

# Pension Fund Committee

## Agenda

Wednesday 25 June 2025 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 Laura Janes Councillor Adam Peter Lang Councillor Lydia Paynter	Councillor Adrian Pascu-Tulbure
Co-optee	
Michael Adam Peter Parkin	

**CONTACT OFFICER:** Liam Oliff  
Committee Coordinator  
Governance and Scrutiny  
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Members of the public are welcome to attend and the building has disabled access.

Date Issued: 17 June 2025

# **Pension Fund Committee Agenda**

<b><u>Item</u></b>	<b><u>Pages</u></b>
<b>1. APPOINTMENT OF VICE-CHAIR</b> To appoint a Vice-Chair for the 2025/26 Municipal Year.	
<b>2. APPOINTMENT OF CO-OPTED MEMBERS</b> The Committee is asked to appoint Michael Adam and Peter Parkin as non-voting co-opted members for the 2025/26 Municipal Year.	
<b>3. APOLOGIES FOR ABSENCE</b>	
<b>4. DECLARATIONS OF INTEREST</b>	
<b>5. MINUTES OF THE PREVIOUS MEETING</b> To approve the open and exempt minutes of the meeting held on 13th May 2025.  This item includes appendices that contain exempt information. Discussion of the appendices will require passing the proposed resolution at the end of the agenda to exclude members of the public and press.	5 - 10
<b>6. ABERDEEN MULTI SECTOR PRIVATE CREDIT</b> This item provides the Pension Fund Committee with an opportunity to discuss the London Borough of Hammersmith and Fulham Pension Fund's allocation to Aberdeen Multi Sector Private Credit portfolio with representatives from the Fund manager.  This item includes appendices that contain exempt information. Discussion of the appendices will require passing the proposed resolution at the end of the agenda to exclude members of the public and press.	11 - 12
<b>7. DARWIN LEISURE DEVELOPMENT FUND UPDATE</b> This item provides the Pension Fund committee with an opportunity to discuss the LBHF Pension Fund's allocation to the Darwin Leisure Development Fund with representatives from the fund manager.  This item includes a presentation which may contain exempt information. Discussion of exempt information will require passing the proposed resolution at the end of the agenda to exclude members of the public and press.	13 - 14

<b>8.</b>	<b>KEY PERFORMANCE INDICATORS</b>	15 - 31
	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.	
<b>9.</b>	<b>PENSION ADMINISTRATION UPDATE</b>	32 - 36
	This paper provides a summary of activity in key areas of pension administration for the Hammersmith and Fulham Pension Fund (HFPP).	
<b>10.</b>	<b>DRAFT ANNUAL ACCOUNTS 2024-25</b>	37 - 60
	This paper sets out the draft Pension Fund Statement of Accounts for the year ended 31 March 2025.	
<b>11.</b>	<b>LCIV REGULATORY CAPITAL</b>	61 - 62
	This item seeks Pension Fund Committee approval for the payment of £70,312 in respect of a pro rata subscription for 70,312 B Shares in London LGPS CIV Limited ("London CIV"), as required to support the company's regulatory capital requirements.	
<b>12.</b>	<b>PENSION FUND QUARTERLY UPDATE Q1 2025</b>	63 - 144
	This paper sets out a summary of the Pension Fund's, overall performance for the quarter ended 31 March 2025, a cashflow update and forecast and an assessment of risks and actions taken to mitigate these.	
	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.	
<b>13.</b>	<b>EXCLUSION OF THE PUBLIC AND PRESS</b>	
	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 13 May 2025

### **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

**Officers:** Eleanor Dennis (Head of Pensions), David Hughes (Director of Audit, Fraud, Risk and Insurance) and Liam Oliff (Committee Coordinator)

### **LPPA:**

John Crowhurst  
Chris Batts

### **1. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

### **2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

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

#### **RESOLVED**

That the open and exempt minutes of the meetings held on 5th March 2025 were approved

### **4. KEY PERFORMANCE INDICATORS**

Eleanor Dennis (Head of Pensions) introduced the report which covered the performance of the Council's administration partner Local Pensions Partnership Administration (LPPA) over Q1 for the period January – March 2025. During the Q4 period, 1563 cases were processed by LPPA, compared with 1488 in Q3 and 1582 cases in Q2. The overall quarterly KPI performance in Q4 was 98.7% up from 98.1% in Q3 and continuing the upward trend throughout the year 2024/25 with 97.7% in Q2, and 97.5% in Q1, showing LPPA's continuous improvement throughout the scheme year. Performance above target was achieved in 100% of all case types in Q4 and Q3. There had been an increase in calls received by the LPPA, this was typical for

January as it was the post-holiday period and there were more bereavement cases in the winter. There had been a drop in calls over 12 months of 11%, this was not consistent with other pensions schemes such as Police and Fire. The LPPA had established an internal 'Complaints Board', the results of the initial work of this would be communicated to the Committee in July.

Councillor Adam Peter Lang asked whether there was more the Committee could do to support the LPPA in their work. John Crowhurst (LPPA representative) stated that information flow and accurate data were key from fund employers and that LBHF (London Borough of Hammersmith and Fulham) had engaged with the monthly returns process. He added that good support was received from Eleanor Dennis and the Pensions Team at LBHF.

Councillor Adam Peter Lang sought more clarity on the complaints board being set up by LPPA and what its remit would be. John Crowhurst explained that the board would do a deep dive into a complaint, would look at why they had received that complaint, how it was resolved and then the board would produce an action plan to see where the response to the complaint could be improved.

The Chair questioned how the current 96% figure of response from employers, compared to previous positions. Eleanor Dennis clarified that this was a much better position, this was due to implementing a financial penalty if employers did not submit data on time as well as there now being a monthly returns process rather than annual.

Peter Parkin (Co-Opted Member) asked what typically slowed the payment process down and what the obstacles were for members to receive timely payments. John Crowhurst mentioned that often if a member did not receive their payment on time, it was because they had not submitted their notification of retirement on time to LPPA. He added that 27% of members had not received their payments on time and that this was being looked into.

## **RESOLVED**

The Pension Fund Committee noted the report.

## **5. PENSIONS ADMINISTRATION UPDATE**

Eleanor Dennis (Head of Pensions) introduced the report which covered a summary of activity in key areas of pension administration for the Council's Pension Fund. LPPA had partnered with another organisation to perform data validation checks, 460 in total. In preparation for the Pension dashboard readiness in October 2025, LPPA were implementing more automated processes. Currently processes were often delayed due to missing records and officers would have to go through and check every record, but now this would be done automatically in most cases. He explained the four key stages to the retirement process, the leaver notification, the quotation, member forms and then the payment stage. There were delays at each stage for a number of reasons, this could be a late notification from a member, poor data quality also led to delays. Online retirement forms had been looked at as errors on the forms caused delay. Automation was being tested at the payment stage to

check whether the bank details given linked to a genuine account and matched the name of the member.

Councillor Florian Chevoppe-Verdier thanked officers for their work and commented that the waiting time for members was an important metric. He asked whether there was a preview for Q1 2025 regarding the number of calls. Eleanor Dennis explained that the performance was likely to be challenged due to the continuing heavy legislative agenda on pensions. Which was prompting more members to call and ask questions. It was positive to see LPPA try to implement more automation to try to minimise the impact on resources and make processes more efficient. She added that it would be no surprise if the number of calls to the helpdesk rose.

Councillor Florian Chevoppe-Verdier questioned whether the new dashboard would provide LBHF data that the Committee could see live. John Crowhurst confirmed that this would not be the case but that there would be monthly and quarterly reports.

Councillor Florian Chevoppe-Verdier mentioned that he often asked about the level of support being provided by LBHF to the LPPA and he would be told it was a high level of support, he asked whether the situation was still the same. Eleanor Dennis explained that there was a stabilising in the number of cases but not in the extent of which the LBHF team are involved. She gave examples of retirement and bereavement cases that needed involvement by the LBHF pensions team and that hadn't been dealt with as proactively as they could be. She commented that the number of cases had plateaued but that the level of involvement from the Pensions team was higher than it should be.

Councillor Florian Chevoppe-Verdier asked whether there was data regarding what percentage of members were using the online routes for their pension. Chris Batts (LPPA representative) told the Committee that he did not have that data to hand, but that he would provide it after the meeting. The Chair commented that it would be very interesting for the committee to see this data.

### **Action: LPPA**

Peter Parkin questioned whether members would still be able to speak to a person once the LPPA had completed their automation strategies. Chris Batts clarified that Digital was to be the preference but that it was not the only way. Members still had a phone number and a contact form they could use to get through to a person. He added that some processes couldn't be fully automated.

Peter Parkin queried what would happen if a member was not able to advocate for themselves, could they have designated individual to help. Chris Batts confirmed that there were processes in place for this.

David Hughes, (Director of Audit, Fraud, Risk and Insurance), wondered how the new dashboard would improve members experience when they had lots

of different pensions. Chris Batts explained that the dashboard would provide contact routes for all different schemes.

### **RESOLVED**

The Pension Fund Committee noted the contents of the report.

## **6. DISCRETIONS POLICY**

Eleanor Dennis introduced the report which detailed why there is a requirement for a discretions policy for the Hammersmith & Fulham Pension Fund and detailed key amendments such as the discretion for members with less than 12 months to live. Appendix 1 detailed the revised policy. The report recommended that the Pension Fund Committee approved the revised discretions policy, as set out in the Appendix 1 to this report, for the Hammersmith & Fulham Pension Fund. Approval and implementation fulfilled the Council's obligations under the Local Government Pension Scheme Regulations 2013. Once approved, the next steps would be to publish the revised policy and circulate it to the employers.

The Chair commented that the Committee had been supportive of similar changes in the past.

### **RESOLVED**

The Committee approved the revised 2025 discretions policy for the Hammersmith & Fulham Pension Fund.

## **7. PENSION ADMINISTRATION BUDGET**

Eleanor Dennis introduced this report which set out the 2025/2026 budget proposal for the London Borough of Hammersmith & Fulham pension fund pension administration services provided by LPPA. The Pension Fund Committee was asked to consider the contents of this report and the contents of exempt Appendix 1 and 2 and make a decision, the recommendation was for the Fund to pay the increased budget costs for 25/26.

### **RESOLVED**

The Pension Fund Committee agreed the increased pension administration costs for services provided by LPPA and approved the increased budget as set out in the exempt appendices.

*The rest of the discussion of this item took place in exempt session.*

## **8. CYBER SECURITY POLICY**

Eleanor Dennis introduced this paper which set out the new cyber security policy for the London Borough of Hammersmith & Fulham, it outlined roles and responsibilities in the event of data breaches by the Funds pension administration provider LPPA. There was a Data breach in October 2024 and the actions following this were not as efficient as they could have been.



Councillor Adam Peter Lang sought reassurance that that new policy had the capacity to deal with any future breaches. Eleanor Dennis reassured the Committee that the new policy had plugged an identified gap in the policy regarding pensions.

Councillor Laura Janes mentioned that the breach was from LPPAs side and questioned whether the new policy was workable for the LPPA. Eleanor Dennis explained that the policy was in line with what was already in place in terms of ICO guidelines, but the defined policy had been created to allow LBHF to hold LPPA to account. She added that the policy had been through approval in multiple teams at LBHF but that they were awaiting feedback from LPPA.

Councillor Laura Janes asked how the changes to the policy would be communicated to the members of the pension fund. Eleanor Dennis told the Committee that these changes would not be circulated but that the website would say that the policy was in line with ICO regulations and would let members know the process if there was a breach.

#### **RESOLVED**

That the Pension Fund Committee approved the draft policy and delegated finalising the policy to the Head of Pensions.

### **9. PENSION OPERATIONS RISK REGISTER**

Eleanor Dennis introduced this paper which set out the pension operational risks for the Hammersmith & Fulham Pension Fund. The key risks included the in-house pension team provision and the risk of not having the right infrastructure to put processes in place. Data retention was mentioned as pensions worked on a long-term data set to remain compliant, payment platforms needed to have access to past payroll data, constant changes to payroll data meant a high cost to the pensions team to remain compliant. As well as the absence of a cyber security policy for the Fund, until the draft version discussed in item 8 was put in place.

The Chair commented that the Committee were aware that they needed to support the pensions team where possible.

#### **RESOLVED**

That the Pension Fund Committee noted the contents of the report.

### **10. PENSION FUND CESSATIONS**

Eleanor Dennis introduced the report which outlined that one fund employer had ceased in the Fund with a surplus. The Committee were being asked to agree the recommendation to pay a surplus in line with the recommendation.

The Chair commented that this was in line with previous cessations agreed by the Committee.

#### **RESOLVED**

The Committee approved the recommendation to approve the payment of a surplus to Mitie.

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

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

Meeting started: 7.04 pm  
Meeting ended: 8.49 pm

Chair .....

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

**Report to:** Pension Fund Committee

**Date:** 25 June 2025

**Subject:** Aberdeen Multi Sector Private Credit

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

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

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### SUMMARY

This item provides the Pension Fund Committee with an opportunity to discuss the London Borough of Hammersmith and Fulham Pension Fund's allocation to Aberdeen Multi Sector Private Credit portfolio with representatives from the Fund manager.

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### RECOMMENDATIONS

The Pension Fund Committee is recommended to discuss the allocation to the Aberdeen Multi Sector Private Credit Portfolio with a view deciding whether to continue with the investment.

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**Wards Affected:** None.

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

### Financial Impact

None.

### Legal Implications

None.

## **OVERVIEW**

- 1.1 The Aberdeen MSPC Fund is a diversified private credit vehicle that invests across three core areas: infrastructure debt, real estate debt, and corporate debt, including leveraged loans and private placements.
- 1.2 The fund primarily targets Investment Grade credit (with an average rating around BBB) and includes a mix of fixed and floating rate instruments, with an expected duration of approximately four years. It operates as an evergreen fund, allowing for quarterly subscriptions and redemptions, with redemptions requiring 185 days notice.
- 1.3 Recently, the fund was gated in advance of the 1 October 2025 dealing date, triggered by redemptions exceeding 10% of NAV over the prior 12 months. This gating followed the full withdrawal of investments by three corporate DB pension schemes. Aberdeen has clarified that these redemptions were driven by changes in the investors' strategies, not due to concerns about the fund's performance or Aberdeen's overall health.
- 1.4 Following the gating of the fund, Aberdeen has proposed revisions to the fund's investment guidelines, as detailed in the Fund Manager's presentation provided in Appendix 2. Please note this appendix is restricted and not for discussion in the public session.
- 1.5 Based on assessments by both fund officers and Isio, the proposed changes constitute a shift from the original investment mandate. In the current market environment, raising capital for a strategy of this nature remains challenging. Additionally, officers are mindful of the regulatory momentum toward transitioning LGPS assets into pools in the short to medium term.
- 1.6 Isio's advice is set out in Appendix 1, and officers concur with the recommendation provided. Both the appendix and the discussion regarding the future of this investment within the LBHF portfolio are to be addressed during the exempt session of the Pension Fund committee meeting.

## **List of Appendices**

Appendix 1: Aberdeen MSPC Fund Guideline Change (May 2025) [EXEMPT]

Appendix 2: Update on the Multi-Sector Private Credit Fund from Aberdeen Investments June 2025 [EXEMPT]

**Report to:** Pension Fund Committee

**Date:** 25 June 2025

**Subject:** Darwin Leisure Development Fund Update

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

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

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### SUMMARY

This item provides the Pension Fund committee with an opportunity to discuss the LBHF Pension Fund's allocation to the Darwin Leisure Development Fund with representatives from the fund manager.

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### RECOMMENDATIONS

The Pension Fund committee is recommended to discuss the allocation to the Darwin Leisure Development Fund with the fund manager representatives.

**Wards Affected:** None.

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

### Financial Impact

None

### Legal Implications

None

### OVERVIEW

## **LONDON BOROUGH OF HAMMERSMITH & FULHAM**

- 1.1 On 10 October 2024, Darwin notified investors of a downward revision to its projected net asset value (NAV) within the Leisure Development Fund.
- 1.2 This revision led to a significant 25% decrease in the Fund's NAV during Q3 2024.
- 1.3 Darwin values the Fund's assets using a ten-year discounted cash flow (DCF) model, applying a weighted average cost of capital (WACC) that is independently reviewed by Evelyn Partners LLP.
- 1.4 When this update was presented at the Pension Fund committee meeting on 15 November 2024, members stressed the importance of maintaining close oversight of the Darwin investment and requested further analysis.
- 1.5 A comprehensive review of the Darwin investment was provided in an exempt appendix at the Pensions Fund committee meeting on 5 March 2025. Following that discussion, representatives from Darwin have been invited to present to members to discuss the NAV changes in more detail.

### **List of Appendices**

Appendix 1: Presentation from Darwin (EXEMPT)

**Report to:** Pension Fund Committee

**Date:** 25/06/2025

**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 scheme year April 2024 – March 2025 inclusive, are detailed in Appendix 1. The reviewing of KPI's is in line with The Pension Regulator's guidance in the general code, for governing bodies to regularly assess performance.

### 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, 13<sup>th</sup> June 2025

## Legal Implications

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

Angela Hogan, Chief Solicitor (Contracts and Procurement) 13<sup>th</sup> June 2025

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## Background Papers Used in Preparing This Report

None

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## DETAILED ANALYSIS

### Analysis of Performance

1. The KPIs have been set out in the discharge agreement between the LPPA (Local Pension Partnership Administration) and the London Borough of Hammersmith & Fulham (LBHF). The Head of Pensions ensures performance measures are discussed and reviewed between both parties both a monthly basis as well as in Pension Board and Pension Fund Committee meetings in accordance with the Pension Regulator’s General Code of Practice that states that governing bodies should consider reports regularly and challenge when required to monitor performance.
2. This report covers the performance of our administration partner LPPA over the scheme year for the pension fund scheme year 2024/25. The KPI’s detailed in Appendix 1 of the pension administration report covers the period 01 April 2024 to 31 March 2025 inclusive.
3. During the period April 2024 to March 2025, LPPA processed 6098, compared with 5604 cases in 2023/24, an increase of 494 processed cases for the Hammersmith & Fulham Pension Fund over the last 12 months. The highest volume case types processed by LPPA were; deferred enquiries, deferred retirements and death cases.



## **Performance in key areas**

4. Retirements – Performance on this task area continues to improve, with 318 cases processed in the scheme year by LPPA, mostly within the 10 working day SLA. Active retirements saw a KPI in Q4 of 98.8% Q3 of 98.6%, Q2 of 95.5% and Q1 97.4%. The processing of deferred retirements in Q4 100%, Q3 of 95.9% Q2 saw 95.4% and Q1 of 2024/25.
5. Deaths – There were 697 cases processed by LPPA this year with KPI maintained above 95% throughout the year. In Q4 in 98.3%, Q3 in 96%, Q2 in 96.5% in Q1 95.8% (2024/25), cases were processed on time.
6. Transfers – There were 472 transfer out cases were processed in 2024/25. Most transfer cases continue to be processed within the SLA targets. With 99.2% of transfer outs processed on time in Q4 compared to 97.7% in Q3 and 98.8% of Transfer in's in Q4 and 281 processed in the year.
7. Refunds – There were 372 refunds processed in 2024/25. Performance on this case type saw in Q4 97.6% and in Q3 saw 97.7% of cases processed on time, so this continues to improve from 97.5% in Q2, compared with 93.3% in Q1.
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 of the delivery of this service to all stakeholders.

## **Summary**

9. We have seen a continuous improvement in the KPI pension administration service delivery provided by LPPA in the 2024/25 scheme year. We are hopeful that this will remain consistent, and that the quality of service experienced by members, beneficiaries and the LBHF pension team will also improve. The Head of Pensions has had assurances from LPPA senior management team that quality will improve, and that service delivery can continue to 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 Annual Administration report April 2024 – March 2025

# Administration Report - Annual Appendix

Hammersmith & Fulham  
Pension Fund

1st April 2024 - 31st March 2025

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# ANNUAL SUMMARY

LPPA has made considerable progress in ensuring that monthly casework performance is consistently delivered against the 95 % target, and in line with contractual obligations.

Helpdesk and Retirement satisfaction scores have been reported at client level to provide a more specific view of satisfaction scores for members. To improve the service provided to clients, employers and members, a key focus has been on delivering more functionality through the online self-service portals, and enabling more automation across the casework processes that are integral to our administration responsibilities. This will remain a priority as we move forwards into 2025-26, to ensure that the quality of casework continues to improve, and that this is reflected in both the member and employer experience.

Helpdesk performance has continued to trend in the right direction in 2024-25, with average call wait times below the non-contractual 4-minute target.

McCloud has been a significant project in the year and will continue to be a key focus in 2025-26, as LPPA follows the national guidelines and timescales relating to the implementation of the remedy.

All regulatory and statutory deadlines in the year were successfully met.

Forward thinking...  
Working together...  
Doing the right thing...  
Committed to excellence...



# Casework Performance

## In this section...

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

# CASEWORK PERFORMANCE



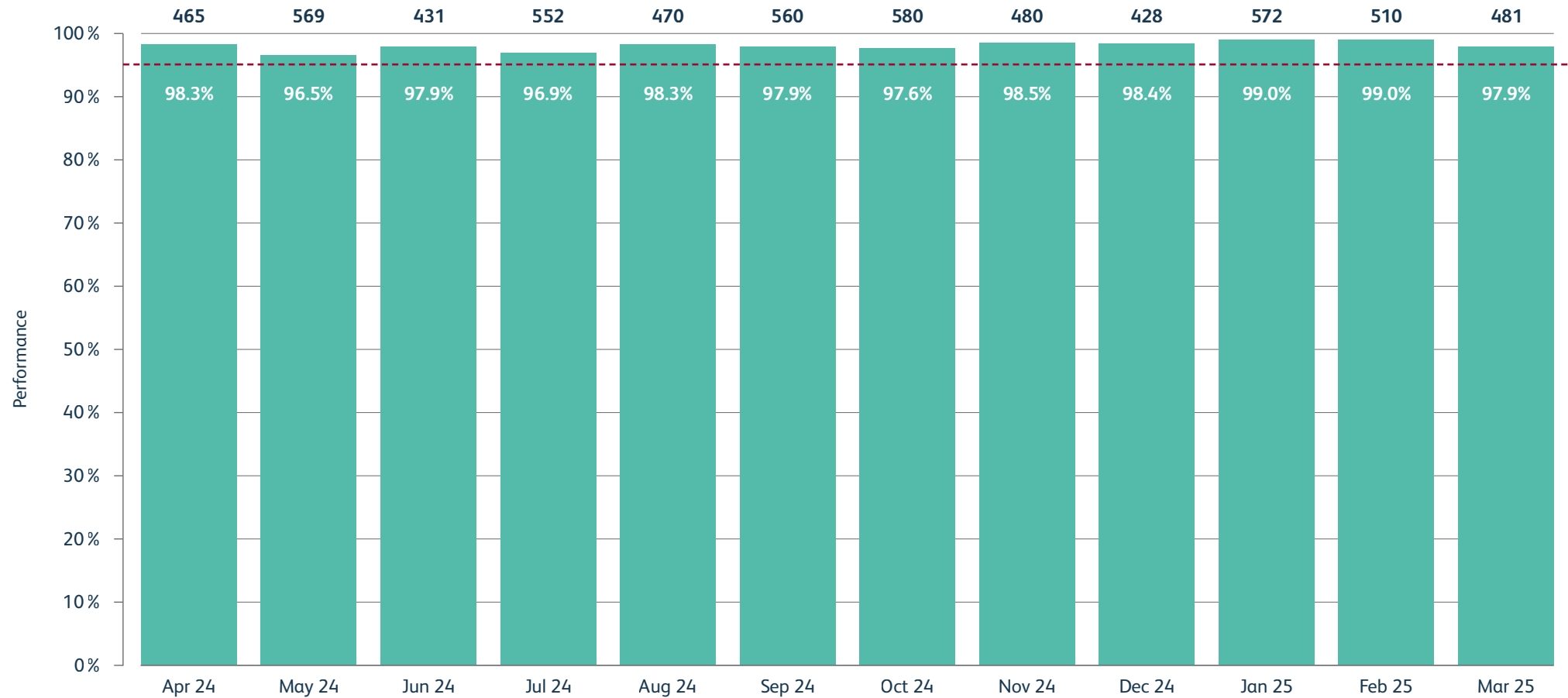
## PERFORMANCE – ALL CASES

CLIENT SPECIFIC

--- Target (95%)

The annual SLA performance was 98.0%

Total completed cases included for each month.



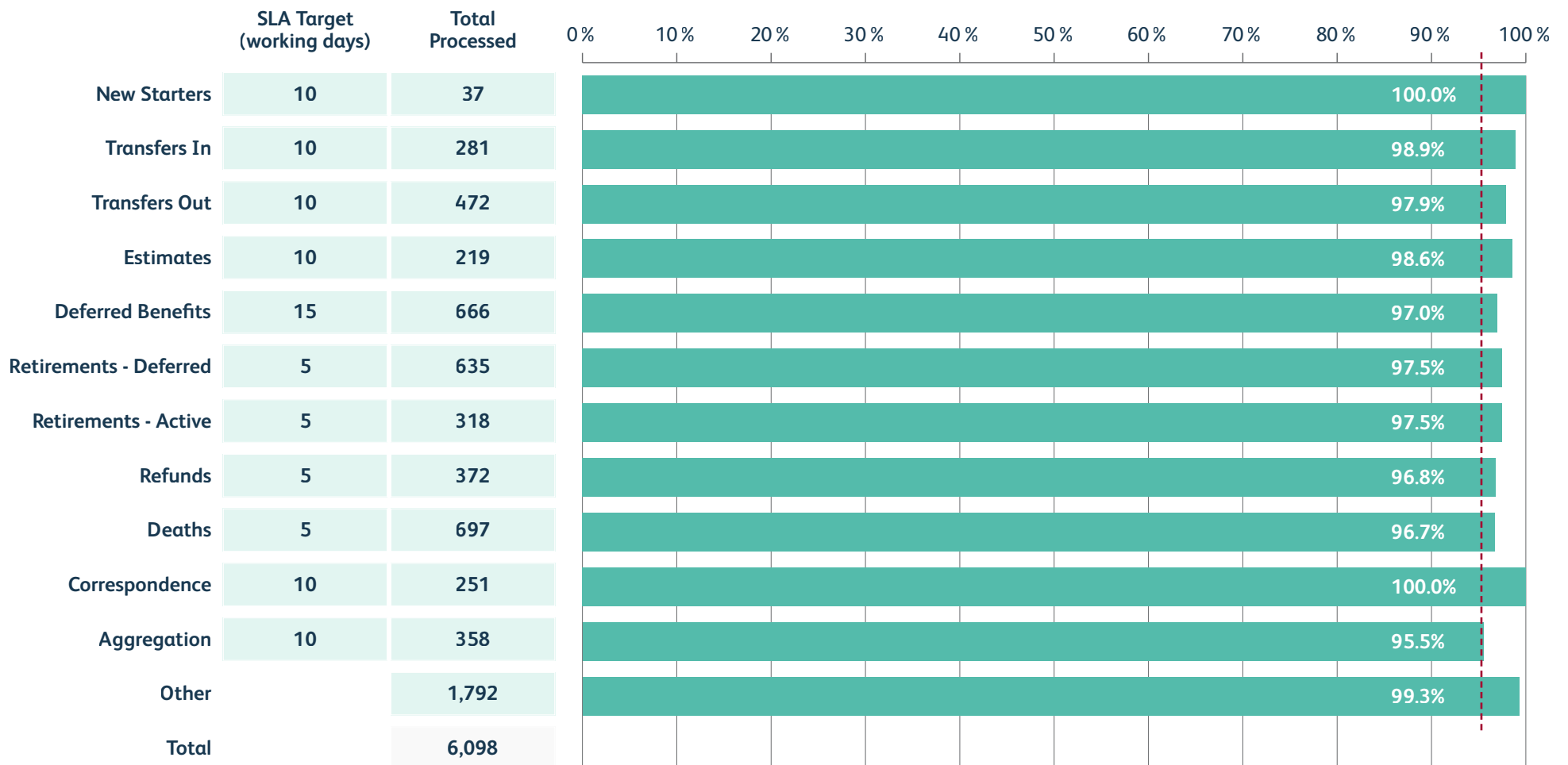
# CASEWORK PERFORMANCE



## PERFORMANCE STANDARD

## CLIENT SPECIFIC

----- Target (95%)





# CASEWORK PERFORMANCE



## ONGOING CASEWORK AT THE END OF THE REPORTING QUARTER

CLIENT SPECIFIC

The following table is created by identifying all reportable casework within UPM, and includes those that have subsequently Completed / Aborted / Remain Outstanding within the quarter. The figures in this table cannot be compared to those in the previous slide for a number of reasons including: the table includes aborted cases, but the horizontal bar graph does not; the SLA 'stop trigger' can be actioned before the process has been completed.

