London Borough of Hammersmith & Fulham

Pension Fund Committee

Agenda

Tuesday 17 March 2026 at 7.00 pm
The Cabinet Room (1st Floor), The Clockwork Building, 45 Beavor Lane, Hammersmith, W6 9AR

MEMBERSHIP

Administration	Opposition
Councillor Ross Melton (Chair) Councillor Lisa Homan Councillor Adam Peter Lang Councillor Lydia Paynter	Councillor Adrian Pascu-Tulbure
Co-optee	
Michael Adam Peter Parkin	

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

Date Issued: 09 March 2026

London Borough of Hammersmith & Fulham

Pension Fund Committee
Agenda

London Borough of Hammersmith & Fulham

Pension Fund Committee

Minutes

Tuesday 25 November 2025

PRESENT:

Members
Councillor Ross Melton (Chair)
Councillor Lydia Paynter
Councillor Adam Peter Lang
Councillor Adrian Pascu-Tulbure

Co-opted Members
Peter Parkin

Advisors
Andrew Singh (Isio Group)
Jonny Moore (Isio Group)
Sam Gervaise-Jones (Independent Advisor)

Officers
Eleanor Dennis (Head of Pensions)
Phil Triggs (Director of Treasury and Pensions)
Siân Cogley (Pension Fund Manager)
David Abbott (Head of Governance)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Lisa Homan and Michael Adam.

Apologies for lateness were received from Councillor Adrian Pascu-Tulbure (who entered at 7.17pm).

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

The open and exempt minutes of the meetings held on 25 June 2025 were agreed as accurate records.

4. KEY PERFORMANCE INDICATORS

Eleanor Dennis (Head of Pensions) introduced the report which set 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. She noted that performance was on or above target of the Service Level Agreement, but warned that the team had noticed a dip in quality of service and responsiveness and were monitoring the situation carefully.

Councillor Ross Melton (Chair) asked if there were any reasons given for the decline in responsiveness. Eleanor Dennis said there were issues with training, turnover of staff, re-allocation of staff to new client onboarding, and the proper checks and balances not being in place. She said some payment errors had slipped through and flagged by the H&F team which delayed payments. The errors had been highlighted to LPPA and they had put dedicated resource in place in response.

Councillor Adam Peter Lang thanked officers for the report and noted that performance seemed generally very positive, but was important to keep under review. He asked for any concerns to be highlighted to the Committee, so they could support were appropriate.

Peter Parkin noted that some retirees had experienced problems with the member portal since leaving as emails and verification codes were being sent to their work email addresses which they no longer had access to. Eleanor Dennis said officers would follow up on this after the meeting.

ACTION: Eleanor Dennis

RESOLVED

1. That the Pension Fund Committee considered and noted the contents of the report.

5. PENSION ADMINISTRATION UPDATE

Eleanor Dennis (Head of Pensions) introduced the report which gave an update on the administration of the Hammersmith & Fulham Pension Fund, delegated to the Local Pension Partnership Administration (LPPA). She noted that they continued to strive to deliver an efficient and effective service to stakeholders despite increasing complexity around legislation, data, and resourcing. She added that due to recent service issues mentioned in the previous item, their may be a dip in performance in Quarter 3.

Peter Parkin noted that the October 2025 deadline for the Pension Dashboard had been missed and asked when it was likely to be implemented. Eleanor Dennis said there was no go live date yet from Civica, though noted that other providers had met the deadline. Peter Parkin said the dashboard was really important for some members and asked what the Committee could do. Eleanor Dennis suggested a letter from the Committee and Members agreed.

ACTION: Eleanor Dennis

Councillor Adam Peter Lang asked about the challenges of recruitment and retention following the recruitment of three new members of staff. Eleanor Dennis said the three new hires were replacing staff who had moved on, rather than new posts. She said it was challenging to recruit experienced staff to deal with complex nature of Local Government Pension Scheme enquiries. There was a lot of competition, with several funds looking for the same level of staff.

Councillor Lang said H&F prided itself on being a good place to work and said the Committee would help in any way it could, particularly with the new Pension Schemes Bill 2026.

Peter Parkin commented that H&F ran pre-retirement sessions that were very well attended and useful for staff. Eleanor Dennis noted the sessions were delivered by Affinity Connect and feedback was always positive. The Chair asked if Councillors could be invited to observe the sessions. Eleanor Dennis said would provide dates.

ACTION: Eleanor Dennis

RESOLVED

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

6. PENSION FUND CESSATIONS

Eleanor Dennis (Head of Pensions) gave a brief introduction to the report. The remainder of this item was considered in private session, details of which are in the exempt minutes.

RESOLVED

That the Pension Fund Committee approved the payment of a surplus to Morgan Sindall Group in respect of both Lot 1 and Lot 2.

7. UPDATE TO RESPONSIBLE INVESTMENT POLICY

Siân Cogley (Pension Fund Manager) introduced the report on an addendum to the Pension Fund's Responsible Investment Statement to set out the Fund's approach to conflict linked investments, clarify expectations for investment managers, and establish a transparent framework for decision-making.

The Chair thanked officers for the report and said he was pleased with the work that had gone into it, he felt it reflected the quality and tenor of the discussion. He also highlighted the innovative traffic light system for classifying investments.

Councillor Adam Peter Lang commented that he felt the approach taken in the addendum was a positive way of tackling a sensitive issue that impacted all pension funds. He noted that he had been in correspondence with residents about this and said it was important the Committee continued to look at it and make progress. He commended the approach the Council was taking.

Peter Parkin thanked officers for the comprehensive report which he felt explained the complexities well. He noted that the fund did not have many investments in sensitive areas and the report showed that.

Councillor Lydia Paynter highlighted that the addendum linked the fund's assets to the United Nations Sustainable Development Goals. She noted that pension funds had huge potential to make a positive impact, for example in affordable and green energy. She said she was pleased to see the Fund making a positive contribution and felt it was important to communicate that to its members.

Councillor Adrian Pascu-Tulbure also welcomed the report and addendum. He felt it had the necessary breadth and depth, putting the fiduciary duty front and centre, but also creating a future the Fund's members would wish to retire into.

The Chair discussed the process for categorising investments and the process for reviewing investments that required further investigation, ahead of any potential divestment. He thanked officers for creating a robust, meaningful and fair process. He also expressed his gratitude to officers and members who had fielded questions from residents on these issues.

The Committee requested an item on the London CIV's approach to responsible investment in early 2026.

ACTION: Phil Triggs

RESOLVED

1. That the Pension Fund Committee approve the Responsible Investment Statement 2025 with the Addendum on Conflict and Human Rights for publication and, should there be any changes requested, delegate the approval of the final versation to the Director of Treasury and Pensions in consultation with the Chair.

8. PENSION FUND BUSINESS PLAN OUTTURN 2024/25

Siân Cogley (Pension Fund Manager) introduced the report which provided the outturn for 2024-25 against the forecast Business Plan.

Councillor Adrian Pascu-Tulbure asked for more information on the Freedom of Information requests mentioned in the report. Sian Cogley said they had received eleven so far on investments, double the previous year. When asked about the source, she the majority were due to conflict linked investments and others were quarterly updates from information companies. Eleanor Dennis also reported an increase, mostly related to the makeup of investments.

RESOLVED

1. That the Pension Fund Committee noted the 2024/25 business plan outturn, shown as Appendix 1.

9. PENSION FUND QUARTERLY UPDATE Q3 2025

Siân Cogley (Pension Fund Manager) introduced the report which provided a summary of the Pension Fund's overall performance for the quarter ended 30 September 2025, a cashflow update and forecast, and an assessment of risks and actions taken to mitigate them.

Councillor Adrian Pascu-Tulbure asked about the salary sacrifice process, the extent to which members were using it, and if the Government's recent policy changes would affect the amount coming into the fund. Eleanor Dennis confirmed that as H&F did not offer salary sacrifice as an option to its employees, there would be no impact from the proposed changes to the salary sacrifice legislation on the amount of funds being paid into the Fund.

Councillor Adam Peter Lang commented that training was very important and highlighted the high-quality online training available but felt that the Committee should have a refresher session on its role and powers. Siân Cogley noted that the training sessions were recorded so others could watch and she would share the links with members.

