair Hull will be made as part of this strategic review. • The planning applications to regularise all planning matters at Barry were refused by the Local Planning Authority in March 2024. Aviva submitted their appeal and anticipate the appeal to take 6-12 months. The projects' KC advised that there is very good prospects for success, with the potential reward for costs.

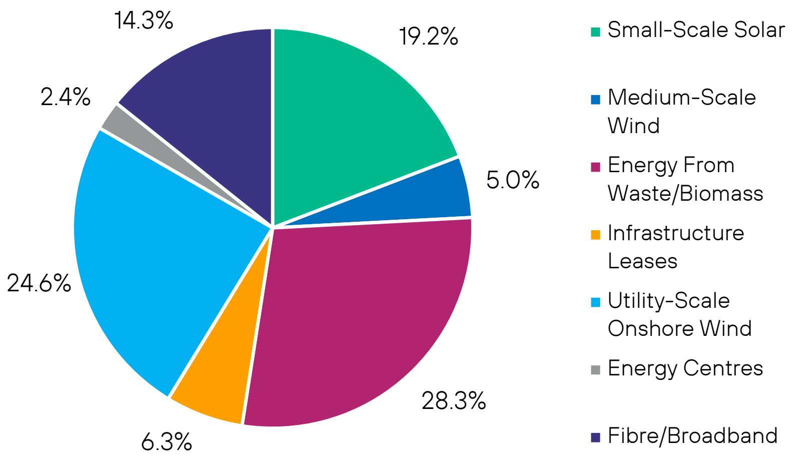
Page 106

Investment Performance to 30 June 2024

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	-4.3	-8.4	0.8	0.1
Benchmark / Target	2.8	11.4	9.0	7.9
Net Performance relative to Benchmark	-7.1	-19.3	-8.1	-7.3

Relative performance may not tie due to rounding

Portfolio Sector Breakdown as at 31 March 2024



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 March 2024. Biomass and Energy from Waste assets make up c. 28% of the portfolio.

Source: Northern Trust and Aviva Investors.

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. • Over the second quarter of 2024, Quinbrook issued one capital call notice : • A capital call of £1.2m for payment by 30 May 2024, drawn entirely for investments. • 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. 95% drawn.

Investment Performance to 30 June 2024

	Last Quarter (%)
Net of fees	-4.4
Benchmark / Target	1.6
Net performance relative to Benchmark	-6.1

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 15.03% since inception.

As at the 30th June 2026 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

- Fortress is an under construction 373 MW solar and up to 350 MW (150 MW currently planned) battery storage project located in Kent, south-east UK, and was the largest solar and battery storage project in UK history at the time of consent. A fifteen-year Contract for Difference ("CfD") has been secured by Fortress for the offtake of 35% of its generation, amounting to c. GBP 106 million (real January 2024) of CPI-linked revenue.
- A delay by the Original Equipment Manufacturer ("OEM") at the Thurso site is anticipated to push back COD to October 2024. The Manager is actively working to expedite this timeline, which remains ahead of the Pathfinder contract's longstop date.
- At Uskmouth, the construction is progressing on budget and schedule with the main plateau formation completed during the quarter. Civil works are now focused on constructing the BESS and Power Conversion System ("PCS") foundations, and associated ducting.
- In May, Uskmouth received a stage two offer for an additional 119.9 MW. Combined with the series of planning amendments to vary the layout to accommodate 349.99 MW, achieved in Q1'24, the project now has the required land, planning and grid to potentially offer a near-term extension to the current project.
- Habitat secured a further 10% increase in its contracted assets under management during Q2'24 after signing a 190 MW deal to optimise Acciona's BESS portfolio.
- Construction of the Thistle synchronous condenser portfolio advanced significantly during the quarter. Gretna, Rothienorman, and Neilston sites are progressing according to plan, with expected Commercial Operation Dates ("COD") between September 2024 and January 2025,
- Dawn a JDA with Energy Optimisation Solutions ("EOS") an originator of battery storage projects. The JDA provides the Fund with exclusive rights over 500 MW of development stage BESS projects located across the UK.