	Brought forward at 01/04/24	Received (Inbound)	Completed (Outbound)	Outstanding as of 31/03/25
New Starters	15	63	73	5
Transfers In	220	541	497	264
Transfers Out	221	633	585	269
Estimates	34	261	251	44
Deferred Benefits	358	1,102	1,173	287
Retirements - Deferred	150	752	783	119
Retirements - Active	104	474	465	113
Refunds	102	567	585	84
Deaths	333	873	878	328
Correspondence	79	585	595	69
Aggregation	191	609	591	209
Other	68	1,892	1,919	41
Total	1,875	8,352	8,395	1,832

# 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...**

- Calls answered

# CONTACT CENTRE CALLS PERFORMANCE



## CALLS ANSWERED

CLIENT SPECIFIC

— Average wait time (mm:ss)

Annual average wait time was 2 minutes 44 seconds

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# Employer Engagement & Member Communication Activity

In this section...

- Delivered

# EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



## DELIVERED

ALL LPPA

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- Member training sessions were delivered throughout 2024/25, including Making Sense of Your (LGPS) Pension - to support new joiners in understanding their LGPS pension - and Making Sense of Your Retirement - to prepare members in their plans for retirement.
- As part of LPPA's ongoing strategy to support employers and improve administration performance, training sessions were successfully delivered throughout the year. These online training sessions included:
  - Monthly Returns (successfully submitting files and resolving data queries)
  - LGPS Scheme Essentials (support with calculating final pay, CARE pay and assumed pensionable pay)
  - Employer Responsibilities (support with ongoing pension administration responsibilities)
  - Scheme Leavers (support with submitting leaver details using the employer portal, and reinforcing the importance of providing LPPA with a minimum of 30 days' notice, prior to the members retirement date)
  - Absence and Ill Health (support with managing distinct types of absence in the LGPS)
- In addition to our regular employer newsletter (Pension Pulse, distributed every two months), ongoing email communications were issued to all LGPS employers. These included:
  - "Help Us to Improve the Retirement Process for your Employees" – communicating the leaver process, and the impact that timeliness and accuracy of data submission can have on the member experience.
  - "Monthly Returns" – reminders on deadlines for submission, including details of the 2025 valuation, the importance of accurate and up-to-date data files, and the possible impact on employer contributions of non-submission.
- Statutory communications were issued on-time to members throughout the year including:
  - P60 notification communications to retired members in April/May.
  - The 2024 LPPA retiree's online newsletter was issued to members. This included updates on 2024 pension increases, 'understanding your P60' and pension pay dates (2024/25)
  - The 2024 active and deferred online newsletter to members, communicating how they can access their 2024 ABS through PensionPoint.
  - Annual Allowance and Pension Saving Statement communications were also issued to eligible members in Q2.
- The annual LPPA client forum took place in November, which was attended by representatives from all LG clients. This session was well received by clients, and included presentations on
  - The 2024 client survey, following interviews with clients undertaken in August and September.
  - The benefits of LPPA's participation in the annual CEM Benchmarking activity.
  - Customer satisfaction, and how this is measured throughout the year, including how the data is used to inform improvements to both LPPA's operational performance and the member experience.
  - The LPPA Efficiency and Service Improvement Programme (ESIP), and the drive towards leveraging the benefits of process and system automation.
  - The rise of Artificial Intelligence, and how LPPA is embedding the associated benefits into the business.

# EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



## DELIVERED – CONTINUED

ALL LPPA

- Ongoing updates and information which reflected national guidance around McCloud remedy, were made to the LPPA website for LGPS members through the year.
- The LPPA website was updated throughout 2024/25, with improved self-service information being made available to employers and members. This included the use of Ai generated videos which were used to translate detailed and technical pension information, into a format that was summarised and easier to understand for members. Most noticeable, following feedback from clients and employers, was the improvement made to the Retirement section of the LPPA website.
- Throughout the year, the LPPA member letters project was ongoing, with key letters reviewed, updated and improved (focusing on retirements, bereavements, early leavers and complaints communications). Retirement letters were reviewed by the Plain English Campaign and awarded their 'Crystal Mark' (their seal of approval for the clarity of a document). The aim of the project is to ensure that our letters are technically accurate, but also easy to understand and jargon free ... ultimately to improve the member experience.
- And finally, LPPA were shortlisted in the LAPF Investment Awards (2024), as a finalist in the Pensions Administration Award, which celebrates achievements within the administration sector of the Local Government Pension Scheme. Furthermore, LPPA are shortlisted finalists in two categories – Third-Party Administrator of the Year, and Pension Communication Strategy of Year – at the Professional Pensions (UK Pension 2025) awards in June 2025.



# LPP

Local Pensions Partnership  
Administration

# Agenda Item 9

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 25/06/2025

**Subject:** Pension Administration Update

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

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

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### SUMMARY

One of the key priorities for the Hammersmith & Fulham LGPS Fund is to 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, managing data, limited resources and difficulty in engaging with employers, which mean some issues will take months or years to resolve fully. This paper provides a summary of activity in key areas of pension administration for the HFPF.

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### RECOMMENDATIONS

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

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**Wards Affected:** None

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



## Finance Impact

The costs of the contract for the pensions administration service, including costs of additional work commissioned and provided by LPPA are met from the Pension Fund. The expenditure for this service in 2025/26 is estimated at £622,200 (excluding VAT).

Sukvinder Kalsi, Director of Finance 13th June 2025

## Legal Implications

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

Angela Hogan, Chief Solicitor (Contracts and Procurement) 13<sup>th</sup> June 2025

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## Background Papers Used in Preparing This Report

None

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## DETAILED ANALYSIS

### Analysis of Pension Administration

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

1. The service delivered by LPPA has improved but remains closely monitored by the LBHF Head of Pensions to ensure the best interests of the members and beneficiaries are met. LPPA are committed to continually improving the service going forward with more automation, higher staff retention, regular training for their staff and better engagement via an annual client and employer forum.

## Update on key areas

2. Employers – Engagement from employers on monthly files being submitted remain very good. The LBHF pension team has collaborated with LPPA to increase the engagement with employers, to ensure that this does not lead to a backlog of unsubmitted monthly files and is enforcing fines in line with the pension administration strategy to maximise compliance from employers. However, there does seem to be a number of errors that require LPPA to support employers. The HFPF currently has the highest level of compliance from employers, compared to other LPPA clients.
3. Member – Member satisfaction survey responses remain low. Feedback from deferred retirements cases saw in Q4 saw 15 responses with only 11% satisfied members 7% dissatisfied, compared with 16 responses received in Q3 and 21 responses received in Q2. With 50% satisfied and 12.5% dissatisfied compared with 76.2% of members satisfied in Q2 and 19% dissatisfied.  
Active retirements in Q4 saw 8 responses with 1 response dissatisfied but 73% did not respond, Q3 saw an increase in the number of surveys completed rising to 12 from 9 surveys in Q2, with 75% of members satisfied and 25% dissatisfied compared to 66.7% satisfied in Q2 and 11.1% dissatisfied. However, the number of responses has remained at a similar level as 23/24 saw a total of 36 responses received compared to 38 in 24/25.
4. Complaints – Over the last 12 months the number of complaints has continued to fall with the work that LPPA are doing to track and try to increase member satisfaction. At the end of Q4 in 2023/24 complaints were at 13. The number of complaints received in Q4 of 2024/25 was 2 in line with the decrease to 1 at the end of Q3 compared to 12 at the end of Q1 and 10 in Q2 in 2024/25. These were mainly concerning delayed retirements and general service. LPPA are confident that the current system of triaging complaints is more effective than a dedicated complaints team.
5. Helpdesk – Although the number of calls to the LPPA Helpdesk rose slightly in Q4 to 1062 from 1008 in Q3 compared to 1173 in Q2 and 1,316 in Q1. The total number of calls received has reduced with 4,559 calls received in 24/25 compared with 4852 received in 23/24.  
The service provision continues to improve, with average call waiting times up at the end of Q4 with average wait time of 3 mins 25 secs, compared with Q3 at 2mins 3 secs, from 2 minutes 22 secs in Q2. This is up from 1 minute 49 seconds in Q1.  
There has been an improvement in the call abandonment rate of 2.8% in Q4 1.8% in Q3 compared to 2.6% in Q2, 1.8% in Q1 across all calls, with most people satisfied with their engagement with the helpdesk.
6. Communications – LPPA have issued all P60's to pensioners and continue to improve how information on their website is presented and the format of letters to members. The Head of Pensions continues to receive positive feedback for those attending the pre retirement sessions run by Affinity Connect and there is an increased demand from LBHF employees on the in house pension team for

one to one sessions, pension overview session at departmental team meetings and the corporate induction.

7. Engagement – There continues to be a positive trend from all membership groups engaging with the online portal. There were 6,176 members registered at the end of Q4 compared with 5,942 in Q3, 5,766 members registered at the end of Q2, and 5,473 in Q1. There were 12 opt outs in Q4, 11 opt outs in Q3 and Q2 compared with 4 in Q1.
8. Regulatory – There are a number of regulatory issues 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 all the affected members for our Fund.

**Pensions Dashboard** – The go live date for the Fund is October 2025, there is no date set for public access. LPPA are working with AVC providers to ensure that members have full visibility of all their pension benefits.

**The Pension Regulator's General Code** – Is a set of 5 key areas on codes of practice for pension schemes. The code was revised in March 2024 and requires that a pension fund scheme regularly reviews their scheme and puts greater emphasis on areas such as cyber security, risk management as well as the need to complete and review an Effective System of Governance record (ESOG) via Own risk assessment (ORA). The Fund has completed its initial assessment of compliance and is implementing a cyber security policy for the Fund.

Pension Schemes Bill - Fit for the Future consultation – outcomes on the consultation include the introduction of the Pension Schemes Bill to introduce reform to all pension schemes including the LGPS. The LGPS amendments mainly concern fund consolidation via pooling and governance of the LGPS TO take effect from 2026. With the objective on better outcomes for savers and investment in the UK economy to promote growth.

LGPS Consultation- There is a consultation opened by MHCLG on proposed changes to the member benefits in the LGPS. It touches on equalising survivor's benefits and steps to close gender pensions gap by making all of maternity leave automatically pensionable.

9. Cyber security – There has been no new cyber security issues the Head of Pensions is collaborating with LPPA and other stakeholders to finalise the pension fund's policy.
10. Legacy payroll systems – In order for LBHF to remain compliant with maintaining key data for past employee's records whilst in the pension we are required to maintain access to legacy payroll systems. Plans continue to look at a long term solution whether in house or via a third party.

11. Audit – All enquiries of the pension fund's 2024/25 audit are being effectively managed. LPPA were recently independently audited on their pension administration service for the period April 2024 – March 2025.
12. Valuation – The Fund is liaising with the fund actuaries and LPPA to manage the 2025 valuation in line with the defined timelines.
13. Overpayments – The LBHF pensions team continue to work with LPPA and the LBHF debt recovery teams to try to recover further outstanding overpayment funds. Overpayments totalling £39,647.59 have been written off in Q4 in respect of overpaid pensions to deceased members.
14. Future meetings – September 2025 to discuss annual report and accounts, quarterly business plan, Q1 pension administration performance and pension operations update.

### **Conclusion**

The pension administration service delivered by LPPA shows signs of continuous improvement, though disappointed to see continued issues with quality including the recent breach. LPPA do however take onboard constructive feedback and are committed to improve the service delivered to the Hammersmith and Fulham pension Fund.

### **Equality Implications**

12. None

### **Consultation**

15. None

### **Appendices**

**None**

**Report to:** Pension Fund Committee

**Date:** 25 June 2025

**Subject:** Draft Pension Fund Statement of Accounts

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

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

### SUMMARY

This report presents the draft Pension Fund Statement of Accounts for the year ended 31 March 2025.

### RECOMMENDATIONS

1. That the Pension Fund Committee approve the 2024/25 draft Statement of Accounts delegate the approval of the final version to the Director of Treasury and Pensions in consultation with the Chair

**Wards Affected:** None

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

### Financial Impact

None

### Legal Implications

None

## **DETAILED ANALYSIS**

### **Background**

1. The draft Pension Fund Statement of Accounts 2024/25 provides the Pension Fund Committee with an opportunity to review and comment on any matters pertaining to the financial statements.
2. The Pension Fund net assets increased by £36m over the year. The increase was driven by an enhanced performances across the Fund's investment portfolio, greater than in the previous year.
3. Investment management expenses decreased from £9.2m to £6.7m. This is driven mainly by the following factors:
  - a. Fewer managers achieved the threshold for performance related fees in 2024/25, resulting in a £607k reduction from 2023/24.
  - b. The fund made four new investments and topped up an investment in 2023/24: more investments redeemed to fund these new investments resulted in higher transaction fees. Whereas in 2024/25, transaction fees reduced by £1.8m.

## **LIST OF APPENDICES**

Appendix 1: draft 2024-25 LBHF Pension Fund Accounts

## **Pension Fund Accounts**

Fund Account

Net Assets Statement

Notes to the Pension Fund

## FUND ACCOUNT

	Notes	2024/25		2023/24	
		£000	£000	£000	£000
Dealings with members, employers and others directly involved in the scheme					
Contributions					
From Employers	7	33,255		31,323	
From Members	7	10,768	44,023	10,303	41,626
Transfers In from other Pension Funds			8,123		8,299
Benefits					
Pensions	8	(48,851)		(44,317)	
Commutation & Lump Sum Retirement Benefits	8	(9,768)		(8,966)	
Payment in respect of tax		(45)	(58,664)	(473)	(53,756)
Payments to and on account of leavers					
Transfers Out to other Pension Funds			(6,370)		(6,980)
Refunds to members leaving service			(81)		(109)
Net Additions (Withdrawals) from dealings with members			(12,969)		(10,920)
Management expenses		9	(8,260)		(10,857)
Returns on Investments					
Investment Income	10		21,140		19,531
Other Income	10		286		-
Profit and losses on disposal of investments and changes in value of investments		12	35,670		89,367
Net Return on Investments			57,096		108,898
Net Increase (Decrease) in the net assets available for benefits during the year			35,867		87,121
Opening Net Assets of the Scheme			1,377,564		1,290,443
Closing Net Assets of the Scheme			1,413,431		1,377,564



## NET ASSET STATEMENT

	Notes	31 March 2025 £000	31 March 2024 £000
<b>Investment Assets</b>			
Equities	11	150	150
Pooled Property Vehicles	11	77,505	73,256
Pooled Investment Vehicles	11	1,212,013	1,183,983
Private Equity / Infrastructure	11	91,187	96,035
Cash Deposits	11	27,459	7,456
Other Investment Balances			
Investment Income Due	11	92	18
<b>Net Investment Assets</b>	11	<b>1,408,406</b>	<b>1,360,898</b>
<b>Current Assets</b>	19	4,002	3,929
<b>Current Liabilities</b>	20	(2,219)	(2,905)
<b>Cash Balances</b> (held directly by Fund)		3,242	15,642
<b>Net assets of the Fund available to fund benefits at the period end</b>		<b>1,413,431</b>	<b>1,377,564</b>

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

## **NOTES TO THE PENSION FUND ACCOUNTS**

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

#### **a) General**

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

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

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

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

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from investment returns on the Fund's investment assets. Contributions from employees are made in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. Employer contributions are set based on the triennial actuarial funding valuation, as detailed in Note 18.

#### **b) Pension Fund Committee**

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

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

#### **c) Pensions Board**

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

#### **d) Investment Principles**

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

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

#### **e) Membership**

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

Organisations participating in the Hammersmith & Fulham Pension Fund include:

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

The deferred member numbers include 905 undecided leavers, who are no longer paying contributions or in receipt of benefits.

	<b>31 March 2025</b>	<b>31 March 2024</b>
Number of Active Employers	50	51
Contributing employees	4,921	5,016
Pensioners receiving benefit	6,367	6,046
Deferred members	6,335	6,243
<b>Total members</b>	<b>17,623</b>	<b>17,305</b>

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

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

The Statement of Accounts summarise the Fund's transactions for 2024/25 and its position at year end as at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

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

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

The Hammersmith & Fulham Pension Fund is a statutory, state back Local Government Pension Scheme (LGPS) that, as at 31 March 2022, is 105% funded on a conservative basis and backed by an administering authority with tax raising powers. As such, the Pension Fund Accounts have been prepared on a going concern basis.

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

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

### **Fund Account – Revenue Recognition**

#### **a) Contribution Income**

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

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

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

## **c) Investment Income**

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

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

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

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

## **Fund Account - Expense Items**

### **d) Benefits Payable**

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

### **e) Taxation**

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

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

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

### **g) Management Expenses**

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

**Administrative expenses** – All staff costs of the pension administration team are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

**Oversight and governance** – All staff costs associated with governance and oversight are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.

**Investment management expenses** – The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage, and/or a fee based on performance.

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

## **Net Assets Statement**

### **h) Financial Assets**

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

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

### **i) Derivatives**

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

### **j) Foreign Currency Transactions**

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

### **k) Cash and Cash Equivalents**

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

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

### **l) Financial Liabilities**

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

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

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

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

### **n) Additional Voluntary Contributions (AVCs)**

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

### **o) Recharges from the General Fund**

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

#### NOTE 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

Description of asset	Uncertainties	Basis of valuation
<b>Actuarial present value of promised retirement benefits (Note 18a)</b>	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. Hymans Robertson are engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: <ul style="list-style-type: none"><li>• 0.1% decrease in the discount rate assumption would result in an increase in promised retirement benefits of £19m</li><li>• 0.1% increase in assumed earnings would increase the value of the liabilities by approximately £1m</li><li>• 0.1% increase in pension increases would increase the liability by approximately £18m</li><li>• A one-year increase in life expectancy would increase the liability by approximately £47m</li></ul>

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

##### a) Pension Fund Liability

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

##### b) Private debt/Infrastructure investments/Other Illiquid Investments

The fair value of the Partners Group Multi Asset Credit fund and Infrastructure fund is also subject to some valuation uncertainty. Several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. As at 31 March 2025, the assets invested with Partners Group were valued at £37.6m (£39.7m in 2023/24).

The same applies to the Quinbrook Infrastructure investment, as at 31 March 2025, the value of the investment was £56.3m (£47.6m in 2023/24). The impact of the uncertainty surrounding these investments has also been included in the sensitivity analysis in Note 14d.

The fair value of several illiquid assets in the portfolio are also subject to some valuation uncertainty as their carrying value is dependent on the latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required. As at the 31 March 2025, these assets and their values are Darwin Alternatives (£22m), Alpha Real Capital (£74m), Man Group (£26m) and Abridn Multi-Sector Private Credit (£52m). Regarding Darwin Alternatives, Alpha Real Capital and Man Group assets, the values for these assets are not based on recently observed market prices. For Abridn Multi-Sector Private Credit, several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. The impact of the uncertainty surrounding these investments has also been included in the sensitivity analysis in Note 14d.

## NOTE 6. EVENTS AFTER THE BALANCE SHEET

There are no events after the balance sheet date.

## NOTE 7. CONTRIBUTIONS RECEIVABLE

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

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

	Employers' Contributions				Employees' Contributions	
	Normal		Deficit Recovery			
	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000
Administering Authority	26,471	24,609	1,212	1,121	9,159	8,694
Scheduled Bodies	4,590	4,163	-	-	1,336	1,232
Admitted Bodies	984	1,449	(2)	(19)	273	377
<b>Total</b>	<b>32,045</b>	<b>30,221</b>	<b>1,210</b>	<b>1,102</b>	<b>10,768</b>	<b>10,303</b>
<b>Total Contributions</b>			<b>33,255</b>	<b>31,323</b>	<b>10,768</b>	<b>10,303</b>

## NOTE 8. BENEFITS PAYABLE

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

	Pensions		Lump sum retirement benefits		Lump sum death benefits	
	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000
	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000
Administering Authority	(43,996)	(40,186)	(6,396)	(5,915)	(923)	(909)
Scheduled Bodies	(867)	(771)	(336)	(238)	(145)	(451)
Admitted Bodies	(3,988)	(3,360)	(1,849)	(1,328)	(119)	(125)
<b>Total</b>	<b>(48,851)</b>	<b>(44,317)</b>	<b>(8,581)</b>	<b>(7,481)</b>	<b>(1,187)</b>	<b>(1,485)</b>
<b>Total Lump Sum Benefits</b>					<b>(9,768)</b>	<b>(8,966)</b>

## NOTE 9. MANAGEMENT EXPENSES

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

	2024/25 £000	2023/24 £000
Administrative costs	(1,137)	(1,329)
Investment management expenses	(6,739)	(9,184)
Oversight and governance costs	(384)	(344)
	<b>(8,260)</b>	<b>(10,857)</b>

The table below provides a breakdown of the Investment Management Expenses. The fund transitioned assets between managers in the previous year which resulted in increased transaction costs in 2023/24, and these have reduced for the current year.

	<b>2024/25</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>
Management fees	(5,569)	(5,580)
Performance fees	(65)	(672)
Transaction costs	(1,033)	(2,864)
Custody fees	(72)	(68)
	<b>(6,739)</b>	<b>(9,184)</b>

#### **NOTE 10. INVESTMENT INCOME**

The table below shows a breakdown of investment income.

	<b>2024/25</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>
Pooled investments - unit trusts and other managed funds	17,108	16,626
Income from Alternative Investments	3,123	2,139
Interest on Cash Deposits	909	766
Other Investment Income	286 -	
<b>Total</b>	<b>21,426</b>	<b>19,531</b>

#### **NOTE 11. INVESTMENT STRATEGY**

During 2024/25 the Fund's investment strategy had the following developments:

- In November 2024, the Pension Fund committee agreed a top up of 2.5% (£35m) into Quinbrook Renewable Infrastructure Fund II. The first drawdown to this commitment was made in January 2025.
- In March 2025, the Pension Fund Committee agreed to a 2% (£30m) top up into the Alpha Real Capital Income Linked Index Fund (Commercial Ground Rents). This commitment was fully funded in April 2025.
- In order to fund the new investments, the Fund received its redemption from Aviva Infrastructure in September 2024 and made a partial redemption from the LCIV Ruffer – Absolute Return Fund.

In August 2015, the Fund made a commitment to the Partners Group Direct Infrastructure fund. As at 31 March 2025 €8.3m (£6.9m) remained unfunded.

As shareholders of London LGPS CIV Ltd, (the organisation set up to run pooled LGPS investments in London) the Fund has funded £150,000 of regulatory capital. This is in the form of unlisted UK equity shares. The Fund has been active in the transfer of assets under management to the London Collective Investment Vehicle (LCIV) to gain efficiencies and fee reductions. As at 31 March 2025, the Fund had £846m invested with the London CIV, which accounts for 60.1% of the fund's total assets.