ACTION: Siân Cogley

The Chair suggested training should follow the local election in 2026. Phil Triggs noted there was another session scheduled for 30 January and could share the details with members.

ACTION: Phil Triggs

The remainer of this item was considered in private session, details of which are in the exempt minutes.

RESOLVED

1. That the Pension Fund Committee noted the update.

10. INVESTMENT PROPOSALS

Siân Cogley (Pension Fund Manager) introduced the report which set out proposed adjustments to the Fund's investment portfolio. The report recommended not to proceed with an investment in the Resonance social impact housing fund – and an additional commitment to the existing Quinbrook renewable infrastructure allocation in order to maintain alignment with the Fund's strategic asset allocation. The report also presented options regarding the Fund's global equity allocation, including the potential divestment from the Morgan Stanley global equity mandate and the reallocation of proceeds to alternative equity products.

The remainer of this item was considered in private session, details of which are in the exempt minutes.

RESOLVED

1. That the Committee noted the decision not to proceed with an investment in the Resonance Fund following the assessment of risks and suitability.

2. That the Committee approved an additional commitment to the Quinbrook Renewables Impact Fund II to maintain the Fund's strategic allocation to renewable infrastructure.

3. That the Committee considered and determined whether to redeem the Fund's holdings in the Morgan Stanley global equity quality mandate and approve the reallocation of proceeds to an alternative equity product, as set out in the report.

11. EXCLUSION OF THE PUBLIC AND PRESS

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: 7.03 pm
Meeting ended: 8.36 pm

Chair ....

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

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to:	**Pension Fund Committee**
Date:	17/03/2026
Subject:	Key Performance Indicators
Report author:	Eleanor Dennis, Head of Pensions
Responsible Director:	Grant Deg, Director of Legal Services

SUMMARY

This paper sets out a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Hammersmith & Fulham Pension Fund. The Key Performance Indicators (KPIs) for the period quarter 1 September – December 2025 inclusive, are detailed in Appendix 1. The reviewing of KPI's is 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.

Alex Pygram, Head of Finance, Finance and Corporate Services, 9th March 2026

Legal Implications

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

Joginder Bola, Senior Solicitor (Contracts and Procurement) 9 March 2026

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Analysis of Performance

1. The KPIs have been set out in the discharge agreement between the LPPA (Local Pension Partnership Administration) and the London Borough of Hammersmith & Fulham (LBHF). The Head of Pensions ensures performance measures are discussed and reviewed between both parties 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 quarter 3 for the pension fund scheme year 2025/26. The KPI's detailed in Appendix 1 of the pension administration report covers the period 01 September to 31 December 2025 inclusive.

3. During the period September to December 2025 inclusive, LPPA processed 1598 cases in Q3 compared with 1366 in Q2 and 1379 cases in Q1 of 2025/26, an increase of 232 cases for the Hammersmith & Fulham Pension Fund over the last 3 months. Highest volume case types continue to consist of deferred retirements, deferred benefits and death cases.

Performance in key areas

4. Retirements – Performance on this task area continues to improve with 201 processed in Q3, compared with 218 cases processed in Q2 by LPPA all within the 10 working day SLA and 202 in Q1. Active retirements saw an improvement in KPI performance in Q3 with 98.6% processed on time compared with Q2 which saw 97.5% achieved compared with 95.5% in Q1. The processing of deferred retirements saw 99.2% in Q3 compared with 97.1% in Q2 in line with 99.3% in Q1.

5. Deaths – There were 163 cases processed in Q3, compared to 172 cases in Q2 and 184 in Q1. In Q3 98.8% were processed on time, compared to 96.5% in Q2 and 97.8% in Q1.

6. Transfers – All 224 transfer cases received were processed in Q3 on time, compared to 119 processed in Q2 with 96.6% processed on time, and 99.2% of transfer outs processed on time in Q1. Transfer in's saw 95.9% in Q2 processed on time compared to 98.6% in Q1.

7. Refunds – All 82 cases processed in Q3 were processed on time compared to 98.6% in Q2 and 97.6% in Q1.

8. The Head of Pensions continues to collaborate with LPPA to try to ensure they are able to sustain their improved SLA performance as well as to mitigate any operational risks the Fund is exposed to and 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 start to the new scheme year. We are working with them to improve the quality of service experienced by members, beneficiaries and the LBHF pension team.

10. None

Risk Management Implications

11. None

Climate and Ecological Emergency Implications

12. None

Consultation

13. None

LIST OF APPENDICES

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

LPP
Local Pensions Partnership
Administration

Quarterly Administration Report

Committed to excellence

Forward thinking

Doing the right thing

Working together

Hammersmith & Fulham Pension Fund

1 October - 31 December 2025

h&f
hammersmith & fulham

lppapensions.co.uk

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Committed to excellence

Doing the right thing

Forward thinking

Working together

DEFINITIONS

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Casework Performance - All Cases

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

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

Page 6

Casework Performance - Standard

The category of ‘Other’ on this page covers processes including, but not limited to:
APC/AVC Queries
Cessation of Additional Contribution
Change of Hours
Change of Personal Details
Under Three Month Opt-Out

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

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Contact Centre Performance

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

Page 11

Retirement Satisfaction

Graphs show a breakdown of quarterly retirement surveys (emails issued and responses received).

- Retirements processed / completed - members can have multiple process counts.
- Surveys issued - does not equal retirement processes for several reasons; ill health retirements do not receive a survey; not all members provide an email address; members with multiple retirement processes only receive one survey email; there is a planned delay in issuing surveys to allow for initial payments to be paid).

Satisfaction / Dissatisfaction is included as a % of email surveys issued. This demonstrates that a significant number of surveys are not completed (work is ongoing to encourage an increase in the number of responses to email surveys issued).

The Satisfaction Scores highlighted in green and red compare the satisfied / dissatisfied responses received, as a % of total survey responses - this is the true measure of member satisfaction.

Satisfied responses include satisfied (with the service) and very satisfied.

Dissatisfied responses include dissatisfied and very dissatisfied.

Casework Performance

In this section…

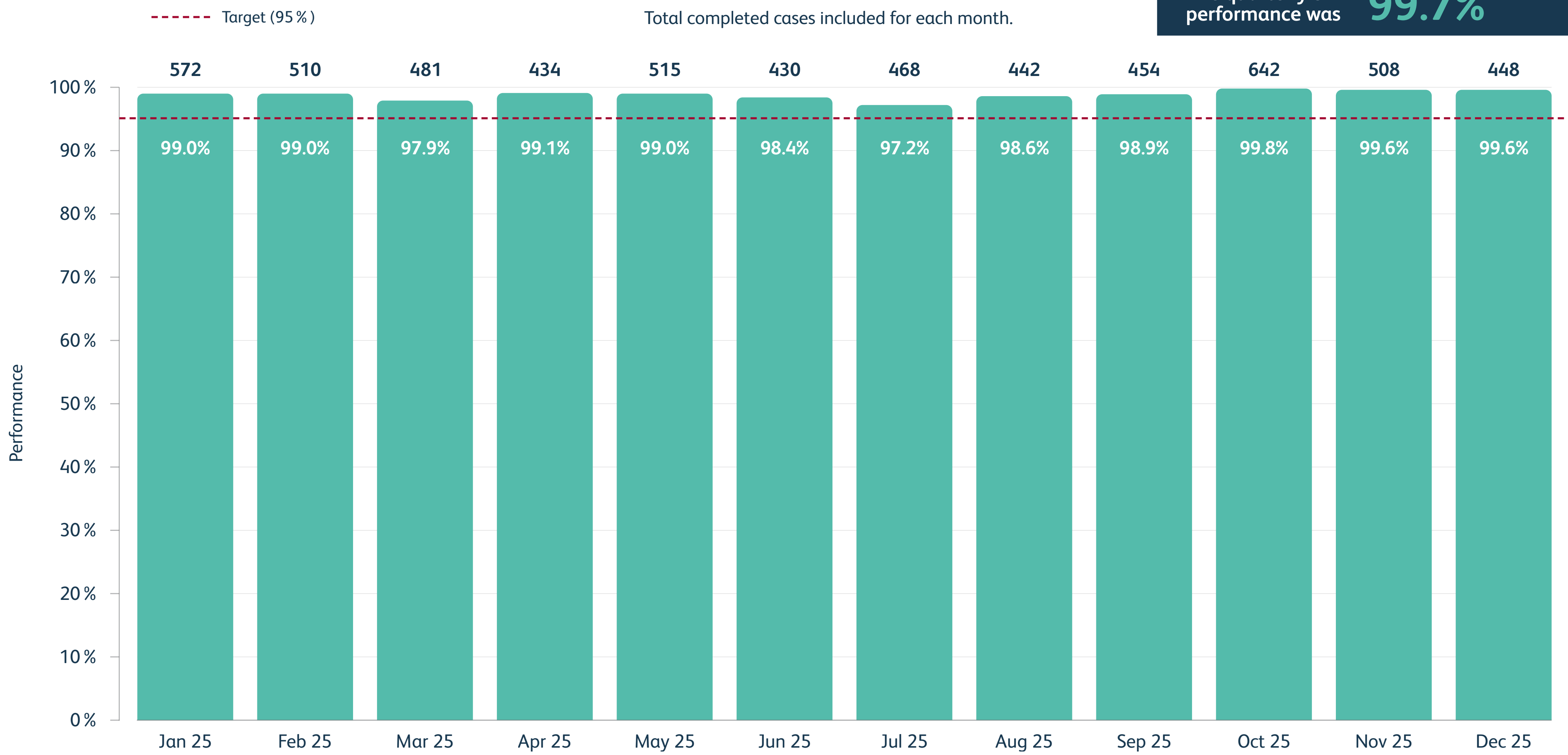
- Performance – all cases
- Performance standard