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	70.70
Pathfinder – Under Construction					
Thurso South	100%	Jul-21	Synchronous Condenser	Scotland	38.5
Rothienorman	100%	Jul-21	Synchronous Condenser	Scotland	37.6
Gretna	100%	Jul-22	Synchronous Condenser	Scotland	59.7
Neilston Grid Services	100%	Jul-22	Synchronous Condenser	Scotland	35.7
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	236.9
Battery Storage – Under Construction					
Uskmouth	100%	May-22	Battery Storage	Wales	28.1
Other					
Habitat	100%	Jul-21	Trading Platform	UK	60.4
Held at cost					
Dawn	100%	Mar-22	Battery Storage	UK	4.11
Teffont	100%	Apr-23	Battery Storage	UK	0.1
Total					**600.9**

Portfolio

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

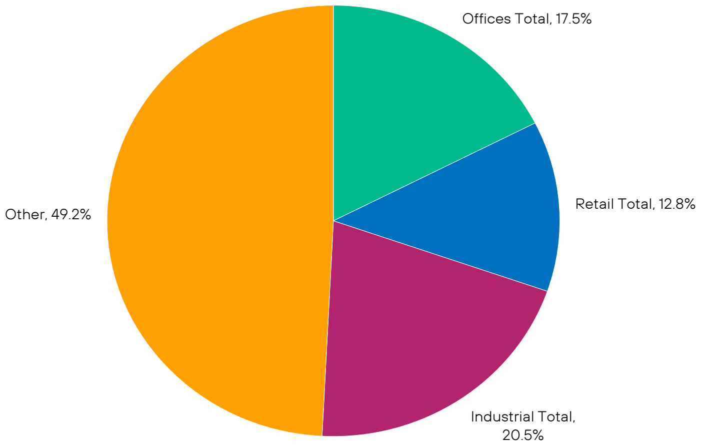
Source: Quinbrook.

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. • abrdn has realised collection rates of 100% for 2020, 2021, 2022, 2023. Q1 2024 and Q2 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.

Page 109

Portfolio Sector Breakdown at 31 March 2024



Investment Performance to 30 June 2024

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	0.2	-8.6	-7.5	-2.5
Benchmark / Target	-0.4	6.8	-6.1	-2.1
Net Performance relative to Benchmark	0.6	-14.9	-1.4	-0.4

Relative performance may not tie due to rounding

Top 10 Tenants (% of net rental income) as of 30 June 2024

Tenant	% Net Income	Credit Rating
Amazon UK Services Limited	6.9	AA
Marston's plc	6.6	BB
Viapath Services LLP	6.4	N/A
Premier Inn Hotels Limited	6.1	BBB
J Sainsbury plc	5.6	BB
Salford Villages Limited	5.1	A
QVC	5.0	BB
Park Holidays	4.7	Ground Rent (A)
Next Group plc	4.6	BBB
Poundland	4.4	Not available
Total	55.3*	

Fund Overview – 31 March 2024

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. 55.3% of the total net income of the Fund as at 30 June 2024.

The unexpired lease term as at 30 June 2024 stood at 26.2 years, an increase of 0.4 years since 31 March 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.

Note: At the time of writing Abrdn were unable to provide so this information at the most recent date.

Alpha Real Capital – Index Linked Income

Key area	Comments
Commentary	• The Index Linked Income Fund has delivered a negative return of 0.5% on a net of fees basis over the quarter to 30 June 2024, outperforming its long-dated inflation-linked gilts benchmark by 4.2% over the three-month period. • Alpha Real Capital has collected c. 100% of the Fund's Q2 2024 rental income. • The Index-Linked Income Fund consisted of 659 individual assets as at 30 June 2024. There includes one sale during the quarter.

Investment Performance to 30 June 2024

	Last Quarter (%)	One Year (%)
Net of fees	-0.5	-12.7
Benchmark / Target	-4.6	-9.0
Net performance relative to Benchmark	4.2	-3.7