The market value and proportion of investments managed by each fund manager at 31 March 2025 was as follows:



	31 March 2025		31 March 2024	
	Market Value	Total	Market Value	Total
	£000	%	£000	%
<b>Investments manager by the London CIV asset pool</b>				
LGIM - MSCI Low Carbon (Passive)	438,128	31.1%	412,468	30.3%
Ruffer - Absolute Return (Active)	154,813	11.0%	151,199	11.1%
PIMCO - Global Bonds (Active)	-	0.0%	-	0.0%
Morgan Stanley - Global Equity Quality Fund	189,598	13.5%	179,216	13.2%
Insight - Buy and Maintain (Short Duration)	33,056	2.3%	33,056	2.4%
Insight - Buy and Maintain (Long Duration)	30,557	2.2%	33,508	2.5%
	<b>846,152</b>	<b>60.08%</b>	<b>809,447</b>	<b>59.48%</b>
<b>Investments managed outside of the London CIV asset pool</b>				
Darwin Alternatives - Leisure Fund	21,654	1.5%	28,995	2.1%
Alpha Real Capital - Ground Rents	73,877	5.2%	78,962	5.8%
Man Group - Affordable Housing	25,697	1.8%	23,643	1.7%
Oak Hill Advisers - Secured Income (Active)	77,780	5.5%	73,581	5.4%
Abrdn - Long Lease Property	51,808	3.7%	49,613	3.6%
Aviva - Private Infrastructure	-	0.0%	15,209	1.1%
Partners Group - Infrastructure	34,918	2.5%	33,163	2.4%
Partners Group - Multi Asset Private Credit	2,670	0.2%	6,487	0.5%
Unigestion - Private Equity	-	0.0%	30	0.0%
Inhouse Cash - Cash	27,551	2.0%	7,474	0.5%
London CIV Ltd	150	0.0%	150	0.0%
Allspring Global - Buy and Maintain Bonds	138,146	9.8%	135,290	9.9%
Quinbrook - UK Renewable Infrastructure	56,269	4.0%	47,633	3.5%
Abrdn MSPC	51,734	3.7%	51,221	3.8%
	<b>562,254</b>	<b>39.9%</b>	<b>551,451</b>	<b>40.5%</b>
	<b>1,408,406</b>	<b>100.0%</b>	<b>1,360,898</b>	<b>100.0%</b>

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

	31 March 2025		31 March 2024	
	Market Value	Total	Market Value	Total
	£000	%	£000	%
LGIM - MSCI Low Carbon (Passive)	438,128	31.1%	412,468	30.3%
Ruffer - Absolute Return (Active)	154,813	11.0%	151,199	11.1%
Allspring Global - Buy and Maintain Bonds	138,146	9.8%	135,290	9.9%
Oak Hill Advisers - Secured Income (Active)	77,780	5.5%	73,581	5.4%
Alpha Real Capital - Ground Rents	73,877	5.2%	78,962	5.8%
Morgan Stanley - Global Equity Quality Fund	189,598	13.5%	179,216	13.2%

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

The table below shows a reconciliation of the movement in the total investment assets of the Fund by asset class during 2024/25:

<b>Fund Manager</b>	<b>Value at 1 April 2024</b>	<b>Purchases during the year and derivative payments</b>	<b>Sales during the year and derivative receipts</b>	<b>Change in market value during the year</b>	<b>Value at 31 March 2025</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Equities	150	-	-	-	<b>150</b>
Pooled Investment Vehicles	1,183,983	7,399	(9,013)	29,644	<b>1,212,013</b>
Pooled Property Vehicles*	73,256	2,444	168	1,637	<b>77,505</b>
Private Equity / Infrastructure*	96,035	13,892	(23,139)	4,399	<b>91,187</b>
<b>Sub-total</b>	<b>1,353,424</b>	<b>23,735</b>	<b>(31,984)</b>	<b>35,680</b>	<b>1,380,855</b>
Cash Deposits	7,456			(10)	<b>7,446</b>
Investment income due	18			-	<b>18</b>
Spot FX contracts	-			-	<b>-</b>
<b>Totals</b>	<b>1,360,898</b>	<b>23,735</b>	<b>(31,984)</b>	<b>35,670</b>	<b>1,408,406</b>

The equivalent analysis for 2023/24 is provided below:

<b>Fund Manager</b>	<b>Value at 1 April 2023</b>	<b>Purchases during the year and derivative payments</b>	<b>Sales during the year and derivative receipts</b>	<b>Change in market value during the year</b>	<b>Value at 31 March 2024</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Equities	150	-	-	-	<b>150</b>
Pooled Investment Vehicles	1,118,138	232,617	(267,154)	100,382	<b>1,183,983</b>
Pooled Property Vehicles*	78,572	1,881	171	(7,368)	<b>73,256</b>
Private Equity / Infrastructure*	63,531	50,304	(14,197)	(3,603)	<b>96,035</b>
<b>Sub-total</b>	<b>1,260,391</b>	<b>284,802</b>	<b>(281,180)</b>	<b>89,411</b>	<b>1,353,424</b>
Cash Deposits	20,245			(31)	<b>20,214</b>
Investment income due	39			-	<b>39</b>
Spot FX contracts	-			(13)	<b>-</b>
<b>Totals</b>	<b>1,280,675</b>	<b>284,802</b>	<b>(281,180)</b>	<b>89,367</b>	<b>1,360,898</b>

### NOTE 13. FAIR VALUE BASIS OF VALUATION

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

Description of asset	Investment Manager	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Pooled Investments - Equity funds UK and Overseas Managed Funds</b>	LGIM – MSCI Low Carbon	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets	Evaluated price feeds	Not required
	Ruffer – Absolute Return Fund				
	Morgan Stanley – Global Sustain Fund				
<b>Unquoted bonds and unit trusts</b>	Oak Hill Advisors	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services	Evaluated price feeds	Not required
	Allspring Global Bonds				
	LCIV Insight Buy and Maintain Bonds (Short Duration)				
	LCIV Insight Buy and Maintain Bonds (Long Duration)				
<b>Pooled Long Lease Property Fund</b>	Abrdn- Long Lease Property	Level 2	The Aberdeen Standard Long Lease Property Fund is priced on a Single Swinging Price	In house evaluation of market data	Not required
<b>Private equity</b>	Unigestion	Level 3	Comparable valuation of similar companies in accordance with International Private and Venture Capital Valuation Guidelines 2012	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple Revenue multiple	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts

<b>Infrastructure funds</b>	Partners Group – Infrastructure	Level 3	Valued by Fund Managers at the lower of cost and fair value.	Managers use their judgement having regard to the Equity and Venture Capital Valuation Guidelines 2012 guidelines noted above	Upward valuations are only considered where there is validation of the investment objectives, and such progress can be demonstrated.
	Aviva Infrastructure				
	Quinbrook Renewable Infrastructure				Downward valuations are enacted where the manager considers there is an impairment to the underlying investment
<b>Illiquid Alternatives</b>	Darwin Alternatives	Level 3	Valued by Fund Managers at the lower of cost and fair value.	In house evaluation of market data	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts
	Man Group				
	Alpha Real				
	Abrdn – MSPC				
	Partners - MSPC				

### Cash Classification

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

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

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

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

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

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

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

	31 March 2025			31 March 2024		
	Quoted Market Price	Using observable inputs	With significant unobservable inputs	Quoted Market Price	Using observable inputs	With significant unobservable inputs
	Level 1 £000	Level 2 £000	Level 3 £000	Level 1 £000	Level 2 £000	Level 3 £000
<b>Financial Assets</b>						
Designated at fair value through profit and loss	-	1,113,886	266,969	-	1,067,931	285,493
<b>Total Financial Assets</b>	<b>-</b>	<b>1,113,886</b>	<b>266,969</b>	<b>-</b>	<b>1,067,931</b>	<b>285,493</b>
<b>Financial Liabilities</b>						
Designated at fair value through profit and loss	-	-	-	-	-	-
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Financial Assets</b>	<b>-</b>	<b>1,113,886</b>	<b>266,969</b>	<b>-</b>	<b>1,067,931</b>	<b>285,493</b>
			<b>1,380,855</b>			<b>1,353,424</b>

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

In 2024/25 the Fund's operational activity resulted in no transfers between Levels 1 and 2.

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

	Market Value as at 31/03/2024	Transfers in/out of Level 3	Purchases	Sales	Unrealised gains / (losses)	Realised gains / (losses)	Market Value as at 31/03/2025
Overseas venture capital	33,193	-	3	(724)	4,403	(1,957)	34,918
UK Infrastructure	62,843	-	13,889	(19,888)	7,476	(8,049)	56,269
UK Venture Capital	109,092	-	2,418	(2,526)	(6,739)	-	102,243
London LGPS CIV	150	-	-	-	-	-	150
Private Credit Funds	51,221	-	-	(2,274)	2,787	-	51,734
UK Equity Funds	28,995	-	-	-	(7,341)	-	21,654
<b>Total</b>	<b>285,494</b>	<b>-</b>	<b>16,309</b>	<b>(25,413)</b>	<b>586</b>	<b>(10,007)</b>	<b>266,969</b>

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

The Pension Fund has analysed historical data and current trends in consultation with independent investment advisors to determine the accuracy of the valuations of its Level 3 investments. The potential impact on the reported valuations as at 31 March 2025 has been estimated to be accurate within the following ranges:

Description of assets	Assessed Valuation Range (+)	Assessed Valuation Range (-)	Value at 31 March 2025 £000	Value on increase £000	Value on decrease £000
Partners Group - Infrastructure	12.00%	12.00%	34,918	39,108	30,728
Partners Group - Multi Asset Private Credit	8.00%	8.00%	2,670	2,884	2,456
Darwin Alternatives - Leisure Fund	8.00%	7.10%	21,654	23,386	20,117
Abrdn MSPC	2.01%	2.14%	51,734	52,774	50,627
Alpha Real Capital - Ground Rents	6.30%	5.60%	73,877	78,531	69,740
Quinbrook - UK Renewable Infrastructure	15.53%	13.30%	56,269	65,008	48,785
Man Group - Affordable Housing	9.50%	9.00%	25,697	28,138	23,384
<b>Total</b>			<b>266,819</b>	<b>289,829</b>	<b>245,837</b>

\*An asset (totalling £0.150m) has been excluded from this note due to immateriality.

## NOTE 15a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

There were several recategorizations to this note between 2023-24. These included correcting the table from 'UK equities' to 'Global Equities', changing 'Allspring Global – Buy and Maintain Bonds', 'LCIV insight Buy and Maintain Bonds' from UK fixed income fund to overseas fixed income fund, and moving 'Alpha Real Capital – Ground Rents' from classified as a UK Infrastructure fund in the table to being classified as a UK Property Fund. These changes were retrospectively applied to the 31 March 2024 shown below to allow consistent comparison in the table.

	31 March 2025			31 March 2024		
	Designated at fair value through profit & loss £000	Financial assets at amortised cost £000	Financial Liabilities at amortised cost £000	Designated at fair value through profit & loss £000	Financial assets at amortised cost £000	Financial Liabilities at amortised cost £000
<b>FINANCIAL ASSETS</b>						
Index Linked Securities						
<i>Pooled Investment Vehicles:</i>						
Global Equity Funds	782,539	-	-	742,883	-	-
UK fixed income fund	54,404	-	-	57,708	-	-
UK property fund	173,036	-	-	181,213	-	-
UK infrastructure	56,269	-	-	62,842	-	-
Overseas fixed income fund	279,539	-	-	275,435	-	-
Overseas infrastructure	34,918	-	-	33,163	-	-
Overseas venture capital	-	-	-	30	-	-
London LGPS CIV	150	-	-	150	-	-
Investment income due	-	92	-	-	19	-
Cash deposits with managers	-	27,459	-	-	7,455	-
Debtors	-	4,002	-	-	3,929	-
Cash balances (held by fund)	-	3,242	-	-	15,642	-
	1,380,855	34,795	-	1,353,424	27,045	-
<b>FINANCIAL LIABILITIES</b>						
Creditors	-	-	(2,219)	-	-	(2,905)
	-	-	(2,219)	-	-	(2,905)
<b>GRAND TOTALS</b>	<b>1,380,855</b>	<b>34,795</b>	<b>(2,219)</b>	<b>1,353,424</b>	<b>27,045</b>	<b>(2,905)</b>
			<b>1,413,431</b>			<b>1,377,564</b>

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

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

	31 March 2025 £000	31 March 2024 £000
<b>Financial Assets</b>		
Fair value through profit and loss	35,680	89,410
Loans and receivables	-	-
<b>Financial Liabilities</b>		
Fair value through profit and loss	(10)	(43)
	<b>35,670</b>	<b>89,367</b>

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

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

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

### a) Market Risk

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

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

### b) Price Risk

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

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

All assets except for forward foreign exchange contracts, other investment balances, debtors and creditors are exposed to price risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 8.9% higher or 8.9% lower.

#### Assets exposed to price risk

	Value	Price Risk	Positive increase	Negative increase
	£000		£000	£000
At 31st March 2024	1,380,705	8.9%	1,504,733	1,256,677
At 31st March 2024	1,353,274	8.5%	1,468,800	1,237,748

### c) Interest Rate Risk

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

Fixed income investments, cash and some elements of the pooled investment vehicles are exposed to interest rate risk. The table below shows the value of these assets at 31 March 2025 and what the value would have been if interest rates had been 1% higher or 1% lower.

**Assets exposed to interest rate risk**

	<b>Value £000</b>	<b>+ 1% £000</b>	<b>- 1% £000</b>
At 31st March 2025	419,090	402,613	436,908
At 31st March 2024	428,565	410,599	453,104

**d) Currency Risk**

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

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

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

**Assets exposed to currency risk**

	<b>Value £000</b>	<b>Currency Risk</b>	<b>Positive increase £000</b>	<b>Negative increase £000</b>
At 31st March 2025	654,970	7.3%	703,003	606,937
At 31st March 2024	590,357	7.4%	633,778	546,936

**e) Credit Risk**

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

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

**f) Liquidity Risk**

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

The only assets in the Fund which cannot be liquidated within a month are detailed in the table below. These amounted to 19.0% of the Fund's Net Assets at 31 March 2025 (19.7% at 31 March 2024). The remaining assets can all be liquidated within days.

<b>Manager</b>	<b>Portfolio</b>	<b>31 March 2025 £000</b>	<b>31 March 2024 £000</b>
Standard Life	Property	51,808	49,613
Partners Group	Infrastructure	34,918	33,163
Partners Group	Multi Asset Credit	2,670	6,487
Unigestion	Private Equity	-	30
Darwin Alternatives	Illiquid Alternatives	21,654	28,995
Alpha Real Capital	Ground Rents	77,780	78,962
Quinbrook	Infrastructure	56,269	47,633
Man Group	Property	25,697	23,643
		<b>270,796</b>	<b>268,526</b>



## NOTE 17. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

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

	31 March 2025 £000	31 March 2024 £000
Quinbrook - UK Renewable Infrastructure	33,823	3,155
Man Group - Affordable Housing	3,772	6,189
Alpha Real Capital - Ground Rents	30,000	-
Partners Group Direct Infrastructure Fund 2015	6,963	7,103
	<b>74,558</b>	<b>16,447</b>

## NOTE 18. FUNDING ARRANGEMENTS

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

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

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

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

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

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

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

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

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

The table below shows the total net liability of the Fund as at 31 March 2025. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

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

	31 March 2025	31 March 2024
	£000	£000
Present Value of Promised Retirement Benefits*	(1,178)	(1,355)
Fair Value of Scheme Assets (bid value)	1,413	1,378
Net Asset/(Liability)	235	23

The assumptions applied by the actuary are set out below:

Financial Assumptions	31 March 2025	31 March 2024
Salary increases	3.80%	3.80%
Pension increases	2.80%	2.80%
Discount Rate	5.80%	4.80%

### Demographic Assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Life Expectancy from age 65	31 March 2025	31 March 2024
Retiring today		
Males	21.5	21.6
Females	24.3	24.3
Retiring in 20 years		
Males	22.5	22.6
Females	25.5	25.6

### NOTE 19. CURRENT ASSETS

#### Debtors

	31 March 2025	31 March 2024
	£000	£000
Contributions due - employers	2,351	2,153
Contributions due - employees	776	743
London Borough of Hammersmith and Fulham	49	47
Sundry Debtors	826	986
	<b>4,002</b>	<b>3,929</b>

#### Analysis of debtors

	31 March 2025	31 March 2024
	£000	£000
Local authorities	49	47
Other entities and individuals	3,740	3,791
Central Government	213	91
	<b>4,002</b>	<b>3,929</b>

**NOTE 20. CURRENT LIABILITIES**

	<b>31 March 2025</b>	<b>31 March 2024</b>
	<b>£000</b>	<b>£000</b>
<b>Creditors</b>		
Unpaid Benefits	(846)	(719)
Management Expenses	(1,096)	(1,278)
Sundry Creditors	(277)	(908)
	<b>(2,219)</b>	<b>(2,905)</b>

	<b>31 March 2025</b>	<b>31 March 2024</b>
	<b>£000</b>	<b>£000</b>
<b>Analysis of Creditors</b>		
Other entities and individuals	(2,219)	(2,905)
	<b>(2,219)</b>	<b>(2,905)</b>

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

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

	<b>31 March 2025</b>	<b>31 March 2024</b>
	<b>£000</b>	<b>£000</b>
<b>Scottish Widows Workplace Savings</b>		
Market Value at 31st March	848	848
Contributions during the year	(60)	(60)
<b>Utmost Life and Pensions</b>		
Market Value at 31st March	152	152

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

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

This note has not been updated as the information is not currently available, so the prior years figures have been included for the current year until this information becomes available.

**NOTE 22. RELATED PARTIES****London Borough of Hammersmith and Fulham**

The Pension Fund is administered by the London Borough of Hammersmith and Fulham. The Council incurred costs of £0.921m in 2024/25 (£1.1m in 2023/24) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Council made £26.4m of contributions in year (£24.6m in 2023/24).

The Pension Fund's accounting and governance management is carried out through a shared service with Westminster City Council. Westminster City Council incurred costs of £0.207m in 2023/24 (£0.206m in 2023/24) in relation to the accounting and governance of the Fund and were reimbursed for the expense.

### **Key management personnel**

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

	<b>31 March 2025</b>	<b>31 March 2024</b>
	<b>£000</b>	<b>£000</b>
Short-term benefits	33	33
Post-employment Benefits	20	20
	<b>53</b>	<b>53</b>

This note has not been updated as the information is not currently available, so the prior year's figures have been included for the current year until this information becomes available.

### **NOTE 23. EXTERNAL AUDIT COSTS**

The external audit fee payable to Fund's external auditors, Grant Thornton LLP, was £97,945 (£94,724 in 2023/24).

**Report to:** Pension Fund Committee

**Date:** 25 June 2025

**Subject:** LCIV Regulatory Capital

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

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

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### SUMMARY

This item seeks Pension Fund Committee approval for the payment of £70,312 in respect of a pro rata subscription for 70,312 B Shares in London LGPS CIV Limited ("London CIV"), as required to support the company's regulatory capital requirements.

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### RECOMMENDATIONS

The committee is asked to approve the payment of £70,312 for the subscription of 70,312 B Shares in London CIV to fulfil LBHF regulatory capital obligations as a shareholder and ensure continued support for London CIV's growth and stability.

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**Wards Affected:** None.

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

### Financial Impact

None.

### Legal Implications

There will be an increase to the Fund's shareholder capital within the London Collective Investment Vehicle.

## **LONDON BOROUGH OF HAMMERSMITH & FULHAM**

### **BACKGROUND**

- 1.1 As part of the original establishment of LCIV, each London Borough administering authority was required to invest £150,000 of share capital (B shares) which would be employed by LCIV for regulatory capital. The LBHF Pension Fund shows this investment in its accounts as equity.
- 1.2 London CIV, as an FCA regulated entity, is required to maintain a sufficient level of regulatory capital to ensure its financial resilience. Since inception, the company has operated efficiently, managing over £15 billion in pooled assets with an initial capital investment of £4.95 million from shareholders.
- 1.3 At the LCIV's General Meeting held in January 2025, shareholders were informed that the company's regulatory capital surplus had fallen below the targeted 150%, driven by the continued growth in Assets under Management (AuM). This pressure on regulatory capital is expected to increase further due to accelerated AuM migration, resulting from the Government's LGPS pension review outcomes.
- 1.4 While a retained profits model has been agreed for longer term capital sustainability, a near-term capital injection is now required to maintain compliance, ensuring that London CIV remains financially stable during the remaining asset transition process.

### **SUBSCRIPTION PROPOSAL**

- 2.1 Following shareholder approval, London CIV is issuing 2,249,984 B Shares in order to raise £2,249,984 of additional regulatory capital. The subscription is allocated proportionally, based on existing shareholdings. LBHF is required to subscribe for 70,312 B Shares at a cost of £70,312.
- 2.2 Following approval at this committee, the subscription letter will be signed and the monies paid over to the LCIV.

### **List of Appendices**

None. .

**Report to:** Pension Fund Committee

**Date:** 25 June 2025

**Subject:** Pension Fund Quarterly Update Q1 2025

**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 31 March 2025;
- 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: Q4 2024/25

1. This report and attached appendices make up the pack for the quarter ended 31 March 2025. An overview of the Pension Fund's performance is provided in Appendix 1. This includes administrative, investment, and cash management performance for the quarter.
2. Appendix 2 provides information regarding the Pension Fund's investments and performance. The highlights from the quarter are shown below:
  - Overall, the investment performance report shows that, over the quarter to 31 March 2025, the market value of the assets decreased by £19m to £1,409m.
  - The Fund has underperformed its benchmark net of fees by 0.05%, delivering an absolute return of -1.27% over the quarter.
  - The total Fund delivered a positive return of 3.73% on a net of fees basis over the year to 31 March 2025.
3. The Pension Fund's cashflow monitor is provided in Appendix 3. This shows both the current account and invested cash movements for the last quarter, as well as cashflow forecasts to 31 December 2025. An analysis of the differences between the actuals and the forecast for the quarter is also included.
4. The breaches of the law log has not been included in this quarter as there have been no breaches to report.

### Risk Management Implications

1. These are included in the risk registers.
  - i. Though partially covered by Risk 24 "Changes to LGPS Regulation" and Risk 29 "Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.", Risk 60 "Non-compliance with the Pension Investment Review Outcomes may result in regulatory intervention, reputational damage, and restricted access to pooled investment efficiencies and governance improvements." has been added to the register.
  - ii. The risk has "TREAT mitigation actions":
    - a. Develop and implement a detailed compliance roadmap aligned with the consultation deadlines, including asset transfer plans and governance reforms.
    - b. Engage in regular liaison with the relevant government bodies and the LCIV to stay informed on policy developments and resolve emerging compliance challenges
2. There have been no other changes in the risk scores on the risk register.



## Pensions Investment Review (PIR) Update

### BACKGROUND

- 1.1 In July 2024, the new Labour government expressed that it was committed to reforming the LGPS in line with the previous government's ambitions, in the form of a Pensions Investment Review (PIR).
- 1.2 As part of PIR, the MHCLG published the [Local Government Pension Scheme \(England and Wales\): Fit for the Future consultation](#) on 14 November 2024. The consultation focused on three key areas: asset pooling, UK and local investment, and governance.
- 1.3 On 15 January 2025, officers submitted the Pension Fund's response to the Fit for the Future consultation.
- 1.4 On 29 May 2025, the [consultation outcome](#) was released, alongside the [final report on the Pensions Investment Review](#), which covers both Defined Contribution (DC) schemes and Defined Benefits (DB). The LGPS falls under the latter.
- 1.5 The final report for the LGPS can be accessed via the links above and are set out in **Appendix 5**.

### FIT FOR THE FUTURE CONSULTATION OUTCOMES

- 2.1 Minimum Standards for Asset Pooling.
  - All investment assets must be transferred to pools by 31 March 2026, with limited flexibility for transitions between pools.
  - Pools must be FCA regulated and capable of due diligence on local/regional investments.
  - Investment implementation must be delegated to pools, and principal advice on strategy should be sourced from or through the pool.
- 2.2 Transition Proposals
  - The number of pools has reduced from eight to six: 21 Administering Authorities (AAs) from Access and Brunel are instructed to find new pools.
  - Government will not force further consolidation, but new legislation will allow direction of specific AAs (the 21 from Access and Brunel) to join designated pools.
  - Pool-to-pool collaboration issues under the 2023 Procurement Act will be addressed in the Pensions Bill, published on 5 June 2025.
- 2.3 UK and Local Investments

- AAs must set local investment allocation targets in their Investment Strategy Statements (ISS).
- Collaboration is expected with combined authorities, including the GLA in London.
- AAs must report on the impact of local investments in their Annual Reports.

#### 2.4 Fund and Pool Governance

- AAs must appoint a senior LGPS officer, conduct triennial independent governance reviews, and publish governance, administration, and training strategies.
- Consideration of independent advisors and enhanced Annual Report transparency is encouraged.
- Pooling companies must include AA representatives on boards and report on asset performance and costs.

#### **List of Appendices**

Appendix 1:	Scorecard as at 31 March 2025
Appendix 2a:	Isio Quarterly Performance Report for Quarter Ended 31 March 2025 (public)
Appendix 2b:	Isio Investment Performance Report 31 March 2025 (EXEMPT)
Appendix 3:	Cashflow Monitoring Report
Appendix 4:	Pension Fund Risk Register
Appendix 5:	Pensions Investment Review

## Scorecard at 31 March 2025

## London Borough of Hammersmith and Fulham Pension Fund Quarterly Monitoring Report

	Mar 24 £000	Sep 24 £000	Dec 24 £000	Mar 25 £000	Report reference/Comments
Value (£m)	1,360	1,374	1,428	1,409	IRAS reports.
% return quarter	4.56%	1.23%	2.95%	-1.27%	
% Return one year	7.88%	10.29%	9.86%	3.73%	
LIABILITIES					
Value (£m)	1,040	1,014	988	1,178	Hymans Robertson LLP Estimated Funding Update
Surplus/(Deficit) (£m)	320	360	440	231	
Funding Level	130%	135%	145%	120%	
CASHFLOW					
Cash balance	15,643	8,268	6,291	3,616	Appendix 3 Large September variance is due to receiving the Aviva Redemption Monies
Variance from forecast	5,557	21,592	2,334	(1,980)	
MEMBERSHIP					
Active members	5,032	4,949	4,932	4,921	Reports from Pension Fund Administrator
Deferred beneficiaries	7,032	7,099	7,203	7,216	
Pensioners	6,033	6,172	6,252	6,266	
RISK					
No. of new risks				1	Appendix 4: Risk Register
No. of ratings changed				0	
LGPS REGULATIONS					
New consultations	None	1	1	None	Sep 24 – Call for Evidence  Dec 24 – Fit for the Future
New sets of regulations	None	None	None	None	

# London Borough of Hammersmith & Fulham Pension Fund

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Investment Performance Report to 31 March 2025

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Document Classification: Confidential

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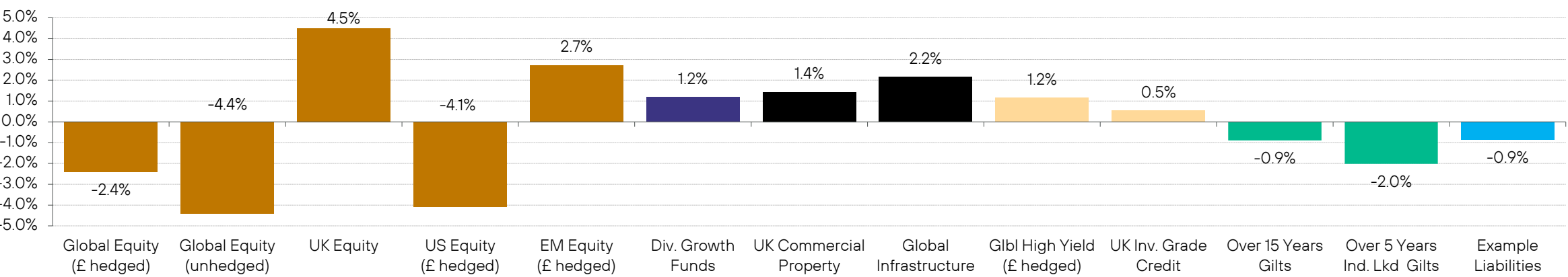
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# Market Summary – Overview Q1 2025

## Market movements over the quarter



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Key Upcoming Events

Q2 2025 Base rate publications

- UK: The dates for the Bank of England’s Monetary Policy Committee (“MPC”) announcements are 8 May and 19 June.
- US: The dates for the US Federal Reserve’s Federal Open Market Committee (“FOMC”) meetings are 6/7 May and 17/18 June.

Q2 2025 Inflation publications

- UK : 16 April, 21 May and 18 June
- US: 10 April, 13 May and 11 June

Commentary

- Global equity markets experienced negative but uneven performance in Q1 2025, with early gains driven by AI advancements and strong UK and Emerging Markets performance, ultimately overshadowed by mounting trade policy concerns, weaker US economic data, and the negative impact of President Trump’s aggressive tariff policies.
- Uncertainty around the impact of potential tariffs resulted in sovereign yields falling – notably US Treasuries. Despite this, European sovereign yields rose on the back of a loosening of fiscal rules in Germany. Corporate bonds were impacted by the weakening economic outlook precipitated by tariff uncertainty. However, High-Yield outperformance versus IG credit was driven by the former’s higher carry and lower interest rate sensitivity.
- UK gilt yields rose in Q1 2025, driven primarily by domestic concerns over the UK’s fiscal health, persistent inflation, a weaker growth outlook, and increased fiscal issuance.
- Despite a fall in transactional activity over Q1 2025, UK commercial property continued its recovery, with the office sector delivering its best quarterly performance in almost two years.