CASEWORK PERFORMANCE

CLIENT SPECIFIC

PERFORMANCE – ALL CASES

The quarterly SLA performance was **99.7%**



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CASEWORK PERFORMANCE

CLIENT SPECIFIC

PERFORMANCE STANDARD

Target (95 %)

	SLA Target (working days)	Total Processed	
New Starters	10	3	100.0%
Transfers In	10	87	100.0%
Transfers Out	10	137	100.0%
Estimates	10	64	100.0%
Deferred Benefits	15	151	99.3%
Retirements - Deferred	5	129	99.2%
Retirements - Active	5	72	98.6%
Refunds	5	82	100.0%
Deaths	5	163	98.8%
Correspondence	10	129	100.0%
Aggregation	10	61	100.0%
Other (see Definitions - page 3)		520	100.0%
Total		1,598	

Contact Centre Calls Performance

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

In this section…

- Wait time range
- Calls answered

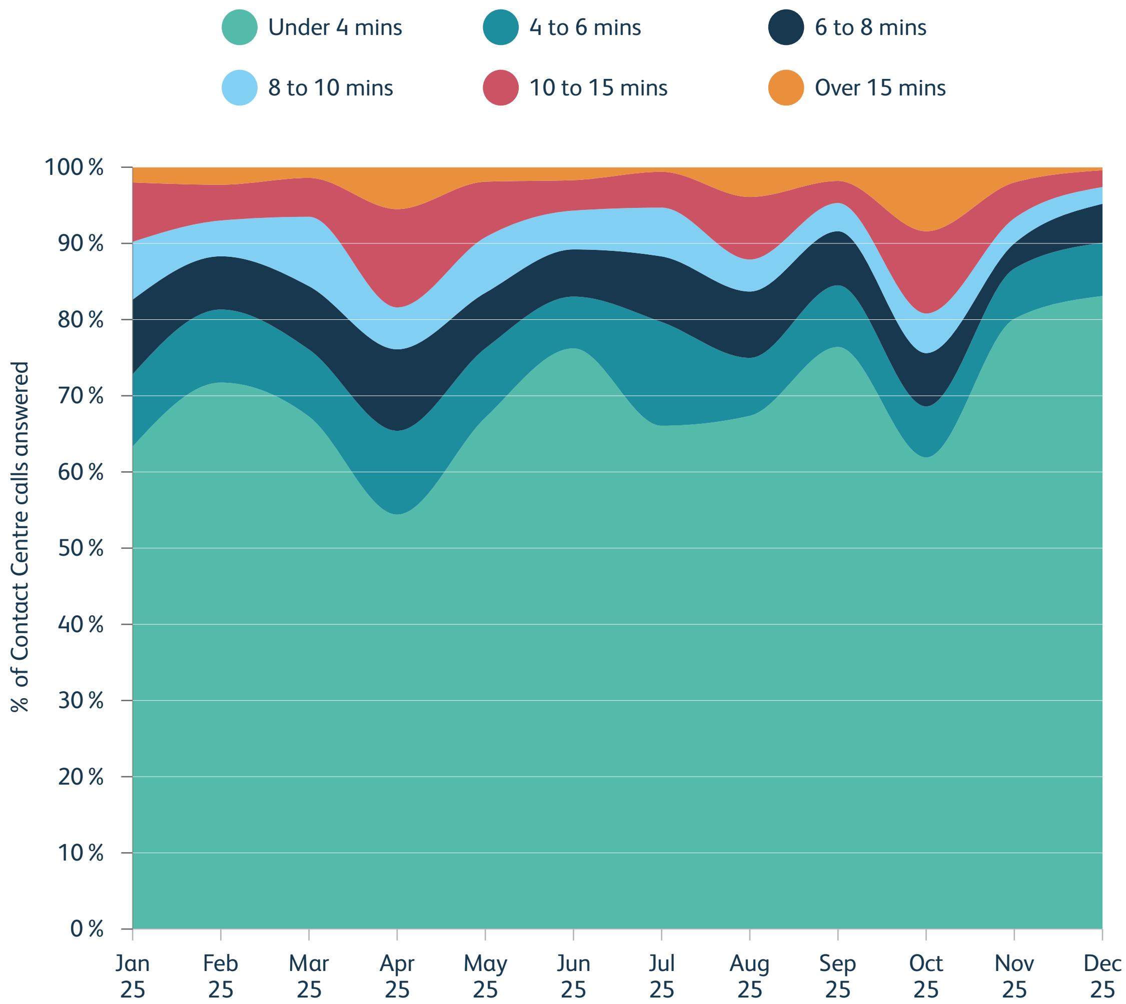
CONTACT CENTRE CALLS PERFORMANCE

CLIENT SPECIFIC

WAIT TIME RANGE

Page 21

	Under 4 mins	4 to 6 mins	6 to 8 mins	8 to 10 mins	10 to 15 mins	Over 15 mins
Jan 25	63.4%	9.5%	9.8%	7.6%	7.8%	2.0%
Feb 25	71.8%	9.6%	7.0%	4.7%	4.7%	2.3%
Mar 25	67.2%	8.8%	8.3%	9.1%	5.1%	1.4%
Apr 25	54.4%	11.0%	10.7%	5.5%	12.9%	5.5%
May 25	67.2%	9.1%	7.3%	7.3%	7.3%	1.9%
Jun 25	76.3%	6.8%	6.2%	5.1%	4.0%	1.7%
Jul 25	66.0%	13.6%	8.6%	6.4%	4.7%	0.6%
Aug 25	67.3%	7.6%	8.7%	4.2%	8.2%	3.9%
Sep 25	76.4%	8.1%	7.1%	3.7%	2.9%	1.8%
Oct 25	61.9%	6.7%	7.0%	5.2%	10.8%	8.4%
Nov 25	80.1%	6.6%	3.3%	3.3%	4.7%	2.0%
Dec 25	83.1%	7.0%	5.1%	2.2%	2.2%	0.4%



CONTACT CENTRE CALLS PERFORMANCE

CLIENT SPECIFIC

CALLS ANSWERED

Please note:

The graph highlights seasonal activities which deliver higher volumes of in-bound enquiries from members into the Contact Centre. The chart has been marked up with key annual activities for reference.

Increase in October's average wait time was due to resource challenges (including unplanned absences) in the Contact Centre, combined with an overall year on year increase in call volumes (across all clients combined).