Relative performance may not tie due to rounding

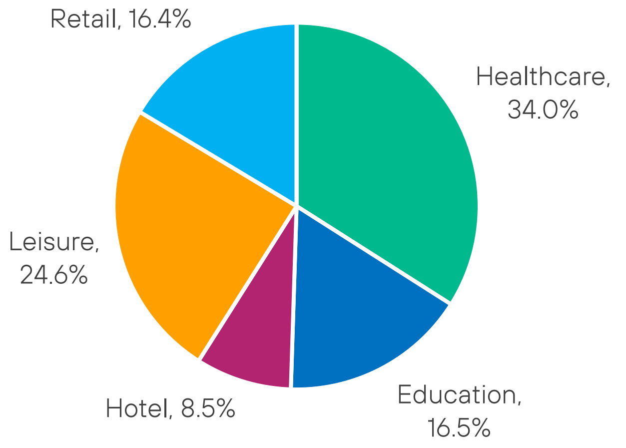
Alpha Real Capital was appointed to manage a ground rents mandate with the aim of outperforming the BoAML Long-Dated UK Inflation-Linked Gilts Index benchmark by 2.0% p.a. over a 5-year period. The manager has an annual management fee.

The average lease length stood at c. 145 years as at 30 June 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 30 June 2024 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 30 June 2024. The top 10 holdings in the Index Linked Income Fund accounted for c. 72.5% of the Fund as at 30 June 2024.

Portfolio Sector Breakdown at 30 June 2024



Top Ten Holdings by Value as 30 June 2024

Tenant	Value (%)	Credit Rating
Elysium Healthcare	12.1	A2
Dobbies	11.6	A3
Parkdean	10.5	A2
HC One	8.9	A2
PGL	6.2	Baa2
Away Resorts	6.0	A3
Busy Bees	5.5	A2
CareTech	4.1	A3
Leonardo hotels	3.9	A2
Marston's	3.7	Baa1
Total	72.5	

Source: Northern Trust and Alpha Real Capital.

Man GPM – Affordable Housing

Key area	Comments
Commentary	**Capital Calls and Distributions** • The Fund committed £30m to Man GPM in February 2021. • Man GPM issued one 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. • Following quarter end, Man GPM issued a one further draw down request for c.£1.2m for payment by 24 July 2024, funded from excess cash held in the Trustee bank account. Following payment of this post quarter end request the Fund's total commitment is c.84% drawn for investment. **Activity** • Having completed the strategy's eleventh investment, Man GPM has confirmed that no further investments will be added to the Community Housing Fund portfolio. • As at 31 December 2023, the Fund has contracted 1,295 homes and delivered 298 homes • An update on the Fund's investments in Grantham, Wellingborough and Saltdean can be found in the Private Appendix to this report.

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%		

Appendix 2
Yield Analysis

Manager	Asset Class	Yield as at end June 2024
LCIV Global Sustain	Global Equity	1.31%
LGIM MSCI Low Carbon	Global Equity	1.86%
Ruffer	Dynamic Asset Allocation	2.10%
LCIV Short B&M	Dynamic Asset Allocation	3.84%
LCIV Long B&M	Dynamic Asset Allocation	4.97%
Allspring Climate Transition B&M	Dynamic Asset Allocation	5.39%
Partners Group MAC	Secure Income	4.20%
abrdn MSPC Fund	Secure Income	4.99%
Oak Hill Advisors	Secure Income	7.60%
Aviva Investors	Secure Income	7.00%*
Standard Life Long Lease Property	Inflation Protection	4.96%
Alpha Real Capital	Inflation Protection	3.88%
	Total	2.81%

* As at 31 March 2024.

Page 114

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 – 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

- 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 Pension Fund and based on their specific facts and circumstances and pursuant to the terms of Isio Group Limited/Isio Services Limited's 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.
- Please note that Isio may have an ongoing relationship with various investment management organisations, some of which may be clients of Isio. This may include the London Borough of Hammersmith and Fulham Pension Fund's existing investment managers. Where this is the case, it does not impact on our objectivity in reviewing and recommending investment managers to our clients. We would be happy to discuss this further if required.
- In the United Kingdom, this report is intended solely for distribution to Professional Clients as defined by the Financial Conduct Authority's Conduct of Business Sourcebook. This report has not therefore been approved as a financial promotion under Section 21 of the Financial Services and Markets Act 2000 by an authorized person.
- The information contained within the report is available only to relevant persons, and any invitation, offer or agreement to purchase or otherwise acquire investments referred to within the report will be engaged in only with relevant persons. Any other person to whom this communication is directed, must not act upon it.
- Isio Services Limited is authorised and regulated by the Financial Conduct Authority FRN 922376.