# Executive Summary – Q1 2025

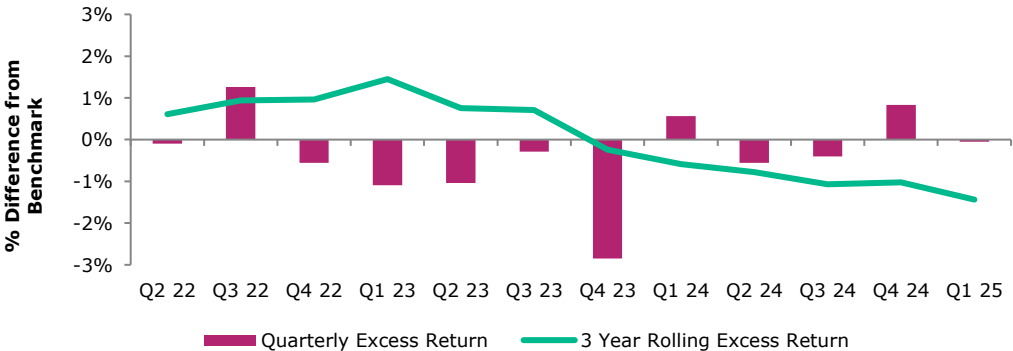
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Fund Performance to 31 March 2025		3 months (%)			1 year (%)			3 years (% p.a.)		
		Fund	Benchmark	Relative	Fund	Benchmark	Relative	Fund	Benchmark	Relative
Equity	LCIV Global Equity Quality	(0.7)	(4.3)	3.6	6.7	4.9	1.8	7.8	7.6	0.1
	LGIM Low Carbon Mandate	(4.8)	(4.8)	0.0	6.2	6.5	(0.2)	8.8	9.0	(0.2)
Dynamic Asset Allocation	LCIV Absolute Return Fund	3.9	2.1	1.8	3.6	9.1	(5.5)	(1.2)	8.2	(9.4)
	LCIV Long Duration B&M	(1.2)	(1.1)	(0.1)	(3.5)	(3.5)	0.0	n/a	n/a	n/a
	LCIV Short Duration B&M	1.3	1.3	0.0	5.4	5.2	0.2	n/a	n/a	n/a
	Allspring Climate Transition Global B&M	0.3	0.6	(0.3)	2.1	(0.6)	2.7	n/a	n/a	n/a
Secure Income	Partners Group MAC <sup>2</sup>	(16.7)	2.1	(18.9)	(8.4)	9.1	(17.5)	(2.0)	8.2	(10.1)
	Oak Hill Advisors	0.4	2.1	(1.7)	5.7	9.1	(3.4)	5.5	8.2	(2.7)
	Aberdeen MSPC Fund <sup>3</sup>	1.3	0.7	0.7	5.6	3.0	2.7	1.3	0.9	0.5
	Darwin Alternatives	0.0	2.6	(2.7)	(25.3)	11.1	(36.4)	(12.7)	10.2	(22.9)
	Partners Group Infra <sup>2</sup>	1.4	3.1	(1.7)	10.9	13.1	(2.2)	13.3	12.2	1.1
	Quinbrook Renewables Impact <sup>4</sup>	2.3	3.4	(1.1)	1.1	7.5	(6.4)	n/a	n/a	n/a
Inflation Protection	Aberdeen Long Lease Property Fund	1.0	1.1	(0.1)	4.4	0.8	3.5	(9.5)	(4.1)	(5.4)
	Alpha Real Capital	(4.2)	(3.5)	(0.7)	(2.7)	(17.5)	14.8	n/a	n/a	n/a
	Man Group	(4.2)	2.1	(6.3)	(1.2)	9.1	(10.2)	0.6	8.2	(7.6)
Total Fund <sup>1</sup>		(1.3)	(1.2)	(0.1)	3.7	3.9	(0.2)	3.2	4.6	(1.4)

Commentary

Total Fund Performance – Last Three Years

- The Total Fund delivered a negative return of -1.3% on a net of fees basis in absolute terms over the quarter to 31 March 2025, marginally underperforming the fixed weight benchmark by 0.1%. The Total Fund delivered positive absolute returns of 3.7% and 3.2% p.a. on a net of fees basis over the year and annualised three years, respectively to 31 March 2025, underperforming its fixed weight benchmark by 0.2% over the year and 1.4% p.a. over the annualised three years.
- Short term deviations from benchmark can be expected where the underlying fund is measured against a target that does not move in line with the respective asset class, for example a number of the private markets funds are measured against a cash-plus target. Details of the benchmarks used for each fund can be found in the Appendix.
- The chart to the right compares the net performance of the Fund relative to the fixed weight benchmark over the three years to 31 March 2025. The 3-year rolling excess return remained negative over the first quarter of 2025 with the Fund having underperformed the fixed weight benchmark over nine of the last twelve quarters to end March 2025.



Asset Allocation as at 31 March 2025

Fund	Actual Asset Allocation				
	31 December 2024 (£m)	31 March 2025 (£m)	31 December 2024 (%)	31 March 2025 (%)	Benchmark Allocation (%)
LCIV Global Equity Quality	191.2	189.6	13.4	13.5	13.0
LGIM Low Carbon Mandate	460.2	438.2	32.2	31.1	27.0
Total Equity	651.4	627.8	45.6	44.6	40.0
LCIV Absolute Return Fund	150.0	154.8	10.5	11.0	10.0
Allspring Buy & Maintain (Climate Transition)	137.7	138.1	9.6	9.8	10.0
LCIV Buy & Maintain (Long Duration)	31.4	30.6	2.2	2.2	2.5
LCIV Buy & Maintain (Short Duration)	33.1	33.1	2.3	2.3	2.5
Total Dynamic Asset Allocation	352.2	356.6	24.7	25.3	25.0
Partners Group MAC¹	3.2	2.7	0.2	0.2	-
Oak Hill Advisors Diversified Credit Strategies	77.4	77.8	5.4	5.5	5.0
Partners Group Direct Infrastructure¹	34.4	34.9	2.4	2.5	5.0
Quinbrook Renewables Impact	45.3	56.3	3.2	4.0	3.5
Aberdeen Multi Sector Private Credit	51.1	51.7	3.6	3.7	4.0
Darwin Alternatives Leisure Development Fund	21.7	21.7	1.5	1.5	2.5
Secure Income	233.1	245.0	16.3	17.4	20.0
Aberdeen Long Lease Property	51.3	51.8	3.6	3.7	5.0
Alpha Real Capital Inflation Linked Income Fund	77.9	73.9	5.5	5.2	7.5
Man Group	26.8	25.7	1.9	1.8	2.5
Total Inflation Protection	156.1	151.4	10.9	10.7	15.0
Bank Balance	35.1	27.5	2.4	2.0	-
Total Assets	1,427.9	1,408.3	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. ¹Partners Group Multi Asset Credit and Direct Infrastructure valuations provided by Northern Trust with a month's lag (i.e. as at 30 November 2024 and as at 28 February 2025). Total Fund valuation at 31 March 2025 includes £3 which is invested in private equity allocations with Unicapital, with this investment currently in wind down.



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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.

- Action
- Decision
- Discussion
- Information only

# Fund Activity (2)

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Item	Action points / Considerations	Status
Multi Sector Private Credit	<b>Aberdeen</b> <ul style="list-style-type: none"><li>In March 2025, Aberdeen provided notice to investors that the MSPC Fund has been gated.</li><li>Aberdeen will present to the Committee at the 25 June 2025 Pension Fund Committee Meeting to discuss the reason for gating the fund, alongside proposed changes to the MSPC Fund strategy. We have provided a report to be included as a Private Agenda item for discussion at the June Committee Meeting.</li></ul>	
Ground Rents	<b>Alpha Real Capital</b> <ul style="list-style-type: none"><li>In January 2025, Inspiring Learning Ltd, the tenant of the Kingswood portfolio entered administration. The portfolio consists of 5 outdoor education sites with a book value of £26.7m (1.9% NAV, 2.0% Rent). The 3 largest properties are in the process of being transferred to PGL, the market leading operator in the sector. The remaining two sites with book value £14.6m (0.5% NAV, 0.6% rent) are ceasing operations. Both sites have received interest from several alternative operators, and Alpha Real Capital is exploring an off-market sales process.</li><li>At the 5 March 2025 Pension Fund Committee Meeting, the Committee agreed to top-up the Fund's ground rents allocation via an additional £30m investment in the Alpha Real Capital Index Linked Income Fund. Following quarter end, the additional investment was completed on 17 April 2025 – funded via a combination of cash held in the Northern Trust bank account and a £15m partial redemption from the LCIV Absolute Return Fund.</li></ul>	
Multi Asset Credit	<b>Partners Group</b> <ul style="list-style-type: none"><li>The Partners Group Multi Asset Credit Fund had made 54 investments, of which 51 have been fully realised as at 31 March 2025. The Fund's three-year investment period ended in July 2017 and therefore, any investments realised have subsequently been repaid to investors.</li><li>Over the quarter, Partners Group issued no further capital distributions.</li><li>The MAC fund represents 0.2% (£2.7m) of the Fund's total investment portfolio. Partners Group anticipates that the majority of remaining portfolio asset exits will complete by the end of 2025.</li></ul>	

## 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)

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Item	Action points / Considerations	Status
Absolute Return	<p><b>Ruffer</b></p> <p>Over the quarter, Ruffer announced the departure of Duncan MacInnes, Portfolio Manager (“PM”) and member of the asset allocation team. Isio held a call with Ruffer in February 2025 and summarise the key points below:</p> <ul style="list-style-type: none"><li>• Ruffer would not confirm the reason behind Duncan’s departure, however did stress it was their decision rather than Duncan’s. Ruffer also noted their decision was not related to investment performance, organisational restructuring or any regulatory issues.</li><li>• Duncan had 3 key roles at the firm:<ul style="list-style-type: none"><li>○ PM – at Ruffer PMs generally have more of an implementation role and are responsible for creating a portfolio which is aligned with the firm’s view. The overall investment view is the responsibility of Co CIOs Henry Maxey and Neil McLeish, with Jonathan Ruffer acting as a sounding board.</li><li>○ Investment strategy input – Our understanding is that Duncan along with a few other PMs attended the main investment committee meetings where overall investment strategy was discussed and debated. Whilst Duncan was not a decision maker in these meetings, he was a contributor to ideas and overall investment thought.</li><li>○ Clients – All PMs have duties to manage relationships with certain client types. Duncan was a named PM on both the Ruffer Diversified Return Fund (platform and DC investors) as well as the Ruffer Investment Company (the listed investment trust). It was acknowledged that Duncan was quite visible externally on podcasts and hosting Ruffer webinars and therefore, investors will have been familiar with Duncan.</li></ul></li><li>• Ruffer do not currently plan to replace Duncan, and instead his responsibilities will be mostly spread out amongst the 6 other PMs. Ruffer have also noted that over the last year they have started to adopt the Aladdin software, which is taking on a more important role in the implementation of research ideas.</li><li>• Ruffer have also indicated that they expect to announce a senior hire to the firm within the Investment Research team who has emerging market expertise, albeit this is also not related to Duncan’s departure.</li></ul> <p><b>Isio view</b> – The Ruffer product is distinctive within the universe of diversified growth managers with the manager willing to take contrarian, long-term positions, where necessary drawing on the expertise of external funds. We continue to rate Ruffer. Whilst we view the loss of Duncan to the firm as a blow, we believe it is likely to have minimal impact on the investment strategy and ideas that Ruffer adopt. Ruffer have acknowledged that even though Duncan was not a key decision maker in terms of investment strategy, he was seen as someone who could potentially step up into a leadership role in the future (along with fellow PMs Alex Chartres and Matt Smith). This means that we think the longer-term succession planning may have been affected by this change, however we note Ruffer already have at least two others who they believe can evolve into leadership roles. We also expect that the other PMs will be able to accommodate Duncan’s responsibilities within the team. We have been assured that Duncan’s departure is a ‘one-off’ and unrelated to ongoing business change which has seen some redundancies over the last year (mainly in back office functions). However, we will closely monitor to see if there are any further developments.</p>	

### Summary

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

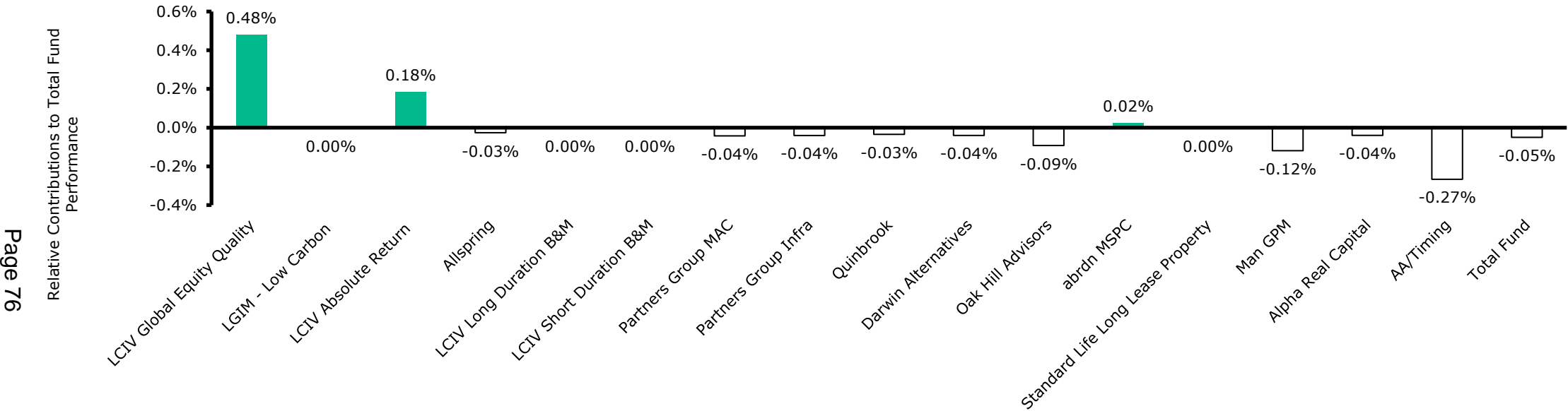
Any updates that require action or discussion are flagged accordingly with the key below.

### Status key

-  Action
-  Decision
-  Discussion
-  Information only

# Attribution of Performance to 31 March 2025

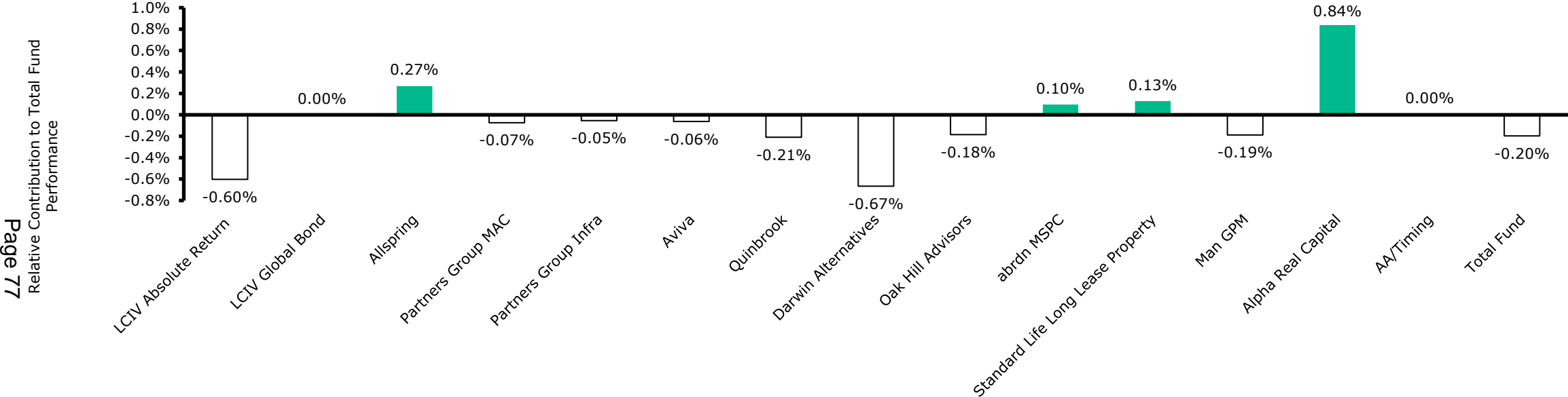
Relative Contributions to Total Fund Performance - Quarter



Key area	Comments
Commentary	<div><ul style="list-style-type: none"><li>The Fund underperformed its fixed weight benchmark by c. 0.1% over the quarter to 31 March 2025.</li><li>Man GPM and Oak Hill Advisors underperformed their cash-plus targets over the quarter, with property market uncertainty and currency fluctuations impacting returns respectively, versus the target measures which have been boosted by continued heightened interest rates. However, underperformance over the quarter can primarily be attributed to the Fund’s overweight equity exposure, with both equity mandates delivering negative returns on an absolute basis. The negative attribution of the Fund’s overweight equity exposure is reflected by the “AA/Timing” bar.</li><li>That said, the LCIV Global Equity Quality Fund was the largest offset to underperformance, having outperformed the wider global equity market over the quarter with the mandate’s defensive positioning proving beneficial amid a period of market downturn. The LCIV Absolute Return Fund also outperformed its cash-based benchmark, as the fund rotated its equity allocation from US markets to Europe and China, alongside the impact of the strategy’s gold and precious metals exposures, which boosted returns over the quarter.</li></ul></div>

# Attribution of Performance to 31 March 2025

Relative Contributions to Total Fund Performance - Annual



Key area	Comments
Commentary	<div><ul style="list-style-type: none"><li>Over the year to 31 March 2025, the Fund underperformed its fixed weight benchmark by c. 0.2%.</li><li>Underperformance over the year can primarily be attributed to Darwin Alternatives, with the Leisure Development Fund’s assets written down by c.23% over Q3 2024, and the LCIV Absolute Return Fund, owing to the negative impact of rising yields on its defensively-positioned portfolio.</li><li>In addition, a number of the Fund’s private markets investments have underperformed their cash-plus targets over the year – with valuations impacted by wider uncertainty in traditional real assets markets alongside the positive impact of heightened interest rates on the target SONIA level.</li><li>Underperformance has been offset to some extent by Alpha Real Capital, having outperformed its long-dated inflation-linked gilts benchmark, with rising yields over the year acting to reduce the value of the benchmark measure, and Allspring, having outperformed the wider corporate bond market owing to the portfolio’s shorter duration alongside positive impact from the strategy’s climate transition-tilted portfolio.</li></ul></div>

# Investment Manager Updates

London CIV (1)

Sub-fund	Asset Class	Manager	Total AuM as at 31 Dec 2024 (£m)	Total AuM as at 31 Mar 2025 (£m)	Number of London CIV clients	Inception Date
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	1,496	1,393	5	11/04/16
LCIV Global Alpha Growth Paris Aligned	Global Equity	Baillie Gifford	2,446	2,256	11	13/04/21
LCIV Global Equity	Global Equity	Newton	634	607	3	22/05/17
LCIV Global Equity Quality	Global Equity	Morgan Stanley Investment Management	753	747	3	21/08/20
LCIV Global Equity Focus	Global Equity	Longview Partners	1,308	1,223	6	17/07/17
LCIV Global Equity Value	Global Equity	Wellington Management International Limited	188	329	3	28/10/24
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	542	533	8	11/01/18
LCIV Sustainable Equity	Global Equity	RBC Global Asset Management (UK)	1,532	1,431	8	18/04/18
LCIV Sustainable Equity Exclusion	Global Equity	RBC Global Asset Management (UK)	789	732	5	11/03/20
LCIV PEPPA	Global Equity	State Street Global Advisors	1,042	1,080	5	01/12/2021
LCIV Global Total Return	Diversified Growth Fund	Pyrford	103	106	1	17/06/16
LCIV Diversified Growth	Diversified Growth Fund	Baillie Gifford	269	254	3	15/02/16
LCIV Absolute Return	Diversified Growth Fund	Ruffer	984	1,047	10	21/06/16
LCIV Real Return	Diversified Growth Fund	Newton	40	40	1	16/12/16
LCIV Global Bond	Fixed Income	PIMCO	916	941	10	30/11/18
LCIV Short Duration B&M Credit Fund	Fixed Income	Insight Investment Management	138	139	2	06/12/23
LCIV Long Duration B&M Credit Fund	Fixed Income	Insight Investment Management	803	788	7	06/12/23
LCIV All Maturities B&M Fund	Fixed Income	Insight Investment Management	489	487	3	09/10/24
LCIV MAC	Fixed Income	CQS & PIMCO	2,074	2,233	18	31/05/18
LCIV Alternative Credit	Fixed Income	CQS	643	727	5	31/01/22
Total			17,189	17,090		

Investment Performance to 31 Mar 2025

Business

As at 31 March 2025, the London CIV had assets under management of £17.1bn within the 20 sub-funds (not including private markets strategies), a marginal decrease of £0.1bn over the quarter owing to negative investment returns across the equity-based sub-funds available on the platform.

As at 31 March 2025, the total assets under oversight, including passive investments held outside the London CIV platform, stood at £33.9bn, a decrease of c. £0.3bn over the quarter. Total commitments raised by the private market funds stood at c. £3.8bn of which c. £2.0bn had been drawn as at 31 March 2025.

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

# London CIV (2)

Sub-fund	Total Commitment as at 31 Mar 2025 (£'000)	Called to Date (£'000)	Total Commitment as at 31 Dec 2024 (£'000)	Number of London CIV clients	Inception Date
LCIV Infrastructure Fund	475,000	370,791	475,000	6	31/10/2019
LCIV Real Estate Long Income Fund	213,000	213,000	213,000	3	11/06/2020
LCIV Renewable Infrastructure Fund	1,108,500	610,035	1,108,500	16	29/03/2021
LCIV Private Debt Fund	625,000	420,091	625,000	8	29/03/2021
LCIV UK Housing Fund	530,000	207,373	530,000	9	31/03/2023
LCIV Private Debt Fund II	273,000	n/a	228,000	3	28/05/2024
LCIV Nature Based Solutions Fund	299,000	n/a	175,000	2	12/07/2024
The London Fund	250,000	119,248	250,000	4	15/12/2020

Source: London CIV.

## Investment Performance to 31 Dec 2024

The table to the left provides an overview of the London CIV's private markets investments as at 31 December 2024. Data as at 31 March 2025 is not available as at the time of writing.

Over the quarter, having launched the LCIV Private Debt Fund II and the LCIV Nature Based Solutions Fund in June and July 2024 respectively, both funds reached first close in December 2024.

In addition, London CIV launched an indirect property proposition on 31 March 2025.



# LCIV – Global Equity Quality

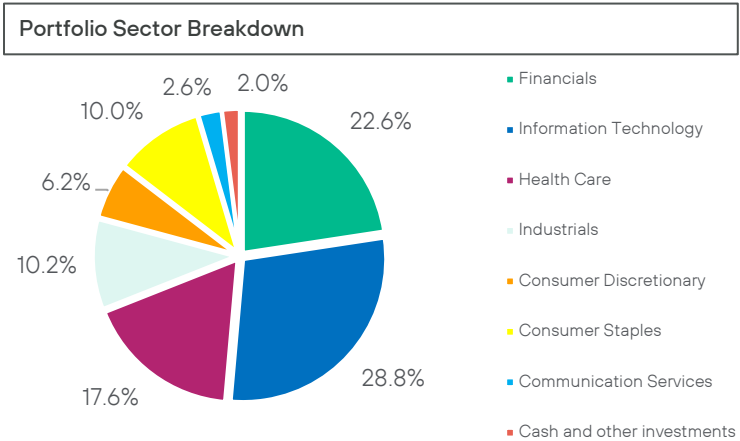
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Key area	Performance commentary
Commentary	<ul style="list-style-type: none"><li>The LCIV Global Equity Quality Fund delivered a negative absolute return of -0.7% on a net of fees basis over the quarter, outperforming the MSCI-based benchmark by 3.6% over the period.</li><li>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.</li><li>Over Q1 2025, the Sub-Fund benefitted from the strategy's quality bias, which showed resilience amid significant market headwinds towards the end of the quarter driven by US tariff uncertainty. Sector and security selections also positively contributed to the Sub-Fund's overall performance.</li><li>The Sub-Fund has delivered positive returns of 6.7% and 7.8% p.a. over the year and three years to 31 March 2025, respectively on a net of fees basis. The Sub-Fund outperformed its MSCI-based benchmark by 1.8% over the year and 0.1% over the three-year period.</li></ul>

Investment Performance to 31 March 2025			
	Last Quarter (%)	One Year (%)	Three Years (% p.a.)
Net of fees	-0.7	6.7	7.8
Benchmark (MSCI World Net Index)	-4.3	4.9	7.6
Net Performance relative to Benchmark	3.6	1.8	0.1

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.



Key Statistics	
	LCIV Global Equity Quality Fund
No. of Holdings	43
No. of Countries	9
No. of Sectors*	7
No. of Industries*	19

Holdings	
	% of NAV
Visa Inc	5.5
Sap Se	5.3
Microsoft	5.1
Aon	3.8
L'Oreal	3.5
Procter & Gamble	3.5
Intercontinental Exchange Inc	3.2
Accenture Plc	3.0
Gallagher Arthur J & Co	3.0
Coca-Cola	2.9
Total	38.8

# LGIM – World Low Carbon Equity

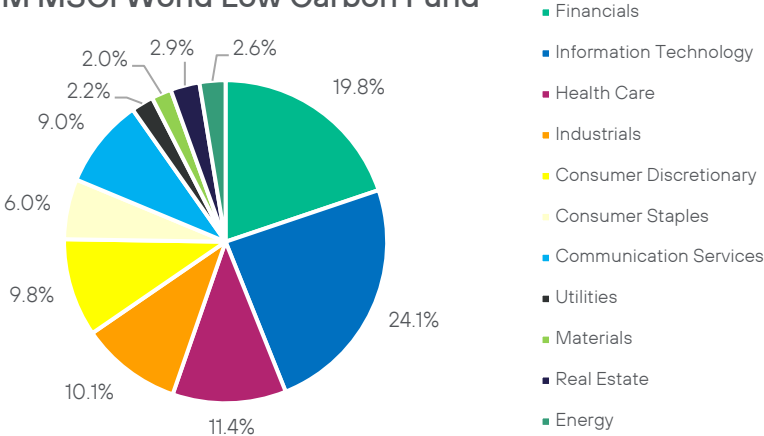
Key area	Performance Commentary
Commentary	<ul style="list-style-type: none"><li>The LGIM MSCI World Low Carbon Index Fund delivered a negative absolute return of -4.8% on a net of basis over the quarter to 31 March 2025 as global equities, particularly US stocks, faced major headwinds over the period. The fund performed broadly in line with its benchmark.</li><li>The LGIM MSCI World Low Carbon Index Fund delivered an absolute return of 6.2% on a net of fees basis over the one-year-period to 31 March 2025, slightly underperforming its MSCI World Low Carbon Target benchmark by 0.2%. Over the longer three-year and five-year periods, the strategy delivered positive absolute returns of 8.8% p.a. and 15.7% p.a. on a net of fees basis, slightly underperforming its MSCI World Low Carbon Target benchmark by 0.2% p.a. and 0.1% p.a. respectively.</li></ul>

Investment Performance to 31 March 2025				
	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	-4.8	6.2	8.8	15.7
Benchmark (MSCI World Low Carbon Target)	-4.8	6.5	9.0	15.8
Net Performance relative to Benchmark	0.0	-0.2	-0.2	-0.1

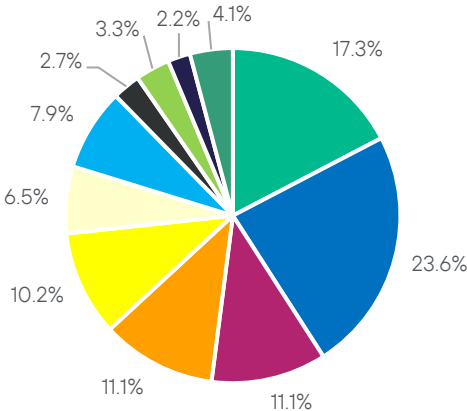
Relative performance may not tie due to rounding

Portfolio Sector Breakdown at 31 March 2025

LGIM MSCI World Low Carbon Fund



MSCI World Equity Index



## Fund Overview

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

The bottom left charts compare the relative weightings of the sectors in the LGIM MSCI World Low Carbon Index Fund and the MSCI World Equity Index as at 31 March 2025.

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.