Quarterly average wait time was **3 minutes 12 seconds**

Customer Satisfaction Scores

In this section…

- Retirements - Active
- Retirements - Deferred

CUSTOMER SATISFACTION SCORES

RETIREMENTS - ACTIVE

CLIENT SPECIFIC

Please note:

Graphs show a breakdown of quarterly retirement surveys:

- Retirements processed / completed (members can have multiple process counts)
- Surveys issued (does not equal retirement processes as not all members provide an email address; members with multiple retirement processes only receive one survey email; ill health retirements do not receive a survey email; there is a planned delay in issuing surveys to allow for initial payments to be paid). We extended this period in Q4, which explains the drop in the number of email surveys issued.
- The satisfaction scores highlighted in green and red compare the satisfied / dissatisfied responses received, as a % of total responses (the true measure of member satisfaction).*

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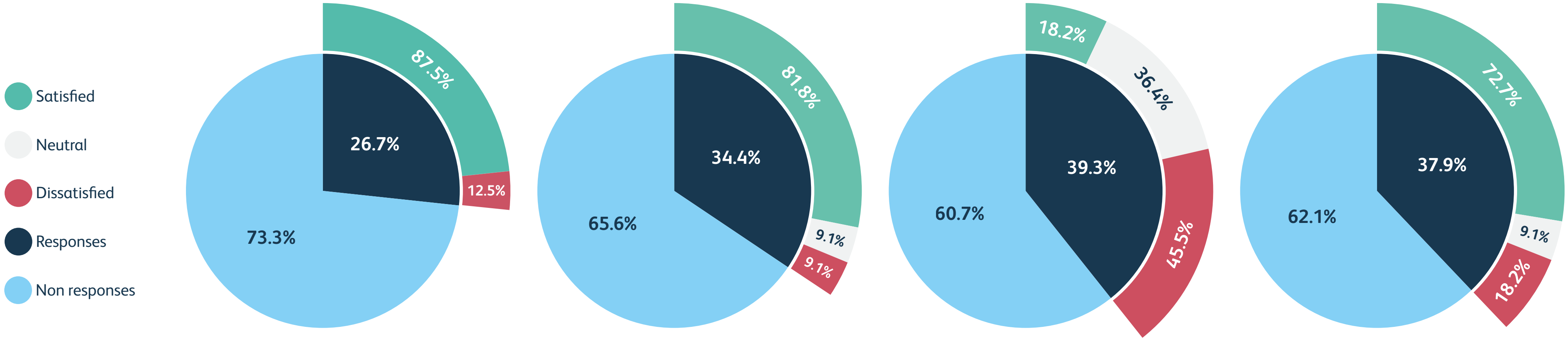


	Q4 24/25		Q1 25/26		Q2 25/26		Q3 25/26	
Retirements processed, completed	33		24		25		26	
Surveys issued and as a % of retirements	30	90.9%	32	133.3%	28	112.0%	29	111.5%
Satisfied Responses (as a % of surveys issued)	7	23.3%	9	28.1%	2	7.1%	8	27.6%
Dissatisfied Response (as a % of surveys issued)	1	3.3%	1	3.1%	5	17.9%	2	6.9%
Non responses and as a % of surveys issued	22	73.3%	21	65.6%	17	60.7%	18	62.1%
Responses and as a % of surveys issued	8	26.7%	11	34.4%	11	39.3%	11	37.9%
Satisfied responses and as a % of responses	7	87.5%	9	81.8%	2	18.2%	8	72.7%
Neutral responses and as a % of responses	0	0.0%	1	9.1%	4	36.4%	1	9.1%
Dissatisfied Responses and as a % of responses	1	12.5%	1	9.1%	5	45.5%	2	18.2%

*More information on data / results are included in the Definitions page earlier in this report.

CUSTOMER SATISFACTION SCORES

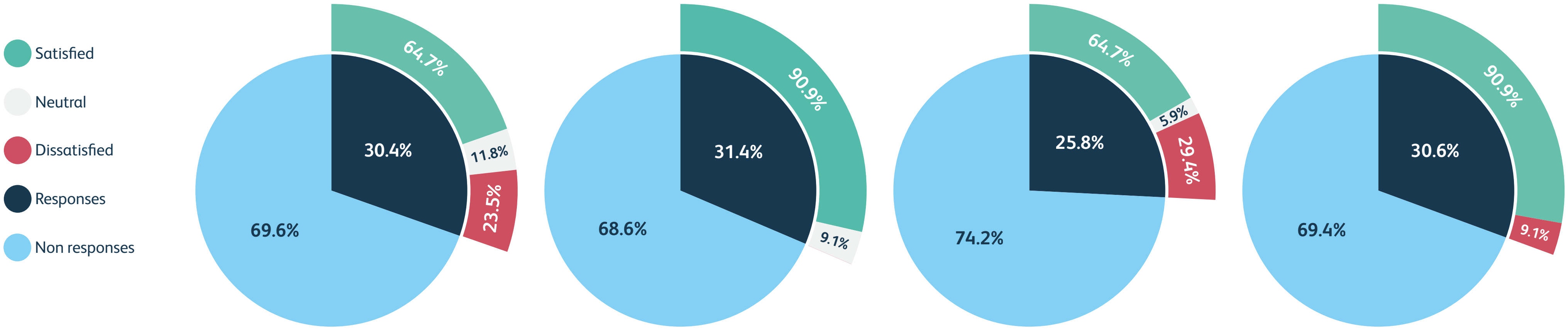
RETIREMENTS - DEFERRED

CLIENT SPECIFIC

Please note:

Graphs show a breakdown of quarterly retirement surveys:

- Retirements processed / completed (members can have multiple process counts)
- Surveys issued (does not equal retirement processes as not all members provide an email address; members with multiple retirement processes only receive one survey email; ill health retirements do not receive a survey email; there is a planned delay in issuing surveys to allow for initial payments to be paid). We extended this period in Q4, which explains the drop in the number of email surveys issued.
- The satisfaction scores highlighted in green and red compare the satisfied / dissatisfied responses received, as a % of total responses (the true measure of member satisfaction).*
- The implementation of our Automated Deferred Retirement Payment process in Q2, reduced the number of surveys issued in Q3. This has been resolved and survey numbers will return to expected volumes in Q4 (there was no impact to active retirement surveys).



	Q4 24/25		Q1 25/26		Q2 25/26		Q3 25/26	
Retirements processed, completed	60		38		67		54	
Surveys issued and as a % of retirements	56	93.3%	35	92.1%	66	98.5%	36	66.7%
Satisfied Responses (as a % of surveys issued)	11	19.6%	10	28.6%	11	16.7%	10	27.8%
Dissatisfied Response (as a % of surveys issued)	4	7.1%	0	0.0%	5	7.6%	1	2.8%
Non responses and as a % of surveys issued	39	69.6%	24	68.6%	49	74.2%	25	69.4%
Responses and as a % of surveys issued	17	30.4%	11	31.4%	17	25.8%	11	30.6%
Satisfied responses and as a % of responses	11	64.7%	10	90.9%	11	64.7%	10	90.9%
Neutral responses and as a % of responses	2	11.8%	1	9.1%	1	5.9%	0	0.0%
Dissatisfied Responses and as a % of responses	4	23.5%	0	0.0%	5	29.4%	1	9.1%

*More information on data / results are included in the Definitions page earlier in this report.

LPP

Local Pensions Partnership
Administration

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 17/03/2026

Subject: Pension Administration Update

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

Responsible Director: Grant Deg, Director of Legal Services

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.

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 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 2024/25 is estimated at £620,000.

Sukvinder Kalsi, Director of Finance 4th February 2026

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.

Joginder Singh Bola, Senior Solicitor (Contracts and Procurement) 9 March 2026

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Analysis of Pension Administration

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

1. The service delivered by LPPA 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. Employer will be asked for their views on the funding strategy statement which will be considered prior to the publishing of the final draft presented to Committee.

3. Member – Member satisfaction survey responses remain low and dissatisfaction has increased. Although most members going through the deferred retirements process did not complete a survey those that did were mostly satisfied. Q3 saw 10 members satisfied, compared to 11 in Q2 and 5 dissatisfied compared with Q1 which saw 10 satisfied members 0 dissatisfied. Active retirements in Q3 saw only 11 surveys completed, compared with 2 in Q2 where 5 dissatisfied compared with 2 in Q3 with 62.1% and 60.7% not responding, Q1 saw 9 satisfied with 1 response dissatisfied with 65.6% not responding.