Contacts

Emily McGuire
Partner
+44 (0)207 046 9997
emily.mcguire@isio.com

Andrew Singh
Associate Director
+44 (0)131 202 3916
andrew.singh@isio.com

Jonny Moore
Manager
+44 (0)131 222 2469
jonny.moore@isio.com

Craig Campbell
Assistant Consultant
+44 (0) 141 739 9141
craig.campbell@isio.com

Committee Report
Reporting Period: Q1 24/25
Pension Fund Current Account Cashflow Actuals and Forecast for period Apr - Jun-24

Appendix 3

Pension Fund Current Account Cashflow Actuals and Forecast for period Apr - Jun-24

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	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	**15,643**	**13,898**	**12,956**	**10,789**	**9,796**	**9,276**	**8,268**	**7,661**	**7,549**	**6,939**	**6,330**	**6,220**	**£000s**	**£000s**
Contributions	3,499	3,527	3,492	4,000	4,000	4,000	4,400	4,400	4,400	4,400	4,400	4,400	48,918	4,076
Pensions	(3,410)	(3,556)	(3,512)	(3,493)	(3,520)	(3,508)	(3,507)	(3,512)	(3,509)	(3,509)	(3,510)	(3,510)	(42,057)	(3,505)
Lump Sums	(1,349)	(1,277)	(1,721)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(11,548)	(962)
Net TVs in/(out)	(32)	286	(223)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(2,669)	(222)
Net Expenses/other transactions	(452)	(706)	(468)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(5,226)	(436)
Net Cash Surplus/(Deficit)	**(1,745)**	**(1,727)**	**(2,432)**	**(993)**	**(1,020)**	**(1,008)**	**(607)**	**(612)**	**(609)**	**(609)**	**(610)**	**(610)**	**(12,582)**	**(1,049)**
Distributions		785	265		500			500			500		2,550	510
Net Cash Surplus/(Deficit) including investment income	**(1,745)**	**(942)**	**(2,167)**	**(993)**	**(520)**	**(1,008)**	**(607)**	**(112)**	**(609)**	**(609)**	**(110)**	**(610)**	**(10,033)**	**(836)**
Transfers (to)/from Custody Cash														
Balance c/f	**13,898**	**12,956**	**10,789**	**9,796**	**9,276**	**8,268**	**7,661**	**7,549**	**6,939**	**6,330**	**6,220**	**5,610**	**105,292**	**(836)**

Current account cashflow actuals compared to forecast in Apr - Jun-24

	Apr-24		May-24		Jun-24		Apr - Jun-24
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Contributions	6,000	3,499	5,000	3,527	5,000	3,492	(5,482)
Pensions	(6,957)	(3,410)	(6,533)	(3,556)	(6,609)	(3,512)	9,621
Lump Sums	(600)	(1,349)	(600)	(1,277)	(600)	(1,721)	(2,548)
Net TVs in/(out)	(300)	(32)	(300)	286	(300)	(223)	931
Expenses/other transactions	(200)	(452)	(200)	(706)	(200)	(468)	(1,026)
Distributions			897	785	400	265	(247)
Transfers (to)/from Custody Cash							
Total	**(2,057)**	**(1,745)**	**(1,736)**	**(942)**	**(2,309)**	**(2,167)**	**1,248**

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

Pension Fund Custody Invested Cashflow Actuals and Forecast for period Apr - Jun-24