Note: Returns net of fees.  
Sources: Northern Trust and LGIM.  
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# LCIV – Absolute Return

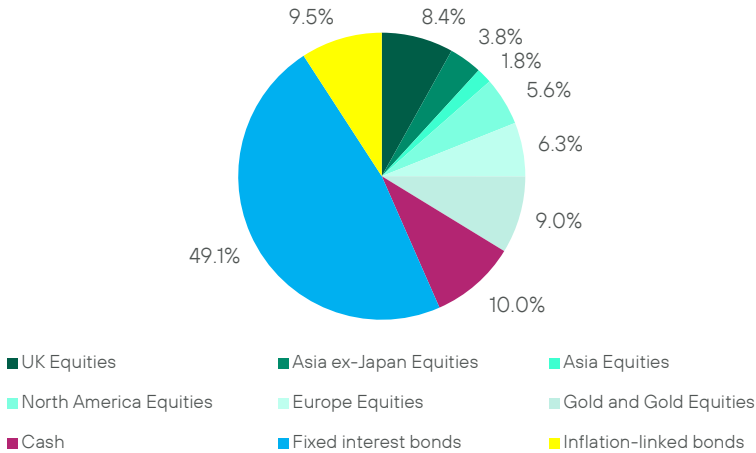
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Key area	Performance Commentary
Commentary	<ul style="list-style-type: none"><li>The LCIV Absolute Return Fund delivered a positive return of 3.9% over the quarter on an absolute basis, outperforming its SONIA + 5% p.a. target by 1.8%. The Sub-Fund benefitted from a geographical rotation of its equity allocation, switching out of the US and into Europe and China over the first two months of 2025, which paid dividends as US markets dropped significantly over the latter stage of the quarter. Additionally, the Sub-Fund's credit derivative positions, and allocation to gold and precious metals contributed positively to the Sub-Fund's overall performance.</li><li>The Sub-Fund has delivered mixed returns over longer time periods and underperformed the cash-based benchmark. Ruffer attributes its underperformance 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).</li></ul>

Investment Performance to 31 March 2025				
	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	3.9	3.6	-1.2	4.5
Target	2.1	9.1	8.2	6.7
Net performance relative to Target	1.8	-5.5	-9.4	-2.0

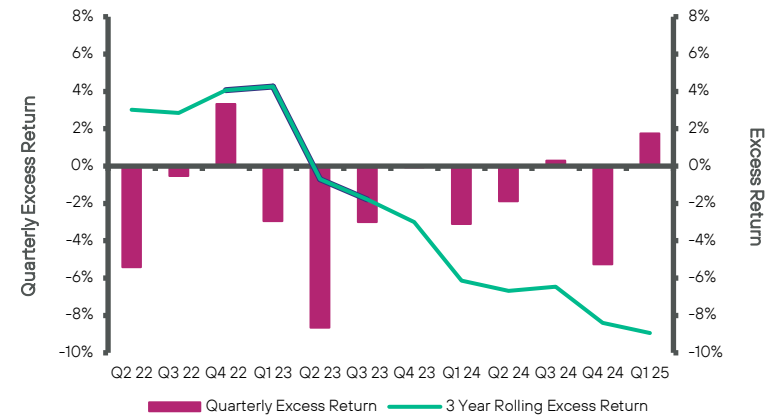
Relative performance may not tie due to rounding

Portfolio Sector Breakdown at 31 March 2025



Total exceeds 100% as a result of negative derivative exposures not included in the chart.

Investment Performance to 31 March 2025



### 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.

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

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Key area	Performance Commentary
Commentary	<ul style="list-style-type: none"><li>The Short Duration Sub-Fund delivered a positive return of 1.3% over the quarter with the strategy's relatively low interest rate exposure proving beneficial, despite the impact of a widening in USD debt spreads over the period. Relative to the reference index, the Sub-Fund performed broadly in line with its iBoxx 0-5 Years credit index measurement.</li><li>Long-dated yields have continued to increase over the quarter. Resultantly, the long-dated Sub-Fund delivered a negative return of -1.2% on a net of basis, marginally underperforming its benchmark by 0.1%. Underperformance was primarily attributed to the Sub-Fund's exposure to US Dollar debt, which does not form part of the index and with spreads on its UK counterparts widening less sharply. Across sectors and industries, financials and autos (within industrials) have also detracted relative returns.</li></ul>

Key Statistics				
	Short Duration		Long Duration	
	31 Dec 2024	31 Mar 2025	31 Dec 2024	31 Mar 2025
Weighted Average Credit Rating	A-	A-	A-	A-
Yield to Maturity	5.42	5.10	5.79	5.99
Current Yield	3.99	3.97	5.32	5.47
Interest Rate Duration (Years)	2.33	2.25	11.19	10.99
Spread Duration (Years)	2.07	1.95	10.46	10.28

Investment Performance to 31 March 2025		
Short Duration	Last Quarter (%)	One Year (%)
Net of fees	1.3	5.4
Benchmark / Target	1.3	5.2
Net performance relative to Benchmark	0.0	0.2
Long Duration	Last Quarter (%)	One Year (%)
Net of fees	-1.2	-3.5
Benchmark / Target	-1.1	-3.5
Net performance relative to Benchmark	-0.1	0.0

Relative performance may not tie due to rounding

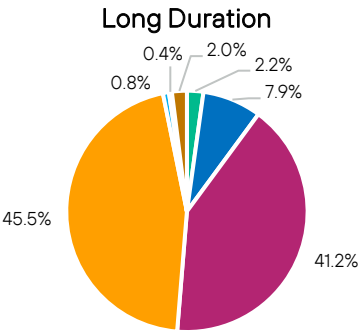
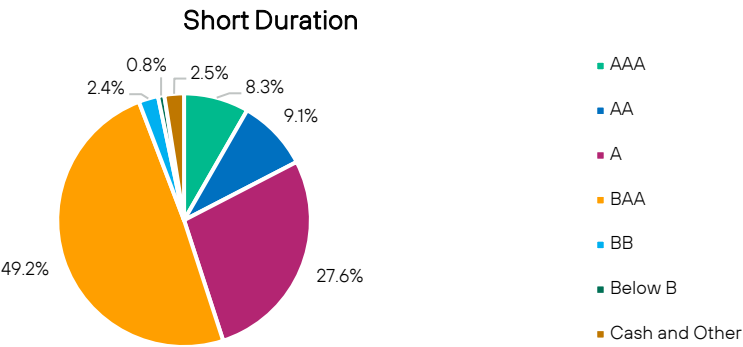
## Fund Overview

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.

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

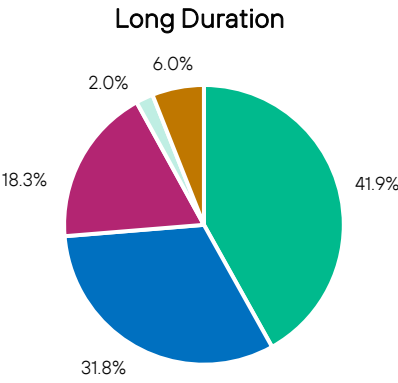
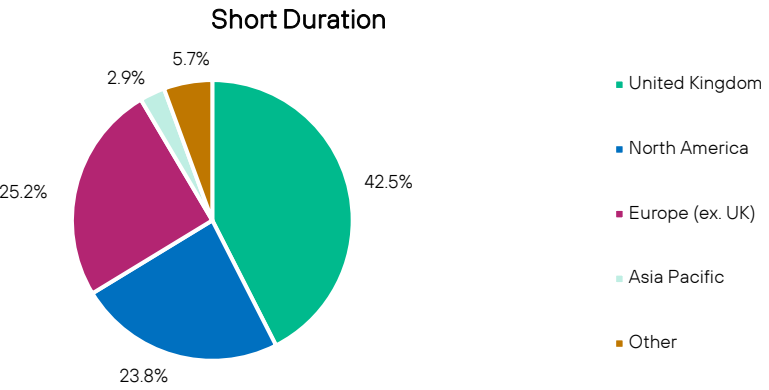
Portfolio Credit Rating Breakdown as at 31 March 2025



Fund Overview

The charts to the left represent the split of the Short and Long duration portfolios by credit rating and by region as at 31 March 2025.

Portfolio Regional Breakdown as at 31 March 2025



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

Key area	Performance Commentary
Commentary	<ul style="list-style-type: none"><li>The Allspring Climate Transition Global Buy and Maintain Fund has delivered a positive return of 0.3% over the quarter to 31 March 2025 on a net of fees basis, underperforming its target by 0.3%.</li><li>The Fund benefitted from declining US rates over the period, although this was offset by widening credit spreads.</li><li>Underperformance against its Sterling denominated index was mainly driven by the strategy's sector selection, where its overweight in the communications sector was a drag on relative performance.</li></ul>

Investment Performance to 31 March 2025		
	Last Quarter (%)	One Year (%)
Net of fees	0.3	2.1
Target	0.6	-0.6
Net performance relative to Target	-0.3	2.7

Relative performance may not tie due to rounding

### Fund Overview

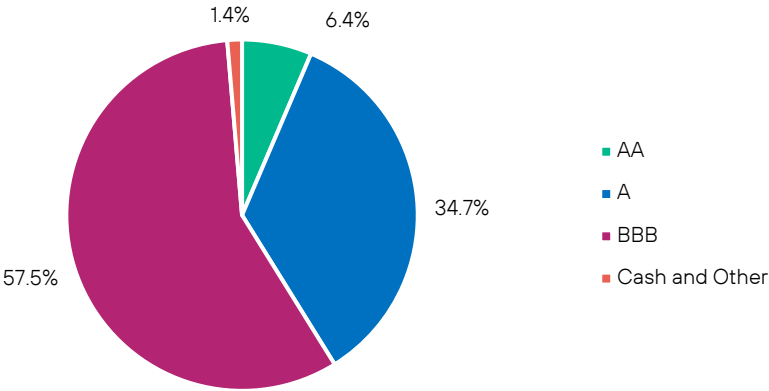
Allspring was appointed on 7 November 2023 to manage a global climate transition buy and maintain credit mandate.

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

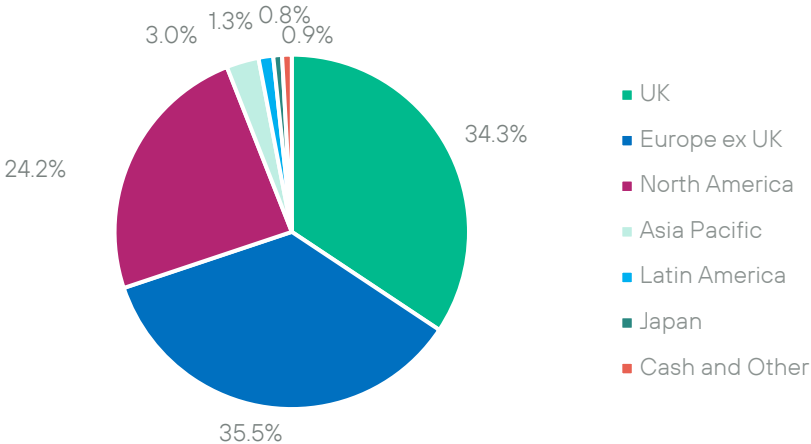
The charts to the bottom left represent the split of the Allspring Climate Transition Global Buy & Maintain Fund by credit rating and by region as at 31 March 2025.

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Portfolio Credit Rating Breakdown as at 31 March 2025



Portfolio Regional Breakdown as at 31 March 2025



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

ESG Metrics as at 31 March 2025

	Allspring Climate Transition Global Buy & Maintain		Benchmark	
	Value	Coverage	Value	Coverage
MSCI ESG Score	7.5	98%	7.1	92%
Sustainalytics ESG Risk Score	19	95%	20	96%
Carbon to Value Invested (metric tons CO <sub>2</sub> e/\$1m invested)*	21	96%	27	94%
Weighted Average Carbon Intensity (metric tons CO <sub>2</sub> e/\$1m revenues)*	47	96%	68	94%
Coal Emissions (metric tons CO <sub>2</sub> e/\$1m invested)	0	N/A	4,733	N/A
Gas Emissions (metric tons CO <sub>2</sub> e/\$1m invested)	3,380	N/A	3,674	N/A
Oil Emissions (metric tons CO <sub>2</sub> e/\$1m invested)	4,199	N/A	5,493	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 1.5°C pathway to net zero by 2050.

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

The table to the left compares the ESG metrics of the Climate Transition Global Buy & Maintain Fund with those of the reference benchmark as at 31 March 2025.

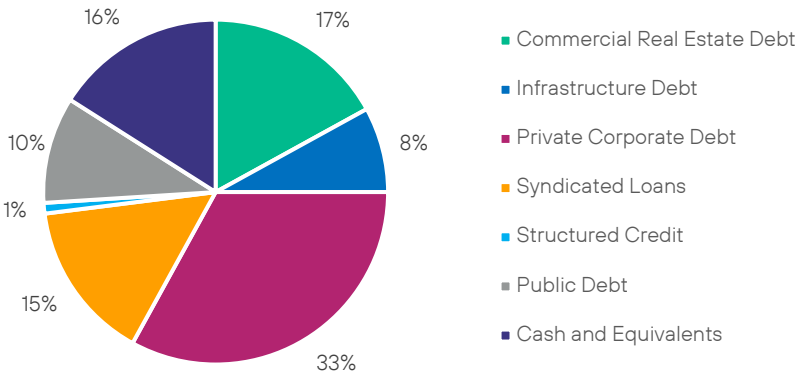
Please note that we have included definitions of each of the metrics in the Appendix to this report.

# Aberdeen – Multi-Sector Private Credit Fund

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Key area	Performance Commentary
Commentary	<ul style="list-style-type: none"><li>The MSPC Fund has delivered a positive return of 1.3% on a net of fees basis over the quarter. Positive absolute returns were mainly driven by the strategy’s allocation to corporate private debt, alongside the illiquidity premium gained from the private markets assets which are characteristically less sensitive to interest rate movements in the shorter term.</li><li>The strategy has outperformed its corporate bond-based target by 0.7%, owing to the index’ greater sensitivity to movements in the yield curve and illiquidity premium attached to the Fund’s assets.</li></ul>
Portfolio Composition	<ul style="list-style-type: none"><li>As at 31 March 2025, the MSPC Fund portfolio has reached target allocation and consists of 18 private assets:<ul style="list-style-type: none"><li>4 infrastructure debt investments;</li><li>5 senior commercial real estate debts investments; and</li><li>9 private corporate debt investments.</li></ul></li><li>The MSPC Fund has also made investments in syndicated loans, structured credit and public bonds.</li></ul>

Portfolio Asset Type Breakdown at 31 March 2025



Investment Performance to 31 March 2025			
	Last Quarter (%)	One Year (%)	Three Years (% p.a.)
Net of fees	1.3	5.6	1.3
Benchmark / Target	0.7	3.0	0.9
Net performance relative to Benchmark	0.7	2.7	0.5

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

Investment Metrics		
	31 Dec 2024	31 Mar 2025
Duration (years)	3.74	3.57
Average rating	BBB+	BBB
Average portfolio spread	258bps	256bps
Average illiquidity premium	117bps	114bps
Average yield to maturity	6.41%	6.34%

### Fund Overview

Aberdeen 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.

One of the Fund’s Corporate Debt investments, Corp 6 has been added to the Fund’s watchlist over the quarter, as the debt was amended, and extended from its original maturity date in 2025. This action was taken as the borrower was optimistic on improving its performance, further supported by its high liquid assets. We will continue to monitor this investment.

As at 31 March 2025, c. 74% of the MSPC Fund portfolio has been invested in illiquid assets that will make up the long-term portfolio, while the remaining c. 26% 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 2025 is provided in the chart to the left.



# Darwin Alternatives – Leisure Development Fund (1)

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Key area	Performance Commentary
Commentary	<ul style="list-style-type: none"><li>The Leisure Development Fund delivered a flat return on an absolute basis over the quarter to 31 March 2025 and underperformed its cash +6% p.a. target by 2.7%. Over the one-year period, the Fund has delivered an absolute return of -25.3%, underperforming its target by 36.4%.</li><li>Negative returns over the quarter were driven by holiday rentals, which were lower than expected. Holiday home sales are usually low in Q1, but the sales were in line with last year.</li><li>Significant underperformance over the one-year period can primarily be attributed to Darwin revising downward its management projections of revenues and costs, which resulted in a fall in the NAV of the Fund by c. 23% over Q3 2024. Further detail is provided in a separate Committee report, which was discussed at the March 2025 Pension Fund Committee Meeting. Darwin will also present to the Committee at the June 2025 Pension Fund Committee Meeting.</li><li>Darwin remains focussed on operational improvements and cost-cutting measures such as reducing the main costs of staffing, cleaning and utilities. As well as the expansion of stately home partnerships, aiming to replicate the success of the Blenheim asset.</li></ul>

Investment Performance to 31 March 2025			
	Last Quarter (%)	One Year (%)	Three Years (%)
Net of fees	0.0	-25.3	-12.7
Benchmark / Target	2.6	11.1	10.2
Net performance relative to Benchmark	-2.7	-36.4	-22.9

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	
<ul style="list-style-type: none"><li>Blenheim Palace and the Springs performed well but the other sites were slightly behind budget.</li><li>High Lodge, a development site in Suffolk was sold to Sizewell C Limited at the end of March. The decision was taken due to the rising construction costs after acquiring the site in 2021. It was no longer viable to develop the site into a lodge resort providing a suitable return. The site was sold to Sizewell C at a higher price than the initial acquisition cost and all the planning and development costs which had been incurred.</li></ul>	<ul style="list-style-type: none"><li>There is also a new managing director at Darwin Escapes, who is to start at the beginning of April. Tom Lockwood is a strategic leader with expertise in brand management and extensive experience in the industry. He has spent 7 years at the Forge Holiday Group with his most recent role as Regional Commercial Director, where the focus was improving profitability. He has also overseen major technology transformations and implemented new marketing and sales strategies. Tom will largely focus on improving the marketing strategy and optimising the costs while increasing the brand awareness. He will also support the team to drive greater commercial awareness..</li></ul>

# 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
Blenheim Palace, Oxfordshire	Develop site into luxury lodge retreat	10	December 2021

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

## Portfolio

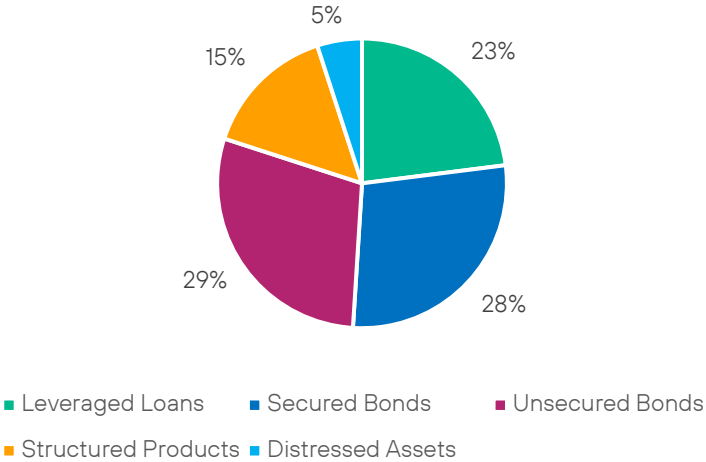
The table to the left shows details of the parks underlying the Darwin Alternatives Leisure Development Fund portfolio as at 31 March 2025.

# Oak Hill Advisors – Diversified Credit Strategies

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Key area	Performance Commentary
Commentary	<ul style="list-style-type: none"><li>The strategy delivered a positive return of 0.4% on a net of fees basis over the quarter to 31 March 2025, underperforming the benchmark by 1.7%. As the strategy is measured against a Sterling cash-plus benchmark, we would expect relative performance differences over shorter time horizons.</li><li>Despite strong earnings, US credit markets underperformed the wider globe amid uncertainty surrounding President Trump's tariff announcements and wider economic uncertainty.</li><li>The strategy's opportunistic nature means that the fund can take on restructuring opportunities for issuers. There were no defaults over the first quarter of 2025 within the Diversified Credit Strategies portfolio, while four positions representing c. 3.9% of the total portfolio were downgraded.</li></ul>

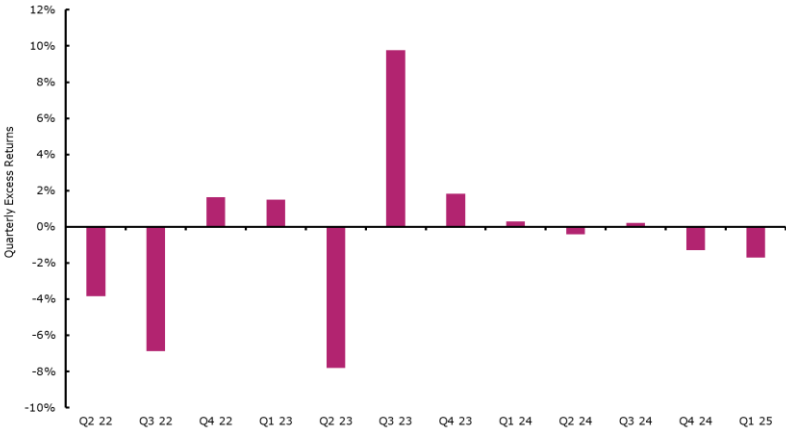
Portfolio Sector Breakdown at 31 March 2025



Investment Performance to 31 March 2025				
	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	0.4	5.7	5.5	8.1
Benchmark / Target	2.1	9.1	8.2	6.6
Net Performance relative to Benchmark	-1.7	-3.4	-2.7	1.5

Relative performance may not tie due to rounding

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 6.0% on a net of fees basis over the year to 31 March 2025 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 7.3% over the year to 31 March 2025.

The chart to the bottom left shows the composition of the Diversified Credit Strategies Fund's portfolio as at 31 March 2025.

# Partners Group – Direct Infrastructure

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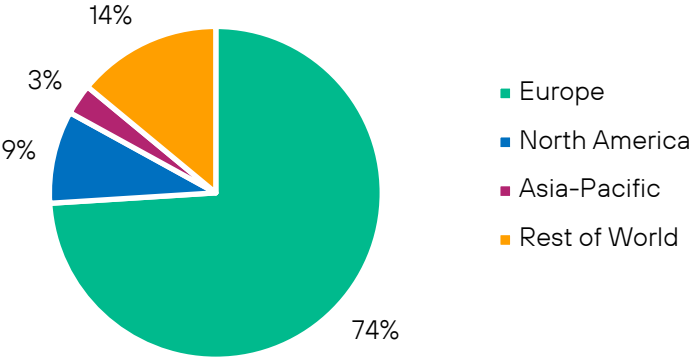
Key area	Performance Commentary
Activity	<ul style="list-style-type: none"><li>The Direct Infrastructure Fund's investment period ended on 30 September 2021 and the Fund will therefore make no further investments going forward, having made 22 investments.</li><li>As at 31 December 2024, the Partners Group Direct Infrastructure Fund was in its realisation phase with an active portfolio of 13 investments having realised 9 positions to date.</li><li>As at 31 December 2024, the Fund has delivered a net IRR of 14.3% since inception.</li><li>Partners Group has agreed to sell Greenlink Interconnector, a 504MW subsea electricity interconnector linking Great Britain and Ireland, to Baltic Cable AB and Equitix. The transaction values Greenlink at an enterprise value of over EUR 1 billion.</li></ul>

Investment Performance to 31 March 2025				
	Last Quarter	One Year	Three Years	Five Years
	(%)	(%)	(% p.a.)	(% p.a.)
Net of fees	1.4	10.9	13.3	14.4
Benchmark / Target	3.0	13.1	12.2	10.6
Net Performance relative to Benchmark	-1.7	-2.2	1.1	3.9

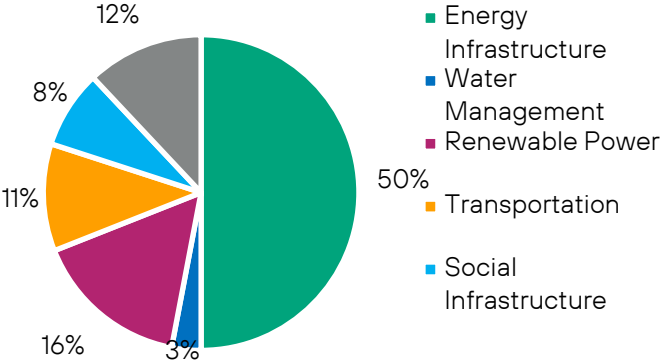
Relative performance may not tie due to rounding

Portfolio Breakdown by Region and Sector as at 31 December 2024
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Regional Allocation



Allocation by Sector



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 2024.

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.

Over the quarter, Partners Group issued no further capital distributions.

# Quinbrook – Renewables Impact Fund (1)

Key area	Performance Commentary
Capital Calls and Distributions	<ul style="list-style-type: none"><li>The London Borough of Hammersmith &amp; Fulham Pension Fund committed £45m to the Quinbrook Renewables Impact Fund ("QRIF I") in August 2023 and £35m to the Quinbrook Renewables Impact Fund II ("QRIF II") in November 2024.</li><li>Over the first quarter of 2025, Quinbrook issued two capital call notices in respect of QRIF I and an equalisation drawdown request in respect of QRIF II, with a QRIF II equalisation distribution payment following in April 2025 post-quarter end.</li><li>Resultantly, the Fund's £45m commitment to QRIF I is c.95% drawn for investment as at 31 March 2025 and the Fund's £35m commitment to QRIF II is c.17% drawn as at 24 April 2025.</li></ul>

Investment Performance to 31 March 2025		
	Last Quarter (%)	One Year (%)
Net of fees	2.3	1.1
Benchmark / Target	3.4	7.5
Net performance relative to Benchmark	-1.1	-6.4

Relative performance may not tie due to rounding

## Fund Overview

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

The Renewables Impact Fund I achieved final close on 29 September 2023 having raised £620m in commitments, exceeding the initial £500m target.

As at 31 December 2024, the Renewables Impact Fund I has delivered a net IRR of 9.0% since inception.

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Activity over the quarter to 31 December 2024		
QRIF I		
<ul style="list-style-type: none"><li>On 19 December 2024, the Rothienorman project saw the last steps in the construction and commissioning process completed. Following this, the project was declared operational and began earning revenue under its Pathfinder II contract.</li><li>A 6-week delay by the Transmission Owner ("TO") at the Thurso site is anticipated to delay COD to January 2025. The Manager is actively working to expedite this timeline, which remains ahead of the Pathfinder contract's longstop date.</li><li>A global circuit breaker procurement shortage has impacted Siemens which has caused a delay on the Neilston project. The Manager has been working extensively with Siemens to identify alternative procurement approaches, however, it has been confirmed that the best-case COD is July 2025. The Gretna project has suffered delays due to Storm Darragh impacting the High Voltage termination and connections works schedule. The best-case COD is now early June 2025, well within the Pathfinder longstop date.</li><li>At Uskmouth, construction is approaching completion with works on site involving installation of BESS and power conversion system ("PCS"). The project is now expected to reach commercial operations in Q2 2025.</li></ul>		
	QRIF II	
	<ul style="list-style-type: none"><li>Significant progress continues to be made on Project Fortress. Construction of the solar asset at Project Fortress neared mechanical completion by the end of Q4'24, with 97% of piles, 98% of solar mounting structures and 91% of modules installed at year end.</li></ul>	
	<ul style="list-style-type: none"><li>As at 31 December 2024, QRIF II had invested £58.2m into several core thematic: standalone storage, decarbonisation of transport, co-located generation and storage and standalone generation.</li><li>The Fund had closed on four investments at year end: (i) Project Kamino (battery energy storage system); (ii) Aegis Energy (company building a platform of dedicated multi-fuel stations); (iii) Fern Portfolio (Norton and Talbot Green) – solar PV and BESS project; and (iv) Mallard Pass (standalone solar PV project).</li><li>In addition to the Fund's first four investments (each completed in Q4 2024), the Manager progressed several new investment opportunities over the quarter spanning grid support assets, renewable energy supply and battery storage assets.</li></ul>	

# Quinbrook – Renewables Impact Fund (2)

QRIF I: Project Name	Fund Ownership	Investment Date	Technology	Location
Pathfinder - Operational				
Rassau	100%	Dec-20	Synchronous Condenser	UK
Pathfinder – Under construction				
Thurso South	100%	Jul-21	Synchronous Condenser	Scotland
Rothienorman	100%	Jul-21	Synchronous Condenser	Scotland
Gretna	100%	Jul-22	Synchronous Condenser	Scotland
Neilston Grid Services	100%	Jul-22	Synchronous Condenser	Scotland
Pathfinder – Other				
Reggie Development Loan	100%	Dec-20	Synchronous Condenser	UK
Solar and Battery Storage – Under construction				
Cleve Hill	100%	Oct-21	Solar and Battery Storage	UK
Battery Storage – Under-construction				
Uskmouth	100%	May-22	Battery Storage	Wales
Other				
Habitat	100%	Jul-21	Trading Platform	UK
Held at cost				
Dawn	100%	Mar-22	Battery Storage	UK
Teffont	100%	Apr-23	Battery Storage	UK
QRIF II: Project Name	Fund Ownership	Investment Date	Theme	Location
Norton	100%	Dec-24	Co-located Generation and Storage	England
Mallard Pass and Talbot Green	100%	Dec-24	Standalone Generation	UK
Kamino	100%	Dec-24	Standalone Storage	England
Aegis	100%	Dec-24	Decarbonisation of Transport	UK

## Portfolio

The table to the left shows a list of the investments held by the Quinbrook Renewables Impact Fund I & II as at 31 December 2024. Data as at 31 March 2025 is not available as at the time of writing.