4. Complaints – LPPA dealt with 13 complaints in Q3, compared with 9 complaints in Q2 and 12 in Q1. These were mainly around lack of communication for transfers and AVC's case types. In addition, there were 2 formal complaints dealt with by LPPA regarding delays and communication in processing transfers. LPPA continue to review complaint trends and implement training courses for their staff, where appropriate i.e. to the helpdesk.

5. Helpdesk – The number of calls to the LPPA Helpdesk continued to fall as Q3 saw 917 calls received, compared with 1096 in Q2 and 1035 in Q1. The average call waiting time also fell in Q3 rose to 3 minutes 12 seconds compared Q2 to 3 minutes 11 secs from 3 mins 40 secs in Q1. The call abandonment rate fell to 1.4% at the end of Q3 across all calls. With most people satisfied with their engagement with the helpdesk.

6. Communications – LPPA have issued a newsletter to active and deferred members. This year's newsletter highlights understanding your pension and tax, planning for retirement and explaining the impact of the McCloud remedy. The Head of Pensions continues to receive positive feedback for those attending the pre retirement sessions run by Affinity Connect and attendance numbers have increased. LPPA won "Best Pension Administrator" at this year's UK Pensions Awards and London borough of Hackney has joined as LPPA's 19th client.

7. Member engagement – The end of Q3 saw 6,732 members engaged with the pension portal increased compared with 6,604 in Q2 and 6333 at the end of Q1. There were 13 opt outs during Q3 compared with 124 in Q2.

8. Valuation – All fund employers have been sent their reports with their draft contribution rates, which have all fallen. The response rate of feedback has been low with one academy requesting a lower contribution rate and comments from

the department of education on the level of prudence applied and treatment of academies. In the future we may wish to present these more formally to our fund employers to increase engagement and understanding.

9. Regulatory – There are a number of regulatory issues impacting the Hammersmith & Fulham pension fund the key ones are below;

McCloud - LPPA have confirmed that they have started to make their first underpin payments to members who are due a McCloud remedy. Members will have the option to receive payment in respect of the McCloud underpin as a lump sum on request.

Pensions Dashboard – The connection deadline date for the Fund is 31 October 2025, there is no date yet set for public access, 2027 is a possible go live date. The Pension Regulator is expected to reach out to funds via a survey to check in on readiness. It was disappointing to hear that LPPA advised that their software provider Civica did not meet the October 2025 deadline and instead completed in December 2025. The pension regulator and Pension dashboard authority was advised. Our AVC provider Scottish Widows has confirmed they are still working through aspects of compliance and connectivity of AVC providers is proving problematic across the board.

Scheme Advisory Board – The results of the recent EDI survey concluded that clear guidance will be published on what data should be collected on Pension Fund Committee and Pension Board members. The SAB will also be publishing more guidance on peer to peer working in 2026.

The Pension Regulator – Closed its enforcement strategy consultation in November 2025. Recognising the need to align with the changing pensions landscape sought views on how they will regulate and its revised enforcement approach.

The Pensions Bill – Covers the whole of the pensions landscape and is designed to support people to deliver better outcome for people in retirement including small pots consolidation and better value for money. LGPS specific changes have been shaped around the 3 consultations Fit for the Future, Access and Fairness and Access and Protection.

Fit for the Future – outcomes have remained in line with the consultation with the pooling of all LGPS investment funds, tighter governance (such as the appointment of a single senior officer, independent committee member and triannual pension reviews) and mandatory policy changes that the Fund is working through and will be shared in the June meeting.

Access and Fairness consultation – Outcomes have remained in line with consultation suggestions, but implementation will be staggered to reduce the administrative burden. With priority given to Survivors benefits, changes to death grant timelines and gender pension gap reporting taking effect in 2026/27.

Access and Protection consultation – Outcomes have remained in line with the consultation suggestions with Mayors and Councillors being able to opt in from May 2026, changes to minimum retirement age and New Fair deal are still being resolved.

10. Audit – The LBHF team have begun co ordinating enquires for the 2025/26 audit. Grant Thornton have confirmed acceptance of LPPA's AAF report in respect of reassurance for starters and leavers for future audits.

11. Overpayments – The LBHF pensions team continue to work with LPPA and the LBHF debt recovery teams to try to recover further outstanding overpayment funds. The Fund has had to write off approx. £2,391 in Q2 due to overpaid pensions from deceased members and an overpayment in respect of an admin error of duplicate payments to a pensioner.

12. Scheme management planning – The next schedule meeting is a full pension committee on June 2026 to include policy updates and updates on London CIV.

Conclusion

The pension administration service delivered by LPPA shows signs of continuous improvement. LPPA do however to take onboard constructive feedback and are keen to improve. The pensions landscape is going through a rapid pace of transformation that will but further pressure on all stakeholders.

Equality Implications

12. None

Consultation

15. None

Appendices

None

LONDON BOROUGH OF HAMMERSMITH AND FULHAM

Report to: Pension Fund Committee

Date: 17 March 2026

Subject: Triennial Valuation

Report author: Siân Cogley, Pension Fund Manager

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

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SUMMARY

This paper introduces the final results of the 2025 triennial actuarial valuation process for the London Borough of Hammersmith and Fulham (LBHF) Pension Fund, which are further discussed in Appendix 1. This paper builds on the initial draft valuation brought to the Pension Fund Committee as an appendix to the quarterly update item of the 26 November 2025 meeting.

The key highlights are:

- The Fund's funding level has risen to 113% from the 105% level in 2022, which is broadly due to the good investment returns over the period.

- The two major changes to the assumptions are an increase in the discount rate and an increase in the prudence level.

RECOMMENDATIONS

1. The Committee is requested to approve the final 2025 Triennial Valuation for the Pension Fund set out at Appendix 1.

2. Delegate agreement of the final revisions to the Chair and the Tri-Borough Director of Treasury and Pensions.

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

The Triennial actuarial valuation shows the scheme to currently be 113% funded.

Legal Implications

None.

DETAILED ANALYSIS

Final Actuarial Results

1. In the period from 31 March 2022 to 31 March 2025, the Pension Fund has increased its overall funding level from 105% to 113%.

2. The funding level for Hammersmith and Fulham (as a single employer) stands at 111%, improving from 103% previously.

3. Due to the much improved funding level the Council, as a single employer within the fund, will pay a reduced contribution rate of 19.4%.

Changes to Actuarial Assumptions

4. Several assumptions are made during the triennial actuarial valuation process, with the most significant being the discount rate used to value future pensions liabilities.

5. The real discount rate, a proxy for the real investment return, has increased to 5.3% from 4.6%. The discount rate is set with reference to the likelihood of the Fund's investment return achieving a certain level of return over the next 20 years. Based on the Hymans analysis as at 31 March 2025, the Fund's assets have a 83% likelihood of returning 5.3% per annum over the next 20 years. This significant change in prudence level reflects the current market conditions.

6. On average, employer total contribution rates (i.e., Primary plus Secondary) have reduced mainly due to higher assumed future investment returns at 2025 compared with 2022.

7. Employers have been consulted on their employer contribution rates ahead of the new financial year and have been provisionally agreed.

8. The Funding Strategy Statement (FSS) was circulated to employers on 12 December 2025 for a six-week period for consultation.

LIST OF APPENDICES

Appendix 1: LBHF Pension Fund 2025 Final Triennial Valuation Report (EXEMPT)

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 17 March 2026

Subject: Funding Strategy Statement

Report author: Siân Cogley, Pension Fund Manager

Responsible Directors: Phil Triggs, Director of Treasury and Pensions

Eleanor Dennis, Head of Pensions

SUMMARY

Following the 2025 triennial actuarial valuation, the Fund's actuary (Hymans Robertson) has produced a draft Funding Strategy Statement (FSS). The purpose of the FSS is to establish a clear and transparent strategy on how to meet pension liabilities going forward.

The purpose of the FSS is as follows:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as near constant a primary contribution rate as possible, as required by Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent, longer-term view of funding those liabilities.

RECOMMENDATIONS

1. The Committee is requested to approve the draft Funding Strategy Statement and subject to any comments or amendments, delegate final approval to the Director of Treasury and Pensions in consultation with the Chairman.