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	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	**7,253**	**6,662**	**4,857**	**5,516**	**5,525**	**8,784**	**8,793**	**17,502**	**21,511**	**19,020**	**19,029**	**23,038**	**£000s**	**£000s**
Sale of Assets							10,000						10,000	2,500
Purchase of Assets	(606)	(1,828)	(629)		(750)		(1,300)		(2,500)			(2,500)	(10,113)	(1,445)
Net Capital Cashflows	**(606)**	**(1,828)**	**(629)**		**(750)**		**8,700**		**(2,500)**			**(2,500)**	**(113)**	**(9)**
Distributions			1,262		4,000			4,000			4,000		13,262	1,474
Interest	18	24	26	10	10	10	10	10	10	10	10	10	159	13
Management Expenses														
Foreign Exchange Gains/Losses	(2)	(2)		(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(12)	(1)
Class Actions														
Other Transactions														
Net Revenue Cashflows	**16**	**22**	**1,288**	**9**	**4,009**	**9**	**9**	**4,009**	**9**	**9**	**4,009**	**9**	**13,408**	**1,117**
Net Cash Surplus/(Deficit) excluding withdrawals	**(590)**	**(1,806)**	**659**	**9**	**3,259**	**9**	**8,709**	**4,009**	**(2,491)**	**9**	**4,009**	**(2,491)**	**13,295**	**1,108**
Contributions to Custody Cash														
Withdrawals from Custody Cash														
Balance c/f	**6,662**	**4,857**	**5,516**	**5,525**	**8,784**	**8,793**	**17,502**	**21,511**	**19,020**	**19,029**	**23,038**	**20,547**	**13,295**	**1,108**

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** 1) Continued dialogue with investment managers regarding management of political risk in global developed markets. 2) Investment strategy integrates portfolio diversification and risk management. 3) The Fund alongside its investment consultant continually reviews its investment strategy in different asset classes.	3	**30**	30/06/2024
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** 1) Cashflow forecast maintained and monitored. Cashflow position reported to sub-committee quarterly. 2) The Fund receives quarterly income distributions from some of its investments to help meet its short term pensions obligations. 3) The fund will review the income it receives from underlying investments and make suitable investments to meet its target income requirements.	2	**24**	30/06/2024
Asset and Investment Risk	3	The London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious.	**TORELATE** 1) Partners for the pool have similar expertise and like-mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. 2) Monitor the ongoing fund and pool proposals are comprehensive and meet government objectives. 3)Fund representation on key officer groups. 4) Ongoing Shareholder Issue remains a threat 5) LCIV CIO Aoifinn Devitt has resigned in Q2 2024	2	**20**	30/06/2024
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** 1) The Investment Management Agreements (IMAs)clearly state LBHF's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. Outperformance for the year is 3% 3) The Pension Fund Committee is positioned to move quickly if it is felt that targets will not be achieved. 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.	2	**20**	30/06/2024
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** 1) Proportion of total asset allocation made up of equities, fixed income, property funds and other alternative asset funds, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Actuarial valuation and strategy review take place every three years post the actuarial valuation. 4) IAS19 data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data.	2	**20**	30/06/2024
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** 1) Officers consult and engage with DLUHC, LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Uncertainty surrounding new DLUHC guidance	3	**18**	30/06/2024
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** 1) Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work carried out by the London CIV. 2) Officers continue to monitor the ongoing staffing issues and the quality of the performance reporting provided by the London CIV.	2	**16**	30/06/2024
Liability Risk	8	Impact of economic and political decisions on the Pension Fund's employer workforce.	**TOLERATE** 1) The Fund Actuary uses prudent assumptions on future of employees within workforce. 2) Employer responsibility to flag up potential for major bulk transfers outside of the LBHF Fund. 3) Officers to monitor the potential for a significant reduction in the workforce as a result of the public sector financial pressures.	2	**16**	30/06/2024
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** 1) Officers regularly receive updates on the latest ESG policy developments from the fund managers. 2) The Pensions Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which engages with companies on a variety of ESG issues including climate change.	2	**12**	30/06/2024