# Aberdeen – Long Lease Property

Key area	Performance Comments
Commentary	<ul style="list-style-type: none"><li>The Long Lease Property Fund has delivered a positive return of 1.0% over the quarter to 31 March 2025, underperforming its gilts-based benchmark by 0.1%. The Fund has, however, underperformed the wider property market over the quarter and longer periods. Further detail is provided overleaf.</li><li>Aberdeen has realised collection rates of 100% for 2020, 2021, 2022, 2023, and 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.</li></ul>

Investment Performance to 31 March 2025				
	Last Quarter	One Year	Three Years	Five Years
	(%)	(%)	(% p.a.)	(% p.a.)
Net of fees	1.0	4.4	-9.5	-2.6
Benchmark / Target	1.1	0.8	-4.1	-3.7
Net Performance relative to Benchmark	-0.1	3.5	-5.4	1.1

Relative performance may not tie due to rounding

Fund Overview (lagged by one quarter)

Aberdeen 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.

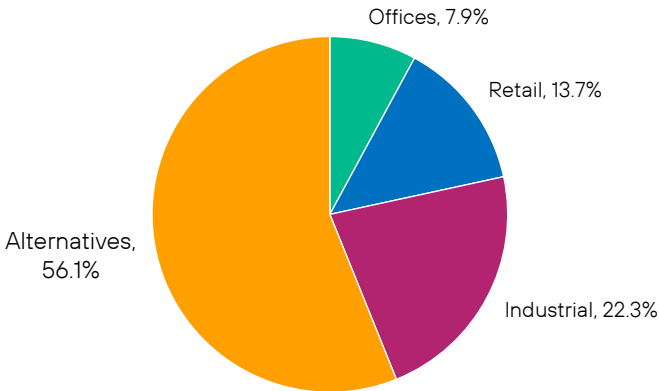
Aberdeen acknowledges that further asset sales will be required to meet redemption requests over 2024. The manager will monitor the portfolio with a focus on selling weaker credits or those with poor ESG scores, and further reducing its office exposure where possible.

As at 31 March 2025, 9.7% of the Fund's NAV is invested in ground rents via an indirect holding in the Aberdeen Ground Rent Fund, with 24.3% of the Fund invested in income strip assets.

The top 10 tenants contributed c. 65.9% of the total net income of the Fund as at 31 March 2025.

The unexpired lease term as at 31 March 2025 stood at 26.2 years, a decrease of 0.1 years over the first quarter of 2025. The proportion of income with fixed, CPI or RPI rental increases increased by 0.1% over the first quarter of 2025 to 93.9% as at 31 March 2025.

Portfolio Sector Breakdown at 31 March 2025



Top 10 Tenants (% of net rental income) as of 31 March 2025		
Tenant	% Net Income	Credit Rating
Amazon UK Services Limited	8.3	AA
Marston's plc	8.0	BB
Viapath Services LLP	7.8	A
J Sainsbury plc	7.5	BBB
Salford Villages Limited	6.7	A
Park Holidays	5.8	Ground Rent (A)
Poundland	5.7	B
Next Group plc	5.6	BBB
Premier Inn Hotels Limited	5.5	BBB
Lloyds Bank plc	5.2	Not available
Total	65.9*	

# Aberdeen – Long Lease Property

Page 36  
Commentary  
(continued)

Key area	Performance Comments	Outlook
	<ul style="list-style-type: none"><li>Aberdeen has attributed negative absolute returns over the last three years primarily to the combination of the following factors:<ul style="list-style-type: none"><li>Property market and long income decline at the end of 2022 and early 2023 – starting from a position of materially low market yields over early 2022, following the September 2022 UK Mini Budget and corresponding sharp rise in yields the property market has seen a large relative re-pricing in asset valuation. The characteristically longer duration of long income assets means that the impact of increasing yields has had a greater proportional effect on long income assets than the wider property market.</li><li>Asset sales at depressed pricing – owing to rising gilt yields following the UK Mini Budget in September 2022, Aberdeen received a number of redemption requests from corporate defined benefit schemes. Initially to provide liquidity to meet collateral calls relating to these schemes' leveraged liability driven investment allocations in order to maintain their hedge position, and subsequently for schemes looking to complete insurer buy-out in the shorter-term as a result of short-term significant funding level improvements. Resultantly, Aberdeen was a forced seller of assets during a period of property valuation decline. As a result of the lack of liquidity and poor market demand, Aberdeen estimates that disposals over 2022 were completing on average at c. 10% discount to NAV, and over 2023 at around 5-10% discounts. Aberdeen however highlights that, owing to the general recovery in the property market, most sales over 2024 have completed either broadly at NAV or slightly above.</li><li>Sector exposure – while the wider property market has recognised a valuation recovery or stabilisation leading into 2024, this has been driven primarily by retail warehousing, multi-let industrial, private residential, and other sectors that don't lend themselves well to long income. Resultantly, the Long Lease Property Fund has had minimal to no exposure to these asset classes, and therefore has not fully participated in the recovery of the wider property market indices.</li></ul></li></ul>	<ul style="list-style-type: none"><li>The manager, Aberdeen, is confident that the Long Lease Property Fund is well positioned to take advantage of the continued recovery in the wider property market. The Fund has shown shoots of recovery over recent quarters, largely driven by income growth, and Aberdeen anticipates that capital value growth will be recognised going forward. From a sector perspective, the Fund has a large exposure to industrials and alternatives – two sectors which the manager anticipates are well placed to capture the market recovery.</li><li>Transaction volumes have been low over 2024 and 2025 to date, however with improving investor liquidity and looser monetary policy transaction activity is set to increase over the coming periods.</li><li>In continuing to build out the Long Lease Property Fund portfolio, Aberdeen is targeting quality UK real estate with long leases and strong tenant covenants, with a key focus on only purchasing assets that are deemed "best-in-class" from an ESG perspective. Aberdeen are also working with the Fund's current assets, collaborating with tenants to ensure that the properties are meeting all sustainability requirements (such as the installation of solar panels and electric vehicle charging stations where possible) and are in the process of delivering social initiatives across the asset base.</li><li>The manager recognises a general lack of supply for these "best-in-class" properties in the wider market as construction costs have fed through to emerging pipelines. Aberdeen anticipates that this will feed through into improved pricing for the quality assets already held in the portfolio.</li></ul>

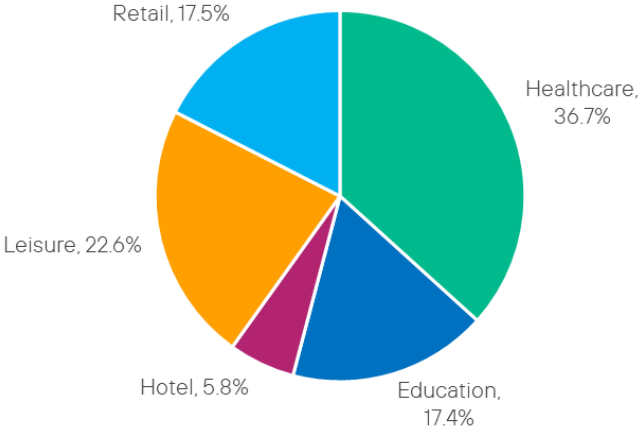


# Alpha Real Capital – Index Linked Income

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Key area	Comments
Commentary	<ul style="list-style-type: none"><li>The Index Linked Income Fund has delivered a negative return of -4.2% on a net of fees basis over the quarter to 31 March 2025 owing to the impact of rising gilt yields and geopolitical uncertainty, which pressured valuations over the period, alongside an asset update detailed below. The strategy underperformed its long-dated inflation-linked gilts benchmark by 0.7% over the three-month period.</li><li>In January 2025, Inspiring Learning Ltd, the tenant of the Kingswood portfolio entered administration. The portfolio consists of 5 outdoor education sites with a book value of £26.7m (1.9% NAV, 2.0% Rent). The 3 largest properties are in the process of being transferred to PGL, the market leading operator in the sector. The remaining two sites with book value £14.6m (0.5% NAV, 0.6% rent) are ceasing operations. Both sites have received interest from several alternative operators, and Alpha Real Capital is exploring an off-market sales process.</li><li>Over the quarter, the Index-Linked Income Fund did not complete any transactions.</li></ul>

Portfolio Sector Breakdown at 31 March 2025



Investment Performance to 31 March 2025

	Last Quarter (%)	One Year (%)
Net of fees	-4.2	-2.7
Benchmark / Target	-3.5	-17.5
Net performance relative to Benchmark	-0.7	14.8

Relative performance may not tie due to rounding

Top Ten Holdings by Value as 31 March 2025

Tenant	Value (%)	Credit Rating
Elysium Healthcare	14.0	A2
Dobbies	12.2	A3
Parkdean	11.0	A2
HC One	10.3	A2
PGL	6.5	Baa2
Away Resorts	6.1	A3
Busy Bees	5.6	A2
Care Tech	4.3	N/A
Grange Hotels	3.7	N/A
Booths	2.6	N/A
Total	76.3	

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. 142 years as at 31 March 2025, reducing by one year over the quarter following asset sales. The Index Linked Income Fund’s portfolio is 100% linked to RPI (or CPI) with no fixed rent reviews in the portfolio.

The sector allocation in the Index Linked Income Fund as at 31 March 2025 is shown in the chart to the left.

The table shows details of the top ten holdings in the Fund measured by value as at 31 March 2025. The top 10 holdings in the Index Linked Income Fund accounted for c. 76% of the Fund as at 31 March 2025.

# Man Group – Affordable Housing

Key area	Comments
Page 98 Commentary	<b>Capital Calls and Distributions</b> <ul style="list-style-type: none"><li>The Fund committed £30m to Man Group in February 2021.</li><li>Man Group did not issue any capital calls during the first quarter of 2025, but issued a draw down request following quarter end for £1.3m for payment by 23 April 2025.</li><li>As such, following payment of the April request, the Fund's total commitment is c. 92% for investment.</li></ul>
	<b>Activity</b> <ul style="list-style-type: none"><li>Having completed the strategy's eleventh investment, Man Group has confirmed that no further investments will be added to the Community Housing Fund portfolio.</li><li>As at 31 December 2024, the Fund has contracted 1,403 homes and delivered 331 homes.</li><li>An update on the Fund's investments in Grantham, Wellingborough and Saltdean can be found in the Private Appendix to this report.</li></ul>

Investments Held				
Investment	Number of Homes	Affordable Homes (%)	Gross Cost (£m)	Capital Invested (£m)
Atelier, Lewes	41	95	13	13
Alconbury, Cambridgeshire	95	100	22	22
Grantham, Lincolnshire	227	82	46	31
Campbell Wharf, Milton Keynes	79	100	21	21
Towergate, Milton Keynes	55	100	18	17
Coombe Farm, Saltdean	71	83	28	24
Chilmington, Ashford	225	0	72	63
Tattenhoe, Milton Keynes	34	100	6	5
Glenvale Park, Wellingborough	146	100	35	15
Old Mallng Farm, Lewes	226	100	83	31
Stanhope Gardens, Aldershot	96	100	39	29
Wantage Grove	108	100	35.5	0
Total	1,403	80	419	271

Man Group 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 Group Community Housing Fund as at 31 December 2024.

As at 31 December 2024, the Man Group Community Housing Fund has a weighted average expected levered IRR of 8.7%.

# Appendices

A1: Fund and Manager Benchmarks

A2: Yield Analysis

A3: Explanation of Market Background

A4: Allspring – ESG Metrics

A5: Disclaimers

# 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	06/12/23
LCIV	Long Duration Buy & Maintain Credit	2.5%	iBoxx £ Collateralized & Corporates 10+	06/12/23
Allspring	Climate Transition Global Buy & Maintain	10.0%	ICE BofA Sterling Corp Bond	07/11/23
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
Aberdeen	Multi Sector Private Credit	4.0%	3 Month Sterling SONIA / ICE ML Sterling BBB Corporate Bond Index	08/04/20
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
Aberdeen	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 Group	Affordable / Supported Housing	2.5%	3 Month Sterling SONIA +4% p.a. (Target)	02/06/21
	Total	100.0%		

# Yield Analysis

Manager	Asset Class	Yield as at end March 2025
LCIV Global Sustain	Global Equity	1.24%
LGIM MSCI Low Carbon	Global Equity	1.70%
LCIV Absolute Return	Dynamic Asset Allocation	0.73%
Allspring Climate Transition B&M	Dynamic Asset Allocation	4.99%
LCIV Short B&M	Dynamic Asset Allocation	3.97%
LCIV Long B&M	Dynamic Asset Allocation	5.47%
Partners Group MAC	Secure Income	5.10%*
Partners Group Infrastructure	Secure Income	1.30%*
Aberdeen MSPC Fund	Secure Income	6.34%
Oak Hill Advisors	Secure Income	7.30%
Standard Life Long Lease Property	Inflation Protection	5.16%
Alpha Real Capital	Inflation Protection	4.33%
	Total	2.57%

\*Yields at 31 December 2024, as the 31 March 2025 data is unavailable at the time of writing.

# 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

# 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 CO <sub>2</sub> e/\$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 CO <sub>2</sub> e)	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 CO <sub>2</sub> e)	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 CO <sub>2</sub> e)	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 CO <sub>2</sub> e)	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).

# 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.



Appendix 5

# 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.
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Pension Fund Current Account Cashflow Actuals and Forecast for period Jan - Mar-25

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	F'cast Annual Total	F'cast Monthly Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast		
Balance b/f	3,438	2,217	4,152	3,616	1,525	614	6,917	5,117	4,014	2,281	5,536	4,409	£000s	£000s
Contributions	4,386	3,748	3,864	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	44,399	3,700
Pensions	(3,535)	(3,452)	(3,490)	(4,191)	(3,711)	(3,797)	(3,900)	(3,803)	(3,833)	(3,845)	(3,827)	(3,835)	(45,218)	(3,768)
Lump Sums	(1,119)	(79)	(482)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(8,880)	(740)
Net TVs in/(out)	(411)	908	(281)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(2,484)	(207)
Net Expenses/other transactions	(542)	50	(281)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(4,373)	(364)
Net Cash Surplus/(Deficit)	(1,221)	1,176	(669)	(2,091)	(1,611)	(1,697)	(1,800)	(1,703)	(1,733)	(1,745)	(1,727)	(1,735)	(16,556)	(1,380)
Distributions		759	133		700			600			600		2,792	558
Net Cash Surplus/(Deficit) including investment income	(1,221)	1,935	(536)	(2,091)	(911)	(1,697)	(1,800)	(1,103)	(1,733)	(1,745)	(1,127)	(1,735)	(13,764)	(1,147)
Transfers (to)/from Custody Cash						8,000				5,000			13,000	3,250
Balance c/f	2,217	4,152	3,616	1,525	614	6,917	5,117	4,014	2,281	5,536	4,409	2,674	43,071	2,103

Current account cashflow actuals compared to forecast in Jan - Mar-25

	Jan-25		Feb-25		Mar-25		Jan - Mar-25
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Contributions	3,600	4,386	3,600	3,748	3,600	3,864	1,199
Pensions	(3,531)	(3,535)	(3,531)	(3,452)	(3,533)	(3,490)	119
Lump Sums	(800)	(1,119)	(800)	(79)	(800)	(482)	720
Net TVs in/(out)	(300)	(411)	(300)	908	(300)	(281)	1,116
Expenses/other transactions	(400)	(542)	(400)	50	(400)	(281)	427
Distributions			600	759		133	292
Transfers (to)/from Custody Cash							
Total	(1,431)	(1,221)	(831)	1,935	(1,433)	(536)	3,874

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 Jan - Mar-25

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	F'cast Annual Total	F'cast Monthly Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast		
Balance b/f	33,415	31,110	30,035	27,550	14,070	14,081	6,108	2,628	2,647	12,670	4,190	4,210	£000s	£000s
Sale of Assets	5,361			15,000					10,000				30,361	7,590
Purchase of Assets	(7,777)	(1,933)	(2,646)	(30,000)			(5,000)			(5,000)			(52,356)	(8,726)
Net Capital Cashflows	(2,415)	(1,933)	(2,646)	(15,000)			(5,000)		10,000	(5,000)			(21,995)	(1,833)
Distributions		788	38	1,500			1,500			1,500			5,326	761
Interest	74	116	82	10	10	10	10	10	10	10	10	10	362	30
Management Expenses														
Foreign Exchange Gains/Losses	37	(46)	40	10	1	17	10	9	12	10	11	11	122	10
Class Actions														
Other Transactions														
Net Revenue Cashflows	111	859	160	1,520	11	27	1,520	19	22	1,520	21	21	5,811	484
Net Cash Surplus/(Deficit) excluding withdrawals	(2,305)	(1,075)	(2,486)	(13,480)	11	27	(3,480)	19	10,022	(3,480)	21	21	(16,184)	(1,349)
Contributions to Custody Cash							(8,000)			(5,000)			(13,000)	(1,857)
Withdrawals from Custody Cash													(29,184)	(3,206)
Balance c/f	31,110	30,035	27,550	14,070	14,081	6,108	2,628	2,647	12,670	4,190	4,210	4,231		

London Borough of Hammersmith and Fulham Pension Fund Risk Register													Appendix 4
Risk Group	Risk Ref.	Risk Description	Impact				Likelihood	Previous risk score	Current risk score	Trending	Mitigation actions	Lead Director/Risk	Reviewed on
			Fund	Employers	Reputation	Total							
Asset and Investment Risk	1	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty. Within this consideration is given to Covid-19, Brexit, and the invasion of Ukraine, current events in the Middle East.	5	4	1	10	4	40	40	↔	TREAT 1) Continued dialogue with investment managers regarding management of political risk in global developed markets. 2) Investment strategy integrates portfolio diversification and risk management. 3) The Fund alongside its investment consultant continually reviews its investment strategy in different asset classes.	Phil Triggs	31/03/2025
Liability Risk	2	There is insufficient cash available to the Fund to meet pension payments due to reduced income generated from underlying investments, leading to investment assets being sold at sub-optimal prices to meet pension obligations.	5	4	3	12	3	36	36	↔	TREAT 1) Cashflow forecast maintained and monitored. Cashflow position reported to 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.	Phil Triggs	31/03/2025
Asset and Investment Risk	3	The London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious.	4	3	3	10	2	20	20	↔	TOLERATE 1) Partners for the pool have similar expertise and like-mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. 2) Monitor the ongoing fund and pool proposals are comprehensive and meet government objectives. 3) Fund representation on key officer groups. 4) Ongoing Shareholder issue remains a threat. 5) LCIV have appointed a new CIO, Jenny Buck who will be starting in March 2025	Phil Triggs	31/03/2025
Asset and Investment Risk	4	Investment managers fail to achieve benchmark/ outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.25m.	5	3	2	10	4	40	40	↔	TREAT 1) The Investment Management Agreements (IMAs) clearly state LBHF's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 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.	Phil Triggs	31/03/2025
Asset and Investment Risk	5	Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	5	3	2	10	3	30	30	↑	TREAT 1) Proportion of total asset allocation made up of equities, fixed income, property funds and other alternative asset funds, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Actuarial valuation and strategy review take place every three years post the actuarial valuation. 4) IAS19 data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data.	Phil Triggs	31/03/2025
Asset and Investment Risk	6	Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales	3	2	1	6	3	18	18	↑	TOLERATE 1) Officers consult and engage with DLUHC, LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Uncertainty surrounding new DLUHC guidance	Phil Triggs	31/03/2025
Asset and Investment Risk	7	London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	3	3	2	8	2	16	16	↑	TREAT 1) Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work carried out by the London CIV. 2) Officers continue to monitor the ongoing staffing issues and the quality of the performance reporting provided by the London CIV.	Phil Triggs	31/03/2025
Liability Risk	8	Impact of economic and political decisions on the Pension Fund's employer workforce.	5	2	1	8	2	16	16	↔	TOLERATE 1) The Fund Actuary uses prudent assumptions on future of employees within workforce. 2) Employer responsibility to flag up potential for major bulk transfers outside of the LBHF Fund. 3) Officers to monitor the potential for a significant reduction in the workforce as a result of the public sector financial pressures.	Eleanor Dennis	31/03/2025
Asset and Investment Risk	9	Failure to keep up with the pace of change regarding economic, policy, market and technology trends relating to climate change	3	2	1	6	3	18	18	↔	TREAT 1) Officers regularly receive updates on the latest ESG policy developments from the fund managers. 2) The Pensions Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which engages with companies on a variety of ESG issues including climate change.	Phil Triggs	31/03/2025
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 reporting expected to come into effect from December 2024.	3	2	4	9	3	27	27	↑	TREAT 1) Review ISS in relation to published best practice (e.g. Stewardship Code, Responsible Investment Statement) 2) The Fund currently holds investments all it passive equities in a low carbon tracker fund, and is invested in renewable infrastructure. 3) The Fund's actively invests in companies that are contributing to global sustainability through its Global Core Equity Investment 4) The Fund has updated its ESG Policy and continues to review its Responsible Investment Policy 5) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF).	Phil Triggs	31/03/2025
Asset and Investment Risk	11	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	5	3	3	11	2	22	22	↔	TREAT 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Officers, alongside the Fund's advisor, set fund specific benchmarks relevant to the current position of fund liabilities. 3) Fund manager targets set and based on market benchmarks or absolute return measures.	Phil Triggs	31/03/2025
Asset and Investment Risk	12	Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	20	20	↔	TREAT 1) At time of appointment, the Fund ensures advisers have appropriate professional qualifications and quality assurance procedures in place. 2) Committee and officers scrutinise, and challenge advice provided routinely.	Phil Triggs	31/03/2025
Asset and Investment Risk	13	Financial failure of third party supplier results in service impairment and financial loss.	5	4	1	10	2	20	20	↔	TREAT 1) Performance of third party suppliers regularly monitored. 2) Regular meetings and conversations with global custodian (Northern Trust) take place. 3) Actuarial and investment consultancies are provided by two different providers.	Eleanor Dennis/Phil Triggs	31/03/2025

Asset and Investment Risk	14	Failure of global custodian or counterparty.	5	3	2	10	2	20	20	↔	TREAT 1)At time of appointment, ensure assets are separately registered and segregated by owner. 2)Review of internal control reports on an annual basis. 3)Credit rating kept under review.	Phil Triggs	31/03/2025
Asset and Investment Risk	15	Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	20	20	↔	TREAT 1) Adequate contract management and review activities are in place. 2) Fund has processes in place to appoint alternative suppliers at similar price, in the event of a failure. 3) Fund commissions the services of Legal & General Investment Management (LGIM) as transition manager. 4) Fund has the services of the London CIV.	Phil Triggs	31/03/2025
Liability Risk	16	Failure to identify GMP liability leads to ongoing costs for the pension fund.	3	2	1	6	1	6	6	↔	TREAT 1) GMP to be identified as a Project as part of the Service Specification between the Fund and LPPA.	Eleanor Dennis	31/03/2025
Liability Risk	17	Rise in ill health retirements impact employer organisations.	2	2	1	5	2	10	10	↔	TREAT 1) Engage with actuary re assumptions in contribution rates.	Eleanor Dennis	31/03/2025
Liability Risk	18	Rise in discretionary ill-health retirements claims adversely affecting self-insurance costs.	2	2	1	5	2	10	10	↔	TREAT 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations.	Eleanor Dennis	31/03/2025
Liability Risk	19	Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 1.7%. Inflation continues to rise in the UK and globally due to labour shortages, supply chain issues, and high energy prices.	5	3	2	10	5	50	50	↔	TREAT 1) The fund holds investments in index-linked bonds (RPI) protection which is higher than CPI and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection. 2) Officers continue to monitor the increases in CPI inflation on an ongoing basis. 3) Short term inflation is expected due to a number of reasons on current course.	Eleanor Dennis/Phil Triggs	31/03/2025
Liability Risk	20	Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	2	22	22	↔	TOLERATE 1)The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. 2)The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.	Eleanor Dennis	31/03/2025
Liability Risk	21	Employee pay increases are significantly more than anticipated for employers within the Fund. Persistently high inflation will potentially lead to unexpectedly high pay awards.	4	4	2	10	3	30	30	↔	TOLERATE 1) Fund employers continue to monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of JAS19/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.	Eleanor Dennis	31/03/2025
Liability Risk	22	Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	4	2	1	7	2	14	14	↔	TOLERATE 1) Review "budgets" at each triennial valuation and challenge actuary as required. 2) Charge capital cost of ill health retirements to admitted bodies at the time of occurring. 3) Occupational health services provided by the Council and other large employers to address potential ill health issues early.	Eleanor Dennis	31/03/2025
Liability Risk	23	Impact of increases to employer contributions following the actuarial valuation.	5	5	3	13	2	26	26	↔	TREAT 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will stabilise employer rates when valuation concludes March 2023.	Eleanor Dennis	31/03/2025
Regulatory and Compliance Risk	24	Changes to LGPS Regulations	3	2	1	6	3	18	18	↔	TREAT 1) Fundamental change to LGPS Regulations implemented from 1 April 2014 (change from final salary to CARE scheme). 2) Future impacts on employer contributions and cash flows will be considered during the 2019 actuarial valuation process. 3) Fund will respond to several ongoing consultation processes. 4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulations 8 (compulsory pooling) to be monitored.	Eleanor Dennis/Phil Triggs	31/03/2025
Liability Risk	25	Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	1	10	10	↔	TOLERATE 1) Political power required to effect the change.	Phil Triggs	31/03/2025
Liability Risk	26	Transfers out of the scheme increase significantly due to members transferring their pensions to DC funds to access cash through new pension freedoms.	4	4	2	10	1	10	10	↔	TOLERATE 1) Monitor numbers and values of transfers out being processed. If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values. 2) Evidence has shown that members have not been transferring out of the CARE scheme at the previously anticipated rates.	Eleanor Dennis/Phil Triggs	31/03/2025
Liability Risk	27	Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	5	3	1	9	2	18	18	↔	TREAT 1) Review maturity of scheme at each triennial valuation. 2)Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions. 3) Cashflow position monitored monthly.	Eleanor Dennis	31/03/2025