Wards Affected: None

Our Values	Summary of how this report aligns to the H&F Values
Being ruthlessly financially efficient	The result of the triennial valuation shows an improved funding level, with the Council (as a single employer within the fund) now being 111% funded at the 2025 valuation.

Financial Impact

Due to the much improved funding level the Council (as a single employer within the fund) pay a reduced rate of primary contributions (19.4%) with no secondary contribution rate to the Fund from 1 April 2026.

Legal Implications

None

DETAILED ANALYSIS

1. Funding Strategy Statement

1.1 Regulation 58 of the LGPS Regulations 2013 sets out the requirement for every LGPS fund to maintain a Funding Strategy Statement. The regulation requires the Fund to have regard to the guidance published by CIPFA and to consult with parties it considers appropriate when updating it. The current version of the statement was approved by the Pension Fund Committee in February 2023. Attached at Appendix 1 is a draft Funding Strategy Statement for 2026, which reflect the results of the 2025 actuarial valuation.

1.2 The financial assumptions adopted for the 2025 valuation show an increase in the discount rate applied. The actuarial analysis also suggests a long-term trend of 1.5% annual improvements in longevity, when adjusted for the LGPS this leads to a reduction in liability values

1.3 The FSS incorporates the funding approach of the admitted and scheduled bodies, including admissions, new academies, bulk transfers and cessations. The strategy also takes into consideration the impact which the McCloud case judgement may have on the pension liabilities. Benefits are valued in line with the regulations in force at the time of the valuation, with an exception relating to the McCloud ruling. The benefits of members likely to be affected by the McCloud ruling have instead been valued in line with the expected regulations, reflecting an underpin as directed by the department (DLUHC).

1.4 The major risks to the funding strategy are financial, although there are other external factors including maturity risks, demographic risks, employer risks, regulatory risks and governance risks. Whilst the FSS attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that these risks may impact on the ability of the strategy to meet the funding objectives.

2. Reasons for Decision

2.1 The Fund is required to regularly review the FSS and to have regard to the CIPFA 2016 guidance, Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme (LGPS).

3. Equality Implications

3.1. None.

4. Risk Management Implications

4.1. None.

5. Other Implications

5.1. None.

6. Consultation

6.1. Consultation has been undertaken with all employer bodies of the Fund.

6.2. The Funding Strategy Statement (FSS) was circulated to employers on 12 December 2025 for a six-week period for consultation.

LIST OF APPENDICES

Appendix 1: Draft LBHF Funding Strategy Statement 2025

London Borough of Hammersmith and Fulham Pension Fund

Funding Strategy Statement

April 2026

Effective date	1 April 2026
Previous valuation date	31 March 2025
Date approved	17 March 2026
Next review	March 2029
Prepared in accordance with SAB / CIPFA / MHCLG guidance dated	January 2025

Contents

1 Purpose of the London Borough of Hammersmith and Fulham Pension Fund and the funding strategy statement

This document sets out the funding strategy statement (FSS) for the London Borough of Hammersmith and Fulham Pension Fund.

The London Borough of Hammersmith and Fulham Pension Fund is administered by the London Borough of Hammersmith and Fulham, known as the administering authority. The London Borough of Hammersmith and Fulham worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2026.

There's a regulatory requirement for the London Borough of Hammersmith and Fulham to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact pensions@lbhf.gov.uk.

1.1 What is the London Borough of Hammersmith and Fulham Pension Fund?

The London Borough of Hammersmith and Fulham Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependents
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The Fund will engage with employers when developing funding strategy in a way which balances the risk appetite of stakeholders.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the fund because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers (otherwise known as Resolution bodies)

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies

Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

The Scheme Advisory Board refer to three different tiers of employers which may participate in the LGPS, specifically:

- Tier 1 – Local Authorities (including contractors participating in the LGPS with Local Authority backing)
- Tier 2 – Academy Trusts and Further Education Institutions (Colleges).
- Tier 3 – Standalone employers with no local or national taxpayer backing. Include universities, housing associations and charities.

1.4 How is the funding strategy specific to the London Borough of Hammersmith and Fulham Pension Fund?

The funding strategy reflects the specific characteristics of the fund employers and its own investment strategy.

1.5 How often is the Funding Strategy Statement reviewed?

The FSS is reviewed in detail at least every three years ahead of the triennial actuarial valuation and an annual check is carried out in the intervening years.

Amendments to the FSS may be in the following circumstances:

- material changes to the scheme benefit structure (e.g. HM Treasury-led)
- on the advice of the fund actuary
- Significant changes to investment strategy or if there has been significant market volatility which impacts the FSS or goes beyond FSS expectation
- if there have been significant changes to the fund membership and/or fund maturity profile
- if there have been significant or notable changes to the number, type, or individual circumstances of any of the employing authorities to such an extent that they impact on the funding strategy (e.g. exit/restructuring/failure) which could materially impact cashflow and/or maturity profile and/or covenant)
- if there has been a material change in the affordability of contributions and/or employer(s) financial covenant strength which has an impact on the FSS.
- recommendations from MHCLG/GAD.

In undertaking such reviews, the administering authority should consider:

- looking at experiences in relation to long-term funding assumptions (in terms of both investment income and forecast contributions income) and consequences of actions taken by employers (e.g. pay awards and early retirements)
- the implications for the funding strategy and, if significant, determine what action should be taken to review the FSS
- the implications arising from the funding strategy for meeting the liabilities of individual employers and any amendments required to the ISS

- consulting with individual employers specifically impacted by any changes as an integral part of the monitoring and review process and ensuring any communication regarding a review won't necessarily lead to rates changes for individual employers but could impact admissions, terminations, approach to managing risk and employer risk assessment.

Any amendments will be consulted on, approved by the Pensions Committee and included in the Committee meeting minutes.

This Funding Strategy Statement is effective from 1 April 2026 and is expected to remain in force until 31 March 2029 at the latest, unless an interim review is carried out prior to then.

1.6 Links to Administration Strategy

The fund maintains an Administration Strategy Statement which outlines the responsibilities, standards and procedures for employers and the fund. A copy of this can be found in the link below:

Pension Administration Strategy | Hammersmith and Fulham Pension Fund

Adherence with the requirements of the Administration Strategy Statement is crucial to ensure the well-running of the pension fund and any failure to do so may lead to uncertainty around the value of an employer's liabilities and the need for prudent assumptions to fill any data gaps.

1.7 Actuarial valuation report

LGPS Regulations (specifically Regulation 62) require an actuarial valuation to be carried out every three years, under which contribution rates for all participating employers are set for the following three years. This Funding Strategy Statement sets out the assumptions and methodology underpinning the 2025 actuarial valuation actuarial exercise. The actuarial valuation report sets out 1) the actuary's assessment of the past service funding position, and 2) the contributions required to ensure full funding by the end of the time horizon. The Rates and Adjustments certificate shows the contribution rates payable by each employer (which may be expressed as a percentage of payroll and/or monetary amounts).

2 How does the fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contribution rates are determined by a mandatory actuarial valuation exercise, and are made up of the following elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the **fund's expenses.**

The fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix E.

The total contribution rate for each employer is then based on:

- **the target funding level** – how much money the fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the funding basis** – the set of actuarial assumptions used to value the employer's (past and future service) liabilities
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

For example, an employer's funding strategy criteria may be set as follows:

The employer must have at least a 80% likelihood of being 100% funded on the ongoing participation basis at the end of a 20 year funding time horizon

The funding strategy criteria used by the fund are set out in Table 2. Further detail on the ESS and on the funding bases used by the fund are set out in Appendix E.

This approach considers the maturing profile of the membership when setting employer contribution rates.

The approach taken by the fund actuary helps the fund meet the aim of maintaining as stable a primary employer contribution rate as possible.