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. 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** 1) Review ISS in relation to published best practice (e.g. Stewardship Code, Responsible Investment Statement) 2) The Fund currently holds investments all it passive equities in a low carbon tracker fund, and is invested in renewable infrastructure. 3) The Fund's actively invests in companies that are contributing to global sustainability through its Global Core Equity investment 4) The Fund has updated its ESG Policy and continues to review its Responsible Investment Policy 5) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors. 6) Officers attend training sessions on ESG and TCFD requirements.	2	**18**	30/06/2024
Asset and Investment Risk	11	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	**TREAT** 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Officers, alongside the Fund's advisor, set fund specific benchmarks relevant to the current position of fund liabilities. 3) Fund manager targets set and based on market benchmarks or absolute return measures.	1	**11**	30/06/2024
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** 1) At time of appointment, the Fund ensures advisers have appropriate professional qualifications and quality assurance procedures in place. 2) Committee and officers scrutinise, and challenge advice provided routinely.	1	**10**	30/06/2024
Asset and Investment Risk	13	Financial failure of third party supplier results in service impairment and financial loss.	**TREAT** 1) Performance of third party suppliers regularly monitored. 2) Regular meetings and conversations with global custodian (Northern Trust) take place. 3) Actuarial and investment consultancies are provided by two different providers.	1	**10**	30/06/2024
Asset and Investment Risk	14	Failure of global custodian or counterparty.	**TREAT** 1)At time of appointment, ensure assets are separately registered and segregated by owner. 2)Review of internal control reports on an annual basis. 3)Credit rating kept under review.	1	**10**	30/06/2024
Asset and Investment Risk	15	Financial failure of a fund manager leads to value reduction, increased costs and impairment.	**TREAT** 1) Adequate contract management and review activities are in place. 2) Fund has processes in place to appoint alternative suppliers at similar price, in the event of a failure. 3) Fund commissions the services of Legal & General Investment Management (LGIM) as transition manager. 4) Fund has the services of the London CIV.	1	**10**	30/06/2024
Liability Risk	16	Failure to identify GMP liability leads to ongoing costs for the pension fund.	**TREAT** 1) GMP to be identified as a Project as part of the Service Specification between the Fund and LPPA.	1	**6**	30/06/2024
Liability Risk	17	Rise in ill health retirements impact employer organisations.	**TREAT** 1) Engage with actuary re assumptions in contribution rates.	1	**5**	30/06/2024
Liability Risk	18	Rise in discretionary ill-health retirements claims adversely affecting self-insurance costs.	**TREAT** 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations.	1	**5**	30/06/2024
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%. Inflation continues to rise in the UK and globally due to labour shortages, supply chain issues, and high energy prices.	**TREAT** 1) The fund holds investments in index-linked bonds (RPI protection which is higher than CPI) and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection. 2) Officers continue to monitor the increases in CPI inflation on an ongoing basis. 3) Short term inflation is expected due to a number of reasons on current course.	3	**30**	30/06/2024
Liability Risk	20	Scheme members live longer than expected leading to higher than expected liabilities.	**TOLERATE** 1)The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. 2)The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.	2	**22**	30/06/2024
Liability Risk	21	Employee pay increases are significantly more than anticipated for employers within the Fund. Persistently high inflation will potentially lead to unexpectedly high pay awards.	**TOLERATE** 1) Fund employers continue to monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 3) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014). 4) Pay rises generally remain below inflation.	2	**20**	30/06/2024
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** 1) Review "budgets" at each triennial valuation and challenge actuary as required. 2) Charge capital cost of ill health retirements to admitted bodies at the time of occurring. 3) Occupational health services provided by the Council and other large employers to address potential ill health issues early.	2	**14**	30/06/2024
Liability Risk	23	Impact of increases to employer contributions following the actuarial valuation.	**TREAT** 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will stabilise employer rates when valuation concludes March 2023.	1	**13**	30/06/2024