Liability Risk	28	The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	4	2	1	7	4	28	28	↔	TREAT 1) Review at each triennial valuation and challenge actuary as required. 2) Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	Phil Triggs	31/03/2025
Regulatory and Compliance Risk	29	Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	4	2	1	7	2	14	14	↑	TREAT 1) Maintain links with central government and national bodies to keep abreast of national issues. 2) Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	Eleanor Dennis	31/03/2025
Employer Risk	30	Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	5	3	1	9	3	27	27	↔	TREAT 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	Eleanor Dennis	31/03/2025
Employer Risk	31	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others. Current economic conditions will cause strain on smaller employers.	5	3	3	11	2	22	22	↔	TREAT 1) Transferee admission bodies required to have bonds in place at time of signing the admission agreement. 2) Regular monitoring of employers and follow up of expiring bonds.	Eleanor Dennis	31/03/2025
Resource and Skill Risk	32	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	1	3	3	7	2	14	14	↔	TREAT 1) Change to LPPA has increased resilience in the administration service 2) Ongoing monitoring of contract and KPIs	Eleanor Dennis	31/03/2025
Resource and Skill Risk	33	Poor reconciliation process leads to incorrect contributions.	2	1	1	4	3	12	12	↔	TREAT 1) Reconciliation is undertaken by the pension fund team. Officers to ensure that reconciliation process notes are understood and applied correctly the team. 2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process.	Phil Triggs	31/03/2025
Resource and Skill Risk	34	Failure to detect material errors in bank reconciliation process.	2	2	2	6	2	12	12	↔	TREAT 1) Pensions team to continue to work closely with staff at HCC to smooth over any teething problems relating to the newly agreed reconciliation process.	Phil Triggs	31/03/2025
Resource and Skill Risk	35	Failure to pay pension benefits accurately leading to under or over payments.	2	2	2	6	2	12	12	↔	TREAT 1) There are occasional circumstances where under/over payments are identified. Where underpayments occur, arrears are paid as soon as possible, usually in the next monthly pension payment. Where an overpayment occurs, the member is contacted, and the pension corrected in the next month. Repayment is requested and sometimes this is collected over several months.	Eleanor Dennis	31/03/2025
Resource and Skill Risk	36	Unstructured training leads to under developed workforce resulting in inefficiency.	2	2	2	6	2	12	12	↔	TREAT 1) Implementation and monitoring of a Staff Training and Competency Plan as part of the Service Specification between the Fund and LPPA. 2) Officers regularly attend training seminars and conferences 3) Designated officer in place to record and organise training sessions for officers and members	Eleanor Dennis/Phil Triggs	31/03/2025
Resource and Skill Risk	37	Lack of guidance and process notes leads to inefficiency and errors.	2	2	1	5	2	10	10	↔	TREAT 1) The team will continue to ensure process notes are updated and circulated amongst colleagues in the Pension Fund and Administration teams.	Eleanor Dennis/Phil Triggs	31/03/2025
Resource and Skill Risk	38	Lack of productivity leads to impaired performance.	2	2	1	5	2	10	10	↔	TREAT 1) Regular appraisals with focused objectives for pension fund and admin staff.	Eleanor Dennis/Phil Triggs	31/03/2025
Resource and Skill Risk	39	Failure by the audit committee to perform its governance, assurance and risk management duties	3	2	1	6	3	18	18	↔	TREAT 1) Audit Committee performs a statutory requirement for the Pension Fund with the Pension Fund Committee being a sub-committee of the audit committee. 2) Audit Committee meets regularly where governance issues are regularly tabled.	Eleanor Dennis/Phil Triggs	31/03/2025
Resource and Skill Risk	40	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	4	3	3	10	2	20	20	↔	TREAT 1) Person specifications are used at recruitment to appoint officers with relevant skills and experience. 2) Training plans are in place for all officers as part of the performance appraisal arrangements. 3) Shared service nature of the pensions team provides resilience and sharing of knowledge. 4) Officers maintain their CPD by attending training events and conferences.	Eleanor Dennis/Phil Triggs	31/03/2025
Resource and Skill Risk	41	Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	3	27	27	↔	TREAT 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval) 2) Comprehensive training packages will be offered to members. 3) Co-opted members boost resilience.	Eleanor Dennis/Phil Triggs	31/03/2025

Resource and Skill Risk	42	Loss of 'Elected Professional Status' with any Fund managers and counterparties resulting in reclassification of fund from professional to retail client status impacting Fund's investment options and ongoing engagement with the Fund managers.	4	2	2	8	2	16	16	↔	<b>TREAT</b> 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.	Phil Triggs	31/03/2025
Resource and Skill Risk	43	Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding	2	2	1	5	4	20	20	↔	<b>TREAT</b> 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.	Eleanor Dennis/Phil Triggs	31/03/2025
Administrative and Communicative Risk	44	Failure of fund manager or other service provider without notice resulting in a period of time without the service being provided or an alternative needing to be quickly identified and put in place.	5	2	2	9	2	18	18	↔	<b>TREAT</b> 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	Eleanor Dennis/Phil Triggs	31/03/2025
Administrative and Communicative Risk	45	Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	2	3	7	3	21	21	↔	<b>TREAT</b> 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.	Eleanor Dennis	31/03/2025
Administrative and Communicative Risk	46	Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	4	4	3	11	2	22	22	↔	<b>TREAT</b> 1) Update and enforce admin strategy to assure employer reporting compliance. <b>TOLERATE</b> 1) Hymans Robertson provides 3rd party validation of performance and valuation data. Admin team and members can interrogate data to ensure accuracy.	Eleanor Dennis	31/03/2025
Administrative and Communicative Risk	47	Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	1	3	4	8	2	16	16	↔	<b>TREAT</b> 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.	Eleanor Dennis	31/03/2025
Administrative and Communicative Risk	48	Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	16	16	↔	<b>TREAT</b> 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.	Eleanor Dennis	31/03/2025
Administrative and Communicative Risk	49	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	1	2	4	7	2	14	14	↔	<b>TREAT</b> 1) In the event of a pension payroll failure, we would consider submitting the previous month's BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers.	Eleanor Dennis	31/03/2025
Administrative and Communicative Risk	50	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	1	1	1	3	3	9	9	↔	<b>TREAT</b> 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.	Eleanor Dennis	31/03/2025
Regulatory and Compliance Risk	51	Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation.	3	3	5	11	2	22	22	↔	<b>TREAT</b> 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2) LBNF IT data security policy adhered to. 3) Implementation of GDPR 4) Project team in place to ensure smooth transition	Sukvinder Kalsi	31/03/2025
Regulatory and Compliance Risk	52	Failure to comply with recommendations from the Local Pensions Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator	1	3	5	9	2	18	18	↔	<b>TREAT</b> 1) Ensure that a cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	Eleanor Dennis	31/03/2025
Reputational Risk	53	Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	3	2	5	10	2	20	20	↔	<b>TREAT</b> 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.	Eleanor Dennis/Phil Triggs	31/03/2025
Reputational Risk	54	Financial loss of cash investments from fraudulent activity	3	3	5	11	2	22	22	↔	<b>TREAT</b> 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 SSAFE16 and ISAE3402 or similar documentation (statement of internal controls).	Phil Triggs	31/03/2025
Reputational Risk	55	Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	5	2	4	11	2	22	22	↔	<b>TREAT</b> 1) Officers maintain knowledge of legal framework for routine decisions. 2) Eversheds retained for consultation on non-routine matters.	Sukvinder Kalsi	31/03/2025

Reputational Risk	56	Inaccurate information in public domain leads to damage to reputation and loss of confidence	1	1	3	5	3	15	15	↔	<b>TREAT</b> 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.	Sukvinder Kalsi	31/03/2025
Reputational Risk	57	Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non-compliant process	2	2	3	7	2	14	14	↔	<b>TREAT</b> 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.	Phil Triggs	31/03/2025
Regulatory and Compliance Risk	58	Non-compliance with regulation changes relating to the pension scheme or data protection leads to fines, penalties and damage to reputation.	3	3	2	8	2	16	16	↔	<b>TREAT</b> 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.	Phil Triggs	31/03/2025
Regulatory and Compliance Risk	59	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests	3	3	4	10	2	20	20	↔	<b>TREAT</b> 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.	Phil Triggs	31/03/2025
Regulatory and Compliance Risk	60	Non-compliance with the Pension Investment Review Outcomes outcomes may result in regulatory intervention, reputational damage, and restricted access to pooled investment efficiencies and governance improvements.	3	2	4	9	2	-	18	↑	<b>TREAT</b> 1) Develop and implement a detailed compliance roadmap aligned with the consultation deadlines, including asset transfer plans and governance reforms. 2) Engage in regular liaison with the relevant government bodies and the LCV to stay informed on policy developments and resolve emerging compliance challenges.	Phil Triggs	31/03/2025



# Pensions Investment Review

## **Final Report**

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# Pensions Investment Review

## **Final Report**

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# Ministerial Forewords

We need bigger and better pension funds, as part of a pensions landscape that drives higher returns for savers and higher investment for Britain. Savers deserve security in retirement, but also to live in a growing economy after a long decade and a half of economic stagnation. This government's pensions reform agenda, often supporting change already underway in the industry, is there to help deliver on both fronts.

This Final Report outlines the conclusions of the Pensions Investment Review. It represents an important milestone as the culmination of countless hours of work alongside everyone who cares deeply about pensions – from providers and savers, to trustees, trade bodies, and councillors.

Central to the Report is a decision to add momentum to the significant consolidation already underway amongst Defined Contribution (DC) pension schemes, driving towards a market characterised by bigger, better and less fragmented schemes. As the Interim Report set out, the first mission for pensions is, and always will be, to provide security for pensioners in retirement. The larger, more consolidated system, for which we will legislate, will be able to reap the benefits of scale that we see abroad, with lower costs, an ability to invest in a wider range of assets, and higher returns for savers.

This direction is reinforced by plans to switch the focus of the pensions system towards value and away from a narrow focus only on cost. This is a journey for everyone involved in pensions – including the employers choosing pension schemes on behalf of their employees. Ultimately, it is returns that matter for pension savers and everything we do needs to reflect that.

Larger DC pensions schemes will also be pension schemes better able to invest in more productive assets, including infrastructure and fast growing companies. In that context, this Report aligns entirely with the goals of the 17 ambitious pension schemes that have signed up to the recent Mansion House Accord to diversify their asset allocation into a range of private assets, including in the UK. This very welcome leadership shows the shared sense of purpose across industry and policy makers about the journey our pensions system is on.

The Local Government Pension Scheme (LGPS) is a huge part of that system, with assets currently totally £400 billion. Scale is important here too, to deliver the strongest possible governance and investment outcomes that matter so much not only to savers and their employers, but to taxpayers and local communities. The Minister for Local Government has jointly led this aspect of the review and today has brought forward reforms to reduce fragmentation in the LGPS and ensure that one of the jewels in the crown of our pensions landscape is more than the sum of its parts.

I have always been clear that steps to support bigger pensions funds to invest in a wider range of assets are only part of this government's strategy for raising UK investment levels. The increased supply of capital can only be effective if it is matched to demand – to investible propositions. The government's job is to deepen that investment pipeline and make it more

visible to pension funds. So this report also lays out our approach to doing exactly that, from planning reforms to the role of the British Business Bank.

This Report marks the end of the Pensions Investment Review, but it forms only part of our pensions reform agenda. I will be publishing a Roadmap in due course, to provide clarity about our broader strategy and to support the industry through what I appreciate is a time of significant change.

I am also confirming today that we will shortly be launching Phase Two of our Pensions Review, focusing on the outcomes we are on track to deliver for future generations of pension savers and how those can be improved upon. This will be launched in the coming months.

We should all be glad that, over the past decade, Britain has got back into the habit of saving for pensions once again. But celebrating that fact cannot be an excuse for ignoring how much more remains to be done. I look forward to doing it jointly with everyone who wants to deliver a pensions system we can all be proud of, through the months and years ahead.



**Torsten Bell MP**

**Minister for Pensions**

Reforming and modernising the Local Government Pension Scheme is a key part of the Pensions Investment Review. The scale of the scheme – both in terms of its £400bn value and the 6.7m members who rely on it – mean that we in government are committed to its continual improvement.

The LGPS contributes directly to delivering a number of vital government and national priorities; devolution delivering growth felt in every region, raising living standards for working people, and fixing the foundations of local government.

The ‘Fit for the future’ consultation on modernising the LGPS’s investment and governance arrangements, and to boost local investment launched in November 2024. Over 200 respondents took the time to share their views on the proposals. I am grateful for the contributions of all those who responded, including pension funds, asset pools, the Scheme Advisory Board, advisors, trade unions and scheme members.

It is clear from the responses received that there is a shared and deep commitment right across the sector to ensure the LGPS is well run and managed, providing dignity and financial security for its members while also delivering for their local communities, our regions and the wider UK economy. We have also heard the calls for policy clarity, and this is why we have progressed the review at pace to avoid a long period of uncertainty and we will now bring forward legislation to deliver on the proposals in the consultation.

Alongside the important improvements to pooling, governance and administration, as the minister responsible for the Local Government Pension Scheme, I am particularly keen to see the LGPS use its scale to support UK investment and regional growth. Building on its local role and networks; including its relationships with local and strategic authorities, regional mayors, and devolved administrations, it is well placed to support a pipeline of housing, key infrastructure and regeneration projects. Funds and Pools have shown what can be achieved already, and we want to build on that with greater focus and scale.

I recognise that there will be a period of upheaval for the scheme but taken together, these changes mark the most significant reform of the LGPS in a generation, enhancing the capability of the LGPS as an institutional investor on a global scale and ensuring that the scheme is financially sustainable over the long term for members, employers and taxpayers.



**Jim McMahon OBE MP**

**Minister of State for Local Government and English Devolution**



# Introduction

Over £2 trillion of assets are managed by our workplace pensions system, collectively one of our single greatest sources of national savings. Those pension assets are critically important, for all of our living standards in later life but also as a key part of our financial system.

The Pensions Investment Review was launched by the Chancellor on 20 July 2024 with the objectives of tackling fragmentation, boosting investment, increasing saver returns and addressing waste in the pensions system. It looked across the multi-employer Defined Contribution workplace (DC) pensions market and another key part of our pensions landscape: the Local Government Pension Scheme (LGPS).

This Final Report, which updates on the Interim Report published on 14 November 2024, presents the conclusions of the Pensions Investment Review. It is supported by the responses to two consultations, which were launched alongside the Interim Report:

- ‘Unlocking the UK pensions market for growth’; and
- ‘Local Government Pension Scheme in England and Wales: Fit for the future’.

Feedback to the consultations generally supported the case for the headline proposals outlined at the Interim Report, around the benefits of scale and consolidation, and consistent with international evidence. The Final Report therefore puts forward major measures to assist the consolidation of the DC market and the LGPS. The full suite of measures to be implemented are outlined in the Final Report.

The implementation of these proposals, via the *Pension Schemes Bill*, will realise the commitments made in the Labour Party’s Manifesto to ensure that workplace pension schemes take advantage of consolidation and scale, to deliver better returns for UK savers and greater investment in UK assets.

The Labour Party’s Manifesto also committed to consider what further steps are needed to improve pension outcomes. This has been a key objective of the Pensions Investment Review and is recognised in the final proposals. The final proposals also balance the impact on pension providers and employers alongside this objective.

Looking ahead, the next phase of the Pensions Review will build on these foundations by focusing directly on the question of the adequacy of pension outcomes. The government needs to tackle systemic issues that currently mean millions are under-saving for their retirement, and the significant inequalities that persist in later life.

The government plans to launch this next phase of The Pensions Review in the coming months and will announce the reviewers and terms of reference in due course.

To set out how the Pensions Investment Review reforms combine with wider changes, the government will publish a roadmap for the private pensions market. This document, to be published in due course, will set out the broader suite and sequencing of reforms.

# Chapter 1

## Scale and Consolidation

### Scale

1.1 The feedback to the consultation paper: 'Pensions Investment Review: Unlocking the UK Pensions Market for Growth', building on the 'Pensions Investment Review: Call for Evidence', demonstrated widespread support for the case for scale. There was extensive agreement that scale leads to economies and efficiencies, as well as enabling greater expertise and diversification in investments. There was further clear evidence that, in general, larger schemes are better able to invest in productive asset classes.

1.2 The consultation paper proposed measures designed to accelerate and help enable scale in the multi-employer Defined Contribution (DC) workplace market. The consultation proposed that those schemes be required to have at least between £25 to £50 billion in assets under management (AUM) by 2030.

1.3 Acknowledging the feedback received, the government's response to the consultation has taken account of the time needed to build scale. The response also takes account of the need to maintain sufficient market participants to provide a competitive workplace market, as well as supporting potential new entrants into the market to support innovation.

1.4 The government will, therefore, legislate through the *Pension Schemes Bill* to require that providers and master trusts must have £25 billion in AUM by 2030. It is at this quantum the benefits of scale start to be realised.

1.5 It is important to clearly define at what 'level' the scale requirement must be met by providers: at the fund, arrangement or scheme level.

1.6 Key benefits of scale, including investment sophistication, are realised at the level at which strategic decisions on investments are made. This is generally at an 'arrangement' level, where contributions are collated and where savers do not make investment decisions.

1.7 The government will, therefore, apply the £25 billion requirement at the arrangement level, such that a provider must have at least one main default arrangement meeting the requirement by 2030. The requirement will only apply to multi-employer schemes; single-employer trusts will not be subject to this requirement.

1.8 The government notes that significant consolidation is already underway and expected to continue. The measures outlined in the Report will support this trend, where it is in the best interest of savers.

1.9 In the consultation, the government acknowledged that there are various terms used by industry when referring to the particular financial vehicles in which pension assets are managed – schemes, default funds or default arrangements – and that these are used interchangeably. The government's objective is to ensure that a default used for scale can be

clearly understood and that it is uniquely identifiable within the industry. It intends to define this as ‘a main scale default arrangement’. The government will engage further with industry in refining this definition, including through formal consultation, before fully defining the characteristics of this level in secondary legislation.

**1.10** A transition pathway will also be provided to allow additional time for smaller schemes to reach scale. In circumstances in which a provider or master trust can demonstrate they will have at least £10 billion in AUM in an arrangement by 2030, it will be able to apply to be on the transition pathway and must provide the regulator with a credible plan to have £25 billion in AUM by 2035.

**1.11** The government will also legislate to require providers or master trusts to demonstrate that they have, or are building in the case of those utilising the transition pathway, an investment capability commensurate with their scale. This will ensure the advantages of scale are being realised, to the benefit of both savers and the economy.

## Innovation

**1.12** Maintaining innovation and competition in the market remains a critical consideration, helping ensure that competitive pressure remains a positive influence on the market and the behaviour of these bigger DC schemes.

**1.13** Innovation can come from existing providers or market entrants. So alongside the scale requirements, the government will also provide for a ‘new entrant’ pathway. This pathway will allow new market entrants with innovative products to seek authorisation, where they are offering something significantly different that could benefit savers or employers and have plans to reach scale in the longer term.

**1.14** The government continues to encourage market innovation and has, for example, carefully considered how this pathway will ensure the potential for the establishment of multi-employer Collective Defined Contribution (CDC) pension schemes that could have a significant role to play in future.

**1.15** The scale requirements will not apply to CDC pension schemes. Due to their nature and the requirements of authorisation, CDC schemes will naturally have a degree of scale and invest productively, but the government will keep the market under review and consider if we need to take further steps to ensure that is the case.

**1.16** In addition, the consultation response also confirms that the scale requirements will not apply to those DC/defined benefit hybrid schemes which are only available to a closed group of employers related through their industry or profession, or to default arrangements that serve protected characteristics, such as religion.

## Consolidation

**1.17** The government remains committed to addressing fragmentation within the DC workplace market so that the benefits of scale can be realised. Consistent with this, the government is seeking to reduce the overall number of default arrangements in the marketplace, in a way that benefits outcomes for savers and is centred around achieving scale in the main

default arrangements. The government will, therefore, legislate to prevent new default arrangements from being created and operated, except in certain circumstances with regulatory approval. However, recognising the feedback from the consultation, the government has decided not to set a maximum number of default arrangements or funds for any given DC scheme.

**1.18** The government has considered the case for standardised pricing by a default fund regardless of the features of the DC scheme for which it provides services. The consultation responses highlighted the complexity of the issue and the limited evidence base. The government has, therefore, decided not to take any action in this area at this time, but will undertake further market impact analysis as the market is reshaped by the measures set out in this report and the impact of the VFM Framework.

## Contractual override

**1.19** To help address fragmentation, the *Pension Schemes Bill* will introduce a contractual override regime, with strong consumer safeguards, for the contract-based part of the market. This measure will help address a longstanding issue and allow schemes to consolidate underperforming and legacy arrangements, improving saver outcomes and helping the wider scale objective. Furthermore, it will help create broad equivalence between trust-based and contract-based schemes.

**1.20** Consumer protection will be paramount to the working of this new regime, and contractual overrides will only be permitted where it is in savers' best interests, certified by an independent expert. Where savers are bulk transferred internally, it must be into the arrangement offered by the provider which provides the best value.

**1.21** Providers will need to use objective metrics to inform contractual override decisions. These metrics are intended to include metrics obtained through the VFM Framework that the government will introduce in due course.

**1.22** The detailed rules on the use of the regime will be developed by the Financial Conduct Authority (FCA) and consulted on in the usual way.

## Further addressing market fragmentation

**1.23** The government expects the introduction of the new contractual override regime and VFM Framework will go a long way to reduce fragmentation and the number of poor value funds. The VFM Framework will require underperforming funds to improve, wind up or consolidate into better performing ones and it will provide comparable metrics that will enable decision makers to assess performance and see whether it is in savers' best interests to remain in their current arrangement.

**1.24** The government wants to ensure that savers are in funds that deliver value and is concerned that, even within schemes that are providing value for money, there is still potential for large differences in outcomes. We expect providers and trustees to take proactive steps to assess whether their savers should be moved into a main scale default arrangement.

**1.25** A ministerial led review, involving the FCA and the Pensions Regulator, will then undertake an assessment commencing in 2029 of the market impact and operation of the contractual override measure and VFM

Framework, to examine the reasons why any default arrangements are continuing to operate outside main scale default arrangements. The detail of how the review will operate will be set out a later date and will depend on the number and nature of arrangements that remain.

**1.26** The review will start from the presumption that, in line with the government's general expectation, savers' assets and underperforming default arrangements will have been consolidated to the main default arrangements at scale, unless there is demonstrable evidence that such a move would not be beneficial to savers. The government plans to have a legislative underpin to be able to tackle any remaining fragmentation as needed. The review will commence its work after the first tranche of VFM assessments have been completed and the contractual override has had time to take effect.

# Chapter 2

## Cost vs Value

2.1 The evidence and consensus in the feedback to the consultation are clear that the DC pensions market is operating with an excessively narrow focus on cost. This comes at the expense principally of value, but also to a broader range of metrics of scheme quality.

2.2 Cost will always remain a key consideration. However, the excessively narrow focus can be detrimental to saver outcomes, as it is ultimately the value of their pension that is most important. Specifically, it has the added effect of limiting investment into asset classes that might have higher upfront costs but can deliver more net value in the long-term. Such asset classes are also important to driving economic growth.

### Value For Money Framework

2.3 The government has already announced plans to legislate for a VFM Framework for the DC pensions market in the forthcoming *Pension Schemes Bill*.

2.4 The implementation of the VFM Framework, with the first regulatory assessments expected to take place in 2028, will support the cultural shift needed in the DC pensions market. It will, for the first time, provide a consistent disclosure regime and make publicly available a range of data and metrics of scheme quality, including investment performance, showing the consistency of returns, over time. It will support decision making based on a wider set of metrics than just cost.

2.5 The VFM Framework will support the transfer of savers in underperforming arrangements or schemes and ensure that they benefit from better value and enhanced long-term outcomes.

2.6 As consolidation accelerates, the government expects providers to deliver this vision for the DC pensions market, transferring members into the best performing default arrangements, delivering value, and considering the full range of asset classes available.

### Employers and Advisers

2.7 The government has explored whether further action might be required to support this shift to a focus on value. The consultation specifically considered the role of employers, including options around introducing a duty for employers to consider value in pension scheme selection or, alternatively, building responsibility at the Board level to do so. The government has also explored measures relating to the regulation of employee benefit advisers.

2.8 Both employers and advisers play a critical role in the pensions system, with their decisions and incentives significantly driving scheme selection and behaviours in the overall market. While there are examples of engaged employers putting in place excellent arrangements for their

employees, it is particularly important that, along with the schemes themselves, employers and advisers shift their focus to value.

**2.9** The VFM Framework will support this shift and the government has considered how to strengthen the guardrails around this responsibility to focus on value.

**2.10** There was limited evidence, however, that the specific measures considered, targeting employers or advisers, would support the objectives of the Review in increasing productive investment and returns to savers. Evidence highlighted concerns regarding increasing burdens and costs on employers, particularly for smaller businesses.

**2.11** Therefore, this Final Report and the response to the consultation do not include proposals to influence employers or advisers through regulation or legislation. Given the historic wider concerns raised related to these activities (including on market competition dynamics), the government will continue to liaise with the Financial Conduct Authority and the Competition and Markets Authority to consider any new evidence.

# Chapter 3

## Investment from Defined Contribution Schemes

**3.1** The measures set out in Chapter 1 will ensure that DC pension providers are better placed to invest in a fuller range of asset classes, including specialist private markets such as venture capital, infrastructure, property and private credit.

**3.2** The government notes that there is a growing awareness in the DC market about the benefits for savers of investing in these types of assets, not least to support diversification. The Pensions Regulator last year published guidance for trustees on how to build capabilities in these markets.

**3.3** In addition to the potential saver benefits – as underlined by analysis published alongside the Interim Report – these sorts of investments can be a key source of funding for economically critical investments and sectors, including science and tech startups, pre-Initial Public Offering companies (that is, companies that offer a private sale of large blocks of stock before the shares are available on a public exchange), infrastructure projects and housebuilding.

**3.4** Since the Interim Report, the government has been strongly encouraged by the recently launched Mansion House Accord, a voluntary commitment by seventeen of the largest defined contribution pension providers to invest 10% of their main default funds in private markets including 5% in the UK specifically.

**3.5** The government welcomes this industry-led investment commitment and is encouraged that several providers have indicated ambitions to go further. In the light of this progress, the government has concluded it is not necessary currently to mandate investment.

**3.6** Instead, the *Pension Schemes Bill* will include a reserve power which would, if necessary, enable the government to set quantitative baseline targets for pension schemes to invest in a broader range of private assets, including in the UK, for the benefit of savers and for the economy.

**3.7** The government does not anticipate exercising the power unless it considers that the industry has not delivered the change on its own, following the Mansion House commitments. Moreover, it would only intervene in this way having made a thorough assessment of the potential impacts of any proposed quantitative targets on savers and economic growth.

**3.8** The reserve power within the Bill will include provisions and safeguards to protect savers' interests. Any requirements under the reserve power will be consistent with the principles of fiduciary duty.



3.9 In combination, these industry-led changes, with the scale and consolidation reforms and broader cultural change, will drive meaningful changes in investment to benefit both savers and UK growth.

## **Asset Allocation Transparency**

3.10 In order to monitor the impact of the scale and consolidation reforms on investment, it is essential that the government has access to reliable, granular data on investment patterns across the market.

3.11 The VFM Framework as proposed will, once implemented, require extensive public disclosures to be made by individual providers.

3.12 However, based on the expected legislative timetable, these disclosures will only begin to come through from 2028.

3.13 Ahead of VFM, TPR and FCA have decided to launch, later this year, a joint market-wide data collection exercise which will include asset allocation information in workplace DC schemes and is envisaged to run annually until the VFM disclosure data becomes available.

3.14 The exercise will request asset allocation information from major DC providers, broken down by asset class and sub-asset class, with UK-overseas splits, and the first reporting will be available in early 2026.

## **Listed Equity Markets**

3.15 The Interim Report noted the government's concerns about the sustained decline in investment by UK pension funds in UK listed equities. The measures confirmed by the Review will help in a number of ways.

3.16 Firstly, the industry's new, ambitious voluntary commitment will directly support investment in UK growth markets, including firms quoted on AIM and Aquis.

3.17 The reforms will also improve access to domestic capital for the most promising, high-growth UK companies. This will improve the attractiveness of the UK as a place to start and scale-up and build a strong pipeline of firms eligible to publicly list in the future.