2.2 The contribution rate calculation

Table 2: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies			CABs and designating employers		TABs
Sub-type	**Local authority**	**Universities**	**Academies and Colleges**	**Open to new entrants**	**Closed to new entrants**	**(all)**
SAB Tier	**Tier 1**	**Tier 3**	**Tier 2**	**Tier 3**	**Tier 3**	**Tier 1**
Funding basis*	Ongoing	Ongoing	Ongoing (pooled)	Ongoing, but may move to low-risk exit basis		Ongoing
Target funding level	100%	100%	100%	100%	100%	100%
Minimum likelihood of success	83 %	83%	83%	83%	83%	83%
Maximum time horizon	20 years	20 years	20 years	20 years or average future Working lifetime, if less		20 years
Primary rate approach**	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon, expressed as a percentage of pensionable pay					
Secondary rate	The difference between the total contribution rate payable (determined as per 2.1) and the primary rate. Negative adjustments are expressed as a percentage of payroll and positive adjustments can be expressed as a percentage of payroll or monetary amounts (for mature closed employers).					
Treatment of surplus	Total contribution rate set to achieve funding objective with associated likelihood of success over the time horizon. Contribution rate floors may be applied to enable contribution stability.***			Preferred approach: contributions kept at primary rate. Reductions may be permitted by the administering authority to help avoid surpluses at cessation..****		
Recognising covenant	Adjust likelihood of success					
Phasing of contribution changes	Phasing of contribution increases may be permitted at the discretion of the administering authority.					

Employers participating in the fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority

** See Appendix E for further information on funding targets.*

*** The Primary Rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates.*

****At the 2025 valuation, a contribution floor equal to the Primary Rate rate has been applied in the determination of the rate payable by the local authority. A floor equal to the lower of the pooled academy rate and the current academy rate in payment (for non-pooled academies) has been applied in the determination of the contribution rates payable by non-pooled academies.*

*****At the 2025 valuation, reductions in contribution below the Primary Rate have been applied where it is likely that the employer may cease participation in the near-term future, specifically if there are fewer than 3 active members or if the contract is expected to expire prior to the 2028 valuation date.*

The fund manages funding risks as part of the wider risk management framework, as documented in the fund's risk register. The funding-specific risks identified and managed by the fund are set out in Appendix D – Risks and Controls.

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. After taking advice from the fund actuary, the administering authority believes a stabilised approach is currently not appropriate for any employers.

2.4 Links to investment strategy

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority.

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

The investment strategy is designed allowing for the funding position determined on an appropriate and prudent basis, with the objective of achieving the funding objective for each employer group of the specific time horizon.

The fund's current strategic investment strategy as at 31 March 2025 is summarised in the table, with full details available at Pension Fund Investment Strategy Statement 2023 to 24.

Asset class	Allocation
Equities	40%
Low risk growth	25%
Secure income	20%
Inflation protection	15%

2.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see Appendix A).

2.6 Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations that may lead to an increase or decrease in contributions after taking advice from the fund actuary. Review on case-by-case basis.

2.7 What is pooling?

The policy of the fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

The exception to this is academy employers, who are pooled for the purpose of determining contribution rates to recognise the common characteristics of these employers.

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level or cross-subsidy of pension cost amongst pooled employers.

Pooling of other individual employers may be considered in exceptional circumstances if deemed appropriate by the administering authority and fund actuary.

2.8 Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided.

2.9 Noncash funding

Should any employer wish to provide non-cash assets in lieu of contributions, the Fund will fully consider this request based on specialist advice and take steps to manage any conflict of interest that may arise.

2.10 Managing surpluses and deficits

The funding strategy is designed to ensure that all employers are at least fully funded on a prudent basis at the end of their own specific time horizon. The uncertain and volatile nature of pension scheme funding means that it is likely there will be times when employers are in surplus and times when employers are in deficit. The funding strategy recognises this by 1) including sufficient prudence to manage the effect of this over the time horizon, and 2) making changes to employer contribution rates to ensure the funding strategy objectives are met.

Fluctuations in funding positions are inevitable over the time horizon, due to market movements and changing asset values, which could lead to the emergence of deficits and surplus from time to time, and lead to changes in employer contribution rates.

Table 2 sets out the Fund's approach to setting contribution rates for each employer group.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non-ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum.

For the years 2025/26 (February to March 2026), 2026/27, 2027/28 and 2028/29, the Council will not pay additional pension strain contributions in respect of early retirements. This will be formally reviewed as part of the 2028 valuation of the Fund. The Fund will continue to monitor the number of pension strains incurred. It is possible to consult with actuary should such circumstance arise.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer may be required to pay a funding strain, which may be a large sum.

The administering authority operates a cost-sharing arrangement to spread ill-heath early retirement strain costs across all employers.

The contribution rate payable by employers includes the expected cost of ill-health retirements (the ill-health 'premium'). A portion of this contribution is paid to the captive fund, a notional pot of assets held by the Fund to meet the expected cost of ill health strains. Any ill-health retirement strain costs emerging will be met by a contribution from the captive fund as part of the subsequent actuarial valuation (or termination assessment if sooner).

No additional contributions will be due immediately from the employer although an adjustment to the 'premium' payable may emerge following the subsequent actuarial valuations, depending on the overall experience of the captive fund.

4 How does the fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets.

Each fund employer has a notional share of the fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The fund actuary makes a simplifying assumption that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix E, the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

Benefits are valued in line with the regulations in force at the time of the valuation, with an exception relating to the McCloud ruling. The benefits of members likely to be affected by the McCloud ruling have instead been valued in line with the expected regulations, reflecting an underpin as directed by MHCLG.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

5 What happens when an employer joins the fund?

5.1 When can an employer join the fund

Employers can join the fund if they are a new scheduled body or a new admission body. New designated employers may also join the fund if they pass a designation to do so.

On joining, the fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer, the existence of any guarantee, and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.4 below.

5.2 New academies

New academies (including free schools) join the fund as part of the Academies pool. Only active members of former council schools transfer to the academy pool. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (i.e., members with deferred or pensioner status) remain with the ceding council.

The academy pool will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities.

The new academies' contribution rate is set equal to the pooled rate payable.

The fund's policies on academies may change based on updates to guidance from the Ministry of Housing, Communities and Local Government or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

5.3 New admission bodies as a results of outsourcing services

New admission bodies usually join the fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

The new employer's contribution rate is based on the current funding strategy (set out in section 2) and the transferring membership.This may be subject to change in light of revised legislation prior to the next valuation cycle.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the fund, e.g., set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

7 What happens when an employer leaves the fund?

7.1 What is a cessation event?

Triggers for considering cessation from the fund are:

- the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the fund leaves the scheme.

???may be penalty for no bond in place in cessation#

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in Appendix E.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix E.

(b) Where there is a guarantor, the guarantee will be considered before the cessation valuation.

- Where the guarantor is a guarantor of last resort (i.e. where the guarantee will cease to have affect after the cessation event and final settlement), this will have no effect on the cessation valuation.
- If this isn't the case (i.e. if the guarantee continues to apply in respect of the former employer's obligations post cessation), cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms. This is known as 'subsumption' of the assets and liabilities.

If the fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and fund.

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement
- if an exiting employer enters into a deferred debt agreement, it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.
- Case by case consideration by Pension Fund Committee.

7.5 What if an employer has no active members?

When employers leave the fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA by exception or agreement/ In any event this will be limited to a term 5 year. Beyond this they have no further obligation to the fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid. The other fund employers will be required to contribute to the remaining benefits. The fund actuary will portion the liabilities on a pro-rata basis at the formal valuation

b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers.

7.6 Partial cessations

The Fund will consider requests for partial cessations on a case-by-case basis.

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report includes advice on whether the following aims are achieved:

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

(a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons.

Standard information about the fund's approach to solvency of the pension fund and long-term cost efficiency will be provided in a uniform dashboard format in the valuation report to facilitate comparisons between funds.

Appendices

Appendix A – The regulatory framework

A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Ministry for Housing, Communities and Local Government (MHCLG) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a clear and transparent fund-specific strategy identifying how employers' pension liabilities are best met going forward*
- *support the desirability of maintaining as constant and stable primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013*
- *ensure that the regulatory requirements to set contributions to ensure the solvency and long-term cost efficiency of the fund are met.*
- *explain how the fund balances the interests of different employers.*
- *explain how the fund deals with conflicts of interest and references other policies/strategies*

To prepare this FSS, the administering authority has used guidance jointly prepared by the Scheme Advisory Board (SAB), MHCLG, and by the Chartered Institute of Public Finance and Accountancy (CIPFA) dated January 2025.