Regulatory and Compliance Risk	24	Changes to LGPS Regulations	**TREAT** 1) Fundamental change to LGPS Regulations implemented from 1 April 2014 (change from final salary to CARE scheme). 2) Future impacts on employer contributions and cash flows will considered during the 2019 actuarial valuation process. 3) Fund will respond to several ongoing consultation processes. 4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulations 8 (compulsory pooling) to be monitored.	2	**12**	30/06/2024
Liability Risk	25	Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	**TOLERATE** 1) Political power required to effect the change.	1	**10**	30/06/2024
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** 1) Monitor numbers and values of transfers out being processed. If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values. 2) Evidence has shown that members have not been transferring out of the CARE scheme at the previously anticipated rates.	1	**10**	30/06/2024
Liability Risk	27	Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	**TREAT** 1) Review maturity of scheme at each triennial valuation. 2)Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions. 3) Cashflow position monitored monthly.	1	**9**	30/06/2024
Liability Risk	28	The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	**TREAT** 1) Review at each triennial valuation and challenge actuary as required. 2) Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	2	**14**	30/06/2024
Regulatory and Compliance Risk	29	Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	**TREAT** 1) Maintain links with central government and national bodies to keep abreast of national issues. 2)Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	**7**	30/06/2024
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** 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	2	**18**	30/06/2024
Employer Risk	31	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others. Current economic conditions will cause strain on smaller employers.	**TREAT** 1) Transferee admission bodies required to have bonds in place at time of signing the admission agreement. 2) Regular monitoring of employers and follow up of expiring bonds.	1	**11**	30/06/2024
Resource and Skill Risk	32	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	**TREAT** 1) Change to LPPA has increased resilience in the administration service 2) Ongoing monitoring of contract and KPIs	2	**14**	30/06/2024
Resource and Skill Risk	33	Poor reconciliation process leads to incorrect contributions.	**TREAT** 1) Reconciliation is undertaken by the pension fund team. Officers to ensure that reconciliation process notes are understood and applied correctly the team. 2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process.	2	**8**	30/06/2024
Resource and Skill Risk	34	Failure to detect material errors in bank reconciliation process.	**TREAT** 1) Pensions team to continue to work closely with staff at HCC to smooth over any teething problems relating to the newly agreed reconciliation process.	1	**6**	30/06/2024
Resource and Skill Risk	35	Failure to pay pension benefits accurately leading to under or over payments.	**TREAT** 1) There are occasional circumstances where under/over payments are identified. Where underpayments occur, arrears are paid as soon as possible, usually in the next monthly pension payment. Where an overpayment occurs, the member is contacted, and the pension corrected in the next month. Repayment is requested and sometimes this is collected over several months.	1	**6**	30/06/2024
Resource and Skill Risk	36	Unstructured training leads to under developed workforce resulting in inefficiency.	**TREAT** 1) Implementation and monitoring of a Staff Training and Competency Plan as part of the Service Specification between the Fund and LPPA. 2) Officers regularly attend training seminars and conferences 3) Designated officer in place to record and organise training sessions for officers and members	1	**6**	30/06/2024
Resource and Skill Risk	37	Lack of guidance and process notes leads to inefficiency and errors.	**TREAT** 1) The team will continue to ensure process notes are updated and circulated amongst colleagues in the Pension Fund and Administration teams.	1	**5**	30/06/2024
Resource and Skill Risk	38	Lack of productivity leads to impaired performance.	**TREAT** 1) Regular appraisals with focused objectives for pension fund and admin staff.	1	**5**	30/06/2024

Resource and Skill Risk	39	Failure by the audit committee to perform its governance, assurance and risk management duties	TREAT 1) Audit Committee performs a statutory requirement for the Pension Fund with the Pension Fund Committee being a sub-committee of the audit committee. 2) Audit Committee meets regularly where governance issues are regularly tabled.	2	**12**	30/06/2024
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** 1) Person specifications are used at recruitment to appoint officers with relevant skills and experience. 2) Training plans are in place for all officers as part of the performance appraisal arrangements. 3) Shared service nature of the pensions team provides resilience and sharing of knowledge. 4) Officers maintain their CPD by attending training events and conferences.	1	**10**	30/06/2024
Resource and Skill Risk	41	Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	**TREAT** 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval) 2) Comprehensive training packages will be offered to members. 3) Co-opted members boost resilience.	2	**18**	30/06/2024
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** 1)Keep quantitative and qualitative requirements under review to ensure that they continue to meet the requirements. 2)Training programme and log are in place to ensure knowledge and understanding is kept up to date. Two half day events have taken place in 22/23 and a third will take place before the end of March 2023. 3)Existing and new Officer appointments subject to requirements for professional qualifications and CPD.	1	**8**	30/06/2024
Resource and Skill Risk	43	Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding	**TREAT** 1) Succession planning processes are in place. 2) Ongoing training of Pension Fund Committee members. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.	1	**5**	30/06/2024
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** 1) A task force of key stakeholders has been assembled. Officers to feed into the internal processes necessary for the setup of an effective retained pensions team 2) Recruitment is almost complete for the retained team 3) Officers have received handover pack from the departing RBKC retained pensions team. 4) Members have chosen the new service provider as the London Pensions Partnership, with a project team established to manage the transition, which has almost fully completed. 5) A number of staff have been recruited with few posts unfilled.	2	**20**	30/06/2024
Administrative and Communicative Risk	45	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** 1) Contract monitoring in place with all providers. 2) Procurement team send alerts whenever credit scoring for any provider changes for follow up action. 3). Officers to take advice from the investment advisor on fund manager ratings and monitoring investment	2	**18**	30/06/2024
Administrative and Communicative Risk	46	Concentration of knowledge in a small number of officers and risk of departure of key staff.	**TREAT** 1) Process notes are in place. 2) Development of team members and succession planning improvements to be implemented. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs.	2	**14**	30/06/2024
Administrative and Communicative Risk	47	Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	**TREAT** 1) Update and enforce admin strategy to assure employer reporting compliance. **TOLERATE** 1) Northern Trust provides 3rd party validation of performance and valuation data. Admin team and members can interrogate data to ensure accuracy.	1	**11**	30/06/2024
Administrative and Communicative Risk	48	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** 1) Contract in place with HCC to provide service, enabling smooth processing of supplier payments. 2) Process in place for LPPA to generate lump sum payments to members as they are due. 3) Officers undertaking additional testing and reconciliation work to verify accounting transactions.	1	**8**	30/06/2024
Administrative and Communicative Risk	49	Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	**TREAT** 1) Disaster recovery plan in place as part of the service specification between the Fund and new provider LPPA 2) Ensure system security and data security is in place 3) Business continuity plans regularly reviewed, communicated and tested 4) Internal control mechanisms ensure safe custody and security of LGPS assets. 5) Gain assurance from the Fund's custodian, Northern Trust, regarding their cyber security compliance.	1	**8**	30/06/2024