3.18 This will complement the government's efforts to boost the attractiveness of, and increase retail participation in, UK capital markets as part of the Financial Services Growth and Competitiveness Strategy - to support long-term sustainable growth and improve returns for savers.

3.19 Alongside this, the asset allocation transparency framework referred to above will shine a light on DC providers investment in UK equities.

# Chapter 4

## The Local Government Pension Scheme

**4.1** The focus of the review for the LGPS has been to look at how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through asset pooling and enhanced governance, while strengthening the focus on local investment. As one of the largest pension schemes in the world, set to grow to £1 trillion by 2040, it is critical that strong and sustainable foundations are embedded, in the best interest of scheme members, employers and local taxpayers.

**4.2** Feedback to the consultation ‘Local Government Pension Scheme (England and Wales): Fit for the Future’ indicated a broad consensus across these three areas; on the need for minimum standards on asset pooling, on maintaining a focus on local investment and, also, enhancing the governance framework of the scheme. In particular, the clarity provided on the direction of travel was strongly supported.

**4.3** The government’s response to the consultation confirms that all the core proposals within it will be implemented and provides additional detail where respondents have requested clarity.

### Minimum standards for asset pooling

**4.4** The consultation response confirms the proposed minimum standards for asset pooling. The government will require that:

- all Administering Authorities (AAs) delegate the implementation of their investment strategy to, and take their principal investment advice from, their pool, and transfer all assets to the management of their pool; and
- the pools are established as investment management companies that are authorised and regulated by the FCA. Further, each will be required to develop the capability to carry out due diligence on local and regional investments and to manage such investments.

**4.5** The consultation response confirms a March 2026 deadline for AAs and pools, which remain in their current partnerships, to meet these requirements. For those AAs seeking a new asset pool, and for pools taking on new partner AAs, the government expects the deadline to be adhered to as closely as possible with an aim to have shareholder agreements in place by March 2026, but will allow some limited flexibility where necessary, in recognition of the time required for this process to take place.

**4.6** The consultation response provides additional detail where clarity has been requested, in particular, on the delineation of decision making between AAs responsible for setting the investment strategy, and the pool responsible for all implementation decisions, including the choice of active or passive managed investments.

4.7 Respondents to the consultation flagged two potential barriers to maximising the benefits of scale through asset pooling and collaboration across pools. Firstly, that Stamp Duty Land Tax has implications for transferring property investments from an AA to a pool investment vehicle where the seeding relief period for that vehicle has closed. The government acknowledges the concerns regarding Stamp Duty Land Tax and tax officials will engage with pools shortly to discuss this in further detail.

4.8 Secondly, that the Procurement Act 2023 prevents pools from collaborating to their full potential by requiring demonstration that a significant majority of a single pool's activity is in the interest of its own partner Authorities only. Government legislation should not act as a barrier to pool collaboration especially where it can benefit multiple groups of AAs. As such, the *Pension Schemes Bill* will include provision such that the relevant procurement exemptions are satisfied as long as a pool is acting in the interests of any LGPS AA. This means that a pool will no longer be limited when investing through another pool, thereby harnessing even greater benefits of scale.

## Transition Proposals

4.9 Alongside the consultation, each pool was invited to submit a transition proposal on how they would seek to meet the minimum standards by the proposed deadline. In particular, the government requested consideration of where closer collaboration or merger of pools provides a more cost effective, viable or otherwise preferable means of delivering this outcome.

4.10 Following the assessment of pools' proposals and extensive engagement with each pool, the government has expressed support for six of those proposals, with specific consideration given to the circumstances of each. The AAs participating in the remaining two pools have been invited to engage with pools to determine which they wish to form a new partnership with, which the government stands ready to support.

4.11 The government recognises that this will be a substantial undertaking with impacts across the scheme, and that stability will be important for optimum performance and successful collaboration into the future. AAs and pools will need to consider carefully the decision to form a new long-term partnership, alongside capacity to deliver on the required minimum standards by the March 2026 deadline – this will be vital to delivering for members, employers and local taxpayers. The government is committed to the current reform programme and has no plans to intervene to reduce the number of pools to fewer than six.

4.12 The government's firm preference is for pool membership to be determined on a voluntary basis at a local level. In order to ensure the process of moving from eight pools to six does not result in any AA being without a pool, and to protect the scheme in the long term, the government will take a power in the *Pension Schemes Bill* to direct an AA to participate in a specific pool.

## Local and Regional Investment

4.13 The track record of local and regional investment from the LGPS is a success story and one that the government is keen to build on. It is critical that the LGPS retains its local and regional focus, given its potential to drive

growth in local communities. This will require productive and strategic partnerships across key institutions – to that end, the consultation response confirms a requirement for AAs and pools to work with local authorities, regional mayors and their strategic authorities, and Welsh Authorities to ensure collaboration on local growth plans. The National Wealth Fund will also collaborate with the LGPS to address access to finance gaps and support strategic objectives on growth and clean energy.

**4.14** The consultation proposed that AAs be required to set out their approach to local investment, including by setting a target range for investment in their Investment Strategy Statement, and that AAs report annually on the impact of their local investments. In addition, the government proposed that AAs work with strategic authorities, or in Wales, corporate joint committees, to identify local and regional investment opportunities and that the due diligence is to be conducted by the pools.

**4.15** Consultation responses indicated strong consensus for retaining and strengthening the scheme's focus on local investment with support for the collaborative approach proposed between AAs, pools and strategic authorities, in recognition of how pivotal these relationships are for driving local growth.

**4.16** The consultation response confirms these proposals and, to foster collaboration, the requirement to work with strategic authorities has been broadened out to include the pools also. Further, to avoid potentially duplicative and burdensome reporting, the requirement to report on the impact of local investments will instead apply to the pools.

## **Governance**

**4.17** The consultation also proposed a series of reforms to enhance the governance of the LGPS, to implement recommendations from the Scheme Advisory Board's 2021 Good Governance Review.

**4.18** The consultation additionally proposed that AAs participate in a biennial independent governance review and that AA pension committees must include an independent member who is a pensions sector professional, either as a voting member or in an advisory capacity. Recognising the feedback to the consultation and the principle of democratic accountability in the LGPS, the government has decided to amend the requirement for an independent member such that they act only as an independent adviser to the pensions committee, not as a voting member.

**4.19** Feedback also highlighted that a biennial review would be misaligned with the three-year valuation cycle. This provision has therefore been amended to change the governance review to every three years.

**4.20** For pools, the consultation proposed that pools are required to include either one or two representatives of shareholder AAs and sought views on the best way to ensure that members' interests are taken into account by pools. The consultation response does not impose a single model for how shareholders or scheme members are represented in their pool's governance, in recognition of the fact each partnership will wish to consider the governance structure that best meets the needs of their shareholders and scheme members.

# Chapter 5

## Boosting the UK's Pipeline of Investment Opportunities

5.1 To meet the investment ambitions of pension schemes, there needs to be a strong pipeline of opportunities across the UK to invest in.

5.2 For too long the supply of these opportunities has been limited by a restrictive investment environment, with barriers including the planning system, grid connectivity and regulation. There has been a lack of consistency over the government's approach to public investment; and a lack of capacity and support at local level to develop projects. Meanwhile, projects that do come through can be hindered by a lack of clear mechanisms across government to help crowd in capital and a lack of effective signposting from government.

5.3 The government has a major reform agenda to address these issues. These reforms will both boost the depth and volume of the pipeline of investment opportunities, underpinned by a competitive investment environment; and increase the visibility of these opportunities for investors.

### Improving our investment environment

5.4 The government has restored political and economic stability through the actions taken at the Autumn Budget, fixing the public finances and introducing non-negotiable fiscal rules to maintain investor confidence. We also published a **Corporate Tax Roadmap** for this Parliament, committing to cap corporation tax at 25%, and retain generous capital allowances, including 100% full expensing for plant and machinery, and uncapped R&D tax credits.

5.5 The grid connections queue is being reformed to ensure projects have access to power when it is needed, while ensuring that new network infrastructure is built at pace to meet demand.

5.6 The government is going further and faster to reform the UK's regulatory architecture so it supports growth and innovation through our **Regulation Action Plan**. This will ensure regulators regulate for growth, not just for risk. The government has provided approval for **16 Nationally Significant Infrastructure Projects** since July 2024, including data centres, solar farms and wastewater treatment plants.

5.7 Access to finance is also being boosted through the **National Wealth Fund (NWF)**, which, with its economic capital expanded to £7 billion, will now mobilise over £70 billion in private investment for the growth and clean energy missions and unlock projects that otherwise would not have commenced; as well as through the **British Business Bank (BBB)**, which will

help address finance gaps and crowd in investment into smaller and scale-up businesses.

5.8 A more competitive regulatory backdrop, underpinned by a stable economic policy, and with the infrastructure and improved access to finance, will raise the overall volume of investible projects coming through for private and local government pension funds to invest in. It will also provide the environment for high-potential firms to scale domestically.

## Backing the builders – a new approach to infrastructure

5.9 Infrastructure is an asset class where returns are closely aligned with the long-term liabilities of pensions funds. However, over several years uncertainty about infrastructure plans and policy has inhibited investment in programmes and supply chains. The government is therefore adopting a new approach to delivering infrastructure, enabling us to meet the UK's housing, transport, energy and other economic infrastructure needs.

### A long-term approach to infrastructure investment

5.10 First, the government has committed to increase public capital investment over the Parliament by £113 billion. The changes to the Fiscal Framework announcement at Autumn Budget 2024 will enable the government to invest in the UK's infrastructure over the long-term and crowd in private sector capital to develop and deliver the projects needed to boost growth.

5.11 **The 10 Year Infrastructure Strategy**, which will be published alongside the spending review in June, will provide longer term certainty over infrastructure plans and objectives. As part of this, the government has committed to delivering an infrastructure pipeline with a ten-plus year horizon, providing certainty to investors.

5.12 The Strategy will be supported by stable institutional arrangements including longer capital budget allocations at spending reviews, and the establishment of the **National Infrastructure and Service Transformation Authority**, to support delivery.

5.13 Infrastructure delivery is being supported by the most ambitious planning reforms in a generation, including through the commitment to approve 150 Development Consent Orders by the end of the Parliament and changes to the National Planning Policy Statement. These reforms to the planning process will make it easier to navigate and reduce the time required to get projects off the ground.

5.14 **The Planning and Infrastructure Bill** is a step-change in the approach to cutting red tape and accelerating development, by streamlining the Nationally Significant Infrastructure Projects consenting regime and simplifying parts of the planning system that are notorious for holding up projects. Local authorities are also being equipped with the resources they need to deliver an efficient and predictable service to developers and investors.

## Housing

5.15 The government has committed to supporting the building of 1.5 million homes by the end of this Parliament, presenting investible



opportunities for pension funds. The government will also publish a **Long-Term Housing Strategy** and set out further details of government investment in social and affordable housing at the Spending Review. The government will also provide certainty for a next generation of new towns - a transformative programme of building.

## Transport

**5.16 Air Travel** – This includes inviting proposals for a third runway at Heathrow, plans for the expansion of Luton Airport have now been approved, and a final decision on a second runway at Gatwick is due in October. The government is also supporting the Mayor of South Yorkshire's efforts to create a sustainable aviation hub. To both ensure growth and meet climate obligations, the government is also creating investment opportunities in aviation decarbonisation, investing nearly £1 billion in research and development for efficient and zero-emission aircraft technologies.

**5.17 TransPennine Route Upgrade** – The government remains committed to delivering the TransPennine Route Upgrade, which will enhance rail connectivity between York, Leeds, Huddersfield, and Manchester. This represents the largest rail infrastructure investment in the North of England in decades.

**5.18 Euston** – HS2 trains will run to Euston, with funding provided for tunnelling to the central London terminus. This investment will catalyse private investment into the station and local area, including through the Euston Housing Delivery Group, which is delivering ambitious housing and regeneration initiatives.

**5.19 Lower Thames Crossing** – Planning consent has been granted after years of delay. The government is looking to bring private sector finance and expertise into the project. Subject to the Spending Review, investors will be engaged in due course.

## Energy

**5.20** Ambitious but achievable goals have been set for decarbonising the power sector by 2030 and accelerating net zero. **Clean Power 2030** will require significant investment throughout the energy sector. The government will work to deliver an estimated £40 billion investment per year between 2025-2030. This demands working in tandem with the private sector to deliver unprecedented levels of clean infrastructure. Planning and grid connection reforms will provide greater certainty to projects and speed up delivery.

## Backing our corporates and growth sectors

**5.21** The **Industrial Strategy** is the government's plan to back investment in sectors which offer the highest growth opportunity. In October 2024, eight growth-driving sectors were set out: advanced manufacturing, clean energy, creative industries, defence, digital and technologies, financial services, life sciences, and professional and business services. Government support for these industries will help create a supply of investment opportunities across both greenfield projects and high-potential scale-ups.

5.22 The Industrial Strategy is due to be published this Summer and will set out how both government and industry are tackling barriers to growth in these sectors.

5.23 The government recognises the role it can play in enabling investors to take advantage of opportunities across these sectors. It is doing this through innovative financing mechanisms, delivered through the NWF and the BBB. Initiatives such as the **Long-term Investment for Technology and Science (LIFTS)** programme. LIFTS was designed to establish new funds or investment structures that attract institutional investment, particularly from Defined Contribution pension schemes, to support the growth of the UK's most innovative science and technology companies.

5.24 As part of raising visibility of investment opportunities to the pension sector, the BBB is also establishing the **British Growth Partnership (BGP)**. This is a commercially driven investment vehicle designed to attract institutional capital, including pension funds, into venture capital funds and innovative businesses. Backed by a cornerstone government investment, BGP will leverage the BBB's position as the largest domestic investor in UK venture to provide access to a diverse pipeline of high-growth UK companies. This vehicle creates a clear pathway for pension funds to invest confidently in the UK's growth sectors. London CIV has become the first LGPS pool to announce its intention to work with the BBB on the launch of the BGP, joining Aegon UK and NatWest Cushon, who last year announced their intention to collaborate on the BGP.

## Empowering our regions to boost investment

5.25 The government is working hand in hand with Mayoral Strategic Authorities (MSAs), local leaders and the devolved governments to support investment across all regions and to ensure all parts of the UK feel the benefits of growth.

5.26 The **Local Government Pension Scheme in England and Wales (LGPS)** is leading by example – its track record of regional investment is a success story and one that the government is keen to build on. The move to fewer, larger LGPS asset pools will make collaboration between the LGPS and private pension funds easier, crowding in a wider range of capital to local and regional projects.

5.27 This is supported by the government's plan to widen and deepen devolution by providing more powers and responsibilities to MSAs in England. **Local Growth Plans** are a key part of this, setting out how MSAs are using their devolved levers to drive growth – coordinating efforts across public and private sectors to do so. Following the publication of the White Paper the government will also introduce the **English Devolution Bill** to enact a generational transfer of power to our regions covering economic development, housing, employment and skills, transport and more.

5.28 The NWF will support these plans, including in partnership with the LGPS. It will play a role in supporting local government with early-stage project development to drive forward local growth.

5.29 The government is also identifying key industrial clusters across the country, building on existing Freeports and Investment Zones to channel investment into key sectoral and place-based opportunities across the country. These include AI Growth Zones and the Oxford-Cambridge Growth Corridor.



## AI Growth Zones

**5.30** As part of the UK's **AI Opportunities Action Plan** to build on the UK's status as the third largest AI market in the world, the government is establishing AI Growth Zones (AIGZs) which will accelerate the development of the UK's AI infrastructure. AIGZs will be underpinned by partnerships between central government, local areas, and the private sector, driving long-term investment into the infrastructure, energy and R&D capabilities needed to support a future AI-enabled economy. A pipeline of investment opportunities is in development, with details to be set out in due course.

## Oxford-Cambridge Growth Corridor

**5.31** The Oxford-Cambridge Growth Corridor's expertise in life sciences, artificial intelligence, manufacturing and technology will be leveraged to become a world leading growth hub and a key centre for British innovation.

**5.32** The government's approach includes improving connectivity through projects such as **East-West Rail**, which will link Oxford and Cambridge in just 90 minutes, unlocking new opportunities for businesses, and leveraging planning changes to support significant new settlements.

**5.33** Since announcing its support of the corridor, the government has already moved forward with key opportunities, including the Luton Airport expansion, and a partnership with ComCast to bring forward a Universal Studios theme park near Bedford, creating over 20,000 jobs and catalysing further investment. Investable opportunities in the region will encompass both specific sites or businesses, where knowledge transfer or specific return on infrastructure investment is required, as well as opportunities to package up broader opportunities into funds for investors to access.

## Increasing visibility through the Office for Investment

**5.34** The Office for Investment (OfI), established in 2020 to improve the government's ability to land the most strategically important investments for the UK, has been expanded to service a broader range of investors and coordinate investment activity across government. The OfI reports directly to the Minister for Investment and is jointly sponsored by the Department for Business and Trade, Number 10 and the Treasury.

**5.35** The OfI is equipped with the commercial capability to expand its proactive approach to attracting investment to the government's priority areas. These functions include enhanced relationship management for major capital investors, including pension funds, and a new business development unit which will work closely with stakeholders on the ground to help shape projects and connect propositions to investors.

**5.36** The OfI's unique position as a bridge between central government, capital investors and the local level will allow it to act as an investment 'broker', helping to match key transformational investment opportunities to global pools of capital. It will leverage its insight into central government priorities, commercial relationships and understanding of market interests, and visibility across the landscape of opportunities across the UK, to curate a pipeline that includes a range of opportunities and asset classes according to investor demand.

## Chapter 6

# Beyond the Investment Review for Private Pensions

**6.1** Through automatic enrolment, there are more people than ever saving for their retirement and an increasing number of people retiring solely with DC savings. This means that the private pensions systems and schemes need to be set up to deliver for their members, allowing them to accumulate savings, secure strong returns, and eventually use the resulting savings to provide an income in retirement.

**6.2** Together with the other measures to be legislated in the *Pension Schemes Bill*, the reforms set out in this Report will help savers achieve these goals.

**6.3** Now that the Pensions Investment Review has concluded, the next phase of the Pensions Review will build on this foundation and explore longer term challenges around retirement adequacy and outcomes. The success of Automatic Enrolment and a simplified, fairer, and more accessible new State Pension means that the foundations of the pensions system have been strengthened, however, further work is required to rebuild the pension system. Systemic issues around adequacy currently mean millions are under-saving for their retirement, and deep inequalities persist.

# Annex

## Impact Assessment Summary

### Mansion House Accord

A.1 The 17 signatories of the Mansion House Accord, accounting for around 90% of active DC savers, have estimated that £252 billion worth of assets are currently in scope of the pledge<sup>1</sup>.

A.2 It is estimated, if all signatories meet the commitments of the Accord, it will unlock around £50 billion of additional private market investment (of which over £25 billion is in the UK). The derivation of this estimate is outlined below:

- As the Accord is due to be met by 2030, this starting in-scope AUM of £252 billion is projected to 2030 based on historical Master Trust growth rates (average over the last 5 years<sup>2</sup>). This is halved to reflect a maturing market and the fact GPPs may be growing more slowly. This results in **an annual assumed growth rate of assets of 17%**. This is also broadly consistent with average investment returns (around 8%) and contribution levels entering the DC market<sup>3</sup>.
- To reflect further consolidation in the pensions market driven through the investment review and the *Pension Schemes Bill* **an additional £60bn is added into the 'in-scope assets' projection from 2027-2029** (in £20bn increments).
- This means it could be expected around **£735 billion** worth of assets are in-scope of the Accord by 2030 (nominally).
- It is currently estimated that the DC market allocates 3.5% of assets to the private market asset classes covered by the Accord<sup>4</sup>. In the baseline scenario (without any change), this would mean the £735 billion in-scope market size would allocate £26 billion to private markets. It is also estimated that 40% of these existing private investments are 'UK-based'<sup>4</sup>, this would mean £10 billion worth of UK-based private investment in a baseline scenario.
- The success of the Mansion House Accord would instead mean at least 10% of in-scope assets are allocated to private markets. This would mean

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<sup>1</sup> <https://www.gov.uk/government/news/pension-schemes-back-british-growth>

<sup>2</sup> Based on TPR DC scheme assets data

<sup>3</sup> Around £60bn is saved into annual private-sector schemes, for example, from an industry AUM of around £600bn.

<sup>4</sup> <https://assets.publishing.service.gov.uk/media/673f3ca459aab43310b95a8d/pension-fund-investment-uk-economy.pdf>

the £735 billion worth of assets allocated £74 billion to private markets, **£48 billion higher than the 'baseline' scenario.**

- In addition, 5% of assets would be allocated to UK-based private market investments, resulting in £37 billion worth of UK-based private investment, **£26 billion higher than the baseline scenario.**

Table A.1 – estimated additional investment from the Mansion House Accord

£bn (cash terms)	Private Market Investment	... of which UK-based
Baseline	£26	£10
With Accord	£74	£37
<b>Additionality (impact)</b>	<b>+£48</b>	<b>+£26</b>

## LGPS Local Investment

A.3 The LGPS is expected to reach £550 billion AUM by 2030<sup>5</sup>. If 5% of this is invested locally<sup>6</sup> it would **secure £27.5 billion for local investment by 2030.**

A.4 Using the estimate of LGPS reaching £550 billion by 2030, if LGPS funds were to increase their allocations to local investment by 1%, this would result in an **additional £5.5 billion invested locally by 2030.**

## UK Investment

A.5 Combining the LGPS' potential £27.5 billion of local investment with the Mansion House Accord's success estimated at £26 billion of UK investment, **this could secure an estimated £53.5 billion (over £50 billion) of investment in UK infrastructure, new homes and fast-growing businesses by 2030.**

## Cost savings

A.6 **A range of evidence suggests scale could deliver over 10 basis points reduction in fees.** This is derived from a number of sources:

- The Pensions Investment Review consultation responses suggested consolidation of pension providers could lead to reduced charges by up to 10-20bps over the longer term.
- DWP charges survey shows around 12bp difference in charges between smallest and largest GPP/MTs<sup>7</sup>.

<sup>5</sup> Estimates from the Government Actuary's Department (GAD), taking into account expected contribution rates and estimated returns, puts the size of the LGPS at £550 billion AUM by 2030.

<sup>6</sup> In line with current MHCLG estimates of LGPS local investment.

<sup>7</sup> <https://www.gov.uk/government/publications/pension-charges-survey-2020-charges-in-defined-contribution-pension-schemes/pension-charges-survey-2020-charges-in-defined-contribution-pension-schemes>

- People’s Partnership research, conducted by Toby Nangle<sup>8</sup>, found:
  - Internalising investments could save members hundreds of millions a year with “nearly £1bn in potential fee savings available”.
  - Australia had around 12bp cost reduction through scale, based on CEM benchmarking data.

**A.7** Taking a “top down” approach. If the overall DC market is estimated to be around £800bn-£900bn (current earnings terms) by 2030<sup>9</sup>, then a 12bp reduction in cost applied to £800bn industry would result in a £960m saving in 2030. This is likely an ‘upper bound’ estimate as it assumes gains are made across the entire market.

**A.8** Further analysis on the cost and benefits across the measures from the Pensions Investment Review and other measures in the Pension Schemes Bill will be produced as part of the Bill Impact Assessment.

## Member Benefits

**A.9** To examine the impacts of the Pensions Investment Review measures, DWP’s iPEN case study has been analysed to present an illustrative case study of the potential benefit of the measures on an average earner. This is helpful to demonstrate the potential benefit of the measures. But it is important to recognise the actual benefits will differ for all savers and may be higher or lower – this estimate is based on a given set of assumptions.

**A.10** Measures in the Pension Schemes Bill aimed to build scale by the creation of DC Megafunds should drive significant efficiencies and reductions in costs. This is evidenced through industry engagement and feedback, along with looking at international costs charged by large pension schemes. Combining this quantitative and qualitative evidence gives an indicative estimate **supporting a 6-basis point reduction in fees.**

**A.11** As outlined in the cost savings, this could be greater; though not all of the benefit may be passed onto the member. In addition, the development of scale should increase investment in productive assets, offering a diversification benefit. Past evidence from DWP/Government Actuary’s Department (GAD)<sup>10</sup> has highlighted that higher allocations to private markets may result in a modest uplift to pension pots. This is estimated as a 2% uplift to the final pension pot, reflecting returns and diversification benefits. This could be greater; depending on the level of investment made and returns seen.

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<sup>8</sup> <https://peoplespartnership.co.uk/media-centre/press-releases/workplace-pensions-industry-could-save-hundreds-of-millions-of-pounds-in-private-market-fees-new-report/>

<sup>9</sup> For example:

<https://www.gov.uk/government/publications/trends-in-the-defined-contribution-trust-based-pensions-market/trends-in-the-defined-contribution-trust-based-pensions-market>; and

<https://www.pensionspolicyinstitute.org.uk/media/hbrgvfw5/20240926-the-dc-future-book-2024-final.pdf>

<sup>10</sup> <https://www.gov.uk/government/publications/pension-fund-investment-and-the-uk-economy/pension-fund-investment-and-the-uk-economy>

**A.12** The case study presented below is for an average (median) earning male, saving into a DC pension, who is 22 and works/saves their entire career until State Pension age (see list of full assumptions below). The benefits outlined are phased in over 5 years. This highlights that an average earner, entering the labour market this year, could see an increase in their pension pot at retirement when saving over a career by around £6,000. This would be further increased when considering the wider Pension Schemes Bill measures, as will be outline as part of the *Pension Schemes Bill* Impact Assessment.

**Table A.2 – estimated impact of Pensions Investment Review measures on average pension pots**

<b>Median earning male Aged 22 (born 2002)</b>	<b>DC Pension Pot</b>	<b>Change</b>
Under current AE conditions	£163,600	
Decrease costs by 0.06ppts (Megafunds)	£166,200	+£2,500
Diversification benefits from wider asset classes (2% uplift)	£169,500	+£3,300
<b>Pension Pots after all the reforms</b>	<b>£169,500</b>	<b>+£5,900</b>

### **Box 1.A IPEN 2024 Core Assumptions**

The following key assumptions have been made when calculating these case studies. The modelling is known to be sensitive to assumptions made about future economic determinants and the methodology used. The model baseline assumptions are:

- Each individual saves into a defined contribution scheme with an annual management charge of 0.3% and a contribution charge of 1.8%.
- Each individual contributes 5% and their employer contributes 3% within qualifying earnings bands.
- Each individual's fund is invested in 88% equities and 12% bonds with real fund growth of 4.07% and 2.39% respectively.
- Each individual retires at 68.
- The automatic enrolment earnings trigger, lower earnings limit and upper earnings limit are frozen until 2028 and then increase in line with earnings over the long-term.
- Each individual does not opt-out of pension saving.
- Each individuals' earnings increase in-line with average earnings growth. The final pension pot size is reported in 2024/25 earnings using the Average Weekly Earnings growth deflator.
- Earnings in the first-year of employment are increased in line with average earnings growth.
- The median annual salary for a female working full-time is £31,672 (Source: ASHE 2024)
- The median annual salary for a male working full-time is £37,382 (Source: ASHE 2024)

## Number of Megafunds

A.13 Estimating the number of Megafunds is challenging and will depend on future growth across providers and the interactions with other measures.

A.14 Currently, it is estimated around 5-10 private DC pension providers may have over £25bn in AUM using data from Corporate Adviser and Go Pensions. Using historical trends of AUM growth across the market, it is projected there may be around 10-15 DC Megafunds by 2030 and around 15-20 by 2035.

A.15 In addition, LGPS reforms will see assets currently split over 86 administering authorities and 8 pools consolidated into just 6 pools.

A.16 Combined, **these changes are set to increase the number of Megafunds from 10 to over 20 within the next decade.**

### **HM Treasury contacts**

This document can be downloaded from [www.gov.uk](http://www.gov.uk)

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