Administrative and Communicative Risk	50	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	**TREAT** 1) In the event of a pension payroll failure, we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers.	1	**7**	30/06/2024
Administrative and Communicative Risk	51	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	**TREAT** 1) Pension administration records are stored on the LPPA servers who have a disaster recovery system in place and records should be restored within 24 hours of any issue. 2) All files are backed up daily.	2	**6**	30/06/2024
Regulatory and Compliance Risk	52	Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation.	**TREAT** 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2) LBHF IT data security policy adhered to. 3) Implementation of GDPR 4) Project team in place to ensure smooth transition	1	**11**	30/06/2024
Regulatory and Compliance Risk	53	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** 1) Ensure that a cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	**9**	30/06/2024
Reputational Risk	54	Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	**TREAT** 1) Third parties regulated by the FCA and separation of duties and independent reconciliation processes are in place. 2) Review of third party internal control reports. 3) Regular reconciliations of pensions payments undertaken by Pension Finance Team. 4) Periodic internal audits of Pensions Finance and HR Teams.	1	**10**	30/06/2024
Reputational Risk	55	Financial loss of cash investments from fraudulent activity	**TREAT** 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. 2) Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal audit assist in the implementation of strong internal controls. Processes recently firmed up 3)Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	**11**	30/06/2024
Reputational Risk	56	Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	**TREAT** 1) Officers maintain knowledge of legal framework for routine decisions. 2)Eversheds retained for consultation on non-routine matters.	1	**11**	30/06/2024
Reputational Risk	57	Inaccurate information in public domain leads to damage to reputation and loss of confidence	**TREAT** 1) Ensure that all requests for information (Freedom of Information, member and public questions at Council, etc) are managed appropriately and that Part 2 Exempt items remain so. 2) Maintain constructive relationships with employer bodies to ensure that news is well managed.	2	**10**	30/06/2024
Reputational Risk	58	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** 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process. 2) Pooled funds are not subject to OJEU rules.	1	**7**	30/06/2024
Regulatory and Compliance Risk	59	Non-compliance with regulation changes relating to the pension scheme or data protection leads to fines, penalties and damage to reputation.	**TREAT** 1) The Fund has generally good internal controls regarding the management of the Fund. These controls are assessed on an annual basis by internal and external audit as well as council officers. 2) Through strong governance arrangements and the active reporting of issues, the Fund will seek to report all breaches as soon as they occur in order to allow mitigating actions to take place to limit the impact of any breaches.	1	**8**	30/06/2024
Regulatory and Compliance Risk	60	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests	**TREAT** 1) Publication of all documents on external website. 2) Officers expected to comply with ISS and investment manager agreements. 3) Local Pension Board is an independent scrutiny and assistance function. 4) Annual audit reviews.	1	**10**	30/06/2024