The fund has a fiduciary duty to scheme members and obligations to employers to administer the scheme competently to keep employer contributions at an affordable level. The funding strategy statement sets out how the fund meets these responsibilities.

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "*persons the authority considers appropriate*". This should include '*meaningful dialogue… with council tax raising authorities and representatives of other participating employers*.

The Administering Authority carried out formal consultation on the draft 2025 Funding Strategy Statement in accordance with Regulation 61 of the Local Government Pension Scheme Regulations 2013. On 12 December 2025 all Scheme employers (including admitting bodies and Scheme member representatives) were issued with a copy of the draft FSS together with their individual 2025 actuarial valuation results schedule. Employers were invited to submit comments over a six-week period. All responses received were carefully considered. The final FSS also reflects updated national guidance issued by the SAB/MHCLG/CIPFA during 2024 and 2025.

A3 How is the FSS published?

The FSS is emailed to participating employers and pensioner representatives. A full copy is included in the fund's annual report and accounts and published on the administering authority's website. Copies are also freely available on request and sent to investment managers and independent advisers.

The FSS is published at [Pension fund accounts and statements | LBHF]

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee, and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall fund documentation?

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements like the statement of investment principles, investment strategy statement, governance strategy and communications strategy. The fund’s annual report and accounts also includes up-to-date fund information.

You can see all fund documentation at [Pension fund accounts and statements | LBHF]

Appendix B – Roles and responsibilities

B1 The administering authority is required to:

1 operate a pension fund

2 collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in LGPS Regulations

3 have an escalation policy in situations where employers fail to meet their obligations

4 pay from the pension fund the relevant entitlements as stipulated in LGPS Regulations

5 invest surplus monies in accordance with the relevant regulations

6 ensure that cash is available to meet liabilities as and when they fall due

7 ensure benefits paid to members are accurate and undertake timely and appropriate action to rectify any inaccurate benefit payments

8 take measures as set out in the regulations to safeguard the fund against the consequences of employer default

9 manage the valuation process in consultation with the fund's actuary

10 prepare and maintain an FSS and associated funding policies and SIP/ISS, after proper consultation with interested parties

11 monitor all aspects of the fund's performance and funding, and amend the FSS/ISS accordingly

12 establish a policy around exit payments and payment of exit credits/debits in relation to employer exits

13 effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and scheme employer

14 enable the local pension board to review the valuation and FSS review process and as set out in their terms of reference

15 support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice

B2 Individual employers are required to:

1 Ensure staff who are eligible are contractually enrolled and deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations),

2 provide the fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any deficiencies in their data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality

3 pay all ongoing contributions, including employer contributions determined by the actuary and set out in the rates and adjustments certificate, promptly by the due date

4 develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework

5 make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain

6 notify the administering authority promptly of all changes to active membership that affect future funding

7 Pay any exit payments on ceasing participation in the fund timely provide the fund with accurate data and understand that the quality of the data provided to the fund will directly impact on the assessment of their

liabilities and their contributions. In particular, any inaccuracies in data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality.

B3 Local Pension Boards (LPB):

1. prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long-term cost efficiency based on the assumptions 26 set by the administering authority and having regard to the FSS and the LGPS Regulations

2. provide advice so the fund can set the necessary assumptions for the valuation

3. prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc

4. provide advice and valuations to the fund so that it can make decisions on the exit of employers from the fund

5. provide advice to the fund on bonds or other forms of security against the financial effect on the fund of employer default

6. assist the fund in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations

7. ensure that the fund is aware of any professional guidance or other professional requirements that may be relevant in the role of advising the fund.

8. Identify to the fund and manage any potential conflicts of interest that may arise in the delivery the contractual arrangements to the fund and other clients.

9. Pb resp for knowledge and understanding may be required to meet sataisfactory understanding and undertakings

B4 Local Pension Boards (LPB):

Local Pension Boards have responsibility to assist the administering authority to secure compliance with the LGPS regulations, other legislation relating to the governance and administration of the LGPS, any requirements imposed by the Regulator in relation to the LGPS, and to ensure the effective and efficient governance and administration of the LGPS. It will be for each fund to determine the input into the development of the FSS (as appropriate within fund's own governance arrangements) however this may include:

1 Assist with the development and review the FSS

2 Review the compliance of scheme employers with their duties under the FSS, regulations and other relevant legislation

3 Assist with the development of and review communications in relation to the FSS.

B5 Employer guarantors

1 Department for Education - To pay cessation debts in the case of academy cessations (where the obligations are not being transferred to another MAT) and to consider using intervention powers if an academy is deemed to be in breach of the regulations.

2 Other bodies with a financial interest (outsourcing employers)

B6 Other parties:

1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement

2 investment managers, custodians bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS

3 auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements

4 governance advisers may be asked to advise the administering authority on processes and working methods

5 internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures

6 the Ministry for Housing, Communities and Local Government, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

7 The London Collective Investment Vehicle (LCIV) as the Fund's asset pool, provides pooled investment solutions and oversight, supporting the Fund's implementation of its investment strategy in line with the ISS.

Appendix C – Glossary

Actuarial certificates

A statement of the contributions payable by the employer (see also rates and adjustments certificate). The effective date is 12 months after the completion of the valuation.

Actuarial valuation

An investigation by an actuary, appointed by an Administering Authority into the costs of the scheme and the ability of the fund managed by that authority to meet its liabilities. This assesses the funding level and recommended employer contribution rates based on estimating the cost of pensions both in payment and those yet to be paid and comparing this to the value of the assets held in the Fund. Valuations take place every three years (triennial).

Administering Authority (referred to as 'the fund')

A body listed in Part 1 of Schedule 3 of the regulations who maintains a fund within the LGPS and a body with a statutory duty to manage and administer the LGPS and maintain a pension fund (the fund). Usually, but not restricted to being, a local authority.

Admission agreement

A written agreement which provides for a body to participate in the LGPS as a scheme employer

Assumptions

Forecasts of future experience which impact the costs of the scheme. For example, pay growth, longevity of pensioners, inflation, and investment returns,

Code of Practice

The Pensions Regulator's General Code of Practice.

Debt spreading arrangement

The ability to spread an exit payment over a period of time

Deferred debt agreement

An agreement for an employer to continue to participate in the LGPS without any contributing scheme members

Employer covenant

The extent of the employer's legal obligation and financial ability to support its pension scheme now and in the future.

Funding level

The funding level is the value of assets compares with the liabilities. It can be expressed as a ratio of the assets and liabilities (known as the funding level) or as the difference between the assets and liabilities (referred to as a surplus or deficit).

Fund valuation date

The effective date of the triennial fund valuation.

Guarantee / guarantor

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the fund can consider the employer's covenant to be as strong as its guarantor's.

Local Pension Board

The board established to assist the Administering Authority as the Scheme Manager for each Fund.

Non-statutory guidance

Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents

Notifiable events

Events which the employer should make the Administering Authority aware of

Past service liabilities

The cost of pensions already built up or in payment

Pension Committee

A committee or sub-committee to which an administering authority has delegated its pension function

Pensions Administration Strategy

A statement of the duties and responsibilities of scheme employers and Administering Authorities to ensure the effective management of the scheme

Primary and secondary employer contributions

Primary employer contributions meet the future costs of the scheme and Secondary employer contributions meet the costs already built up (adjusted to reflect the experience of each scheme employer). Contributions will therefore vary across scheme employers within a Fund.

Rates and adjustments certificate

A statement of the contributions payable by each scheme employer (see actuarial certificates)

Scheme Manager

A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each Fund has a Scheme Manager which is the Administering Authority.

Appendix D – Risks and controls

D1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The role of the local pension board is set out in the London Borough of Hammersmith and Fulham constitution available here : [H&F Constitution (lbhf.gov.uk)]

Details of the key fund-specific risks and controls are set out in the risk register included in the Annual Report, using the following link: [Pension fund accounts and statements | LBHF]

D2 Financial risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e., the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.1% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by around 2%, and decrease/increase the required employer contribution by around 0.7% of payroll p.a.

However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

D3 Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and is are kept under review. For the past two funding valuations, the Fund has utilised the Club Vita mortality analysis in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

D4 Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form, it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS, or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.
- Incoming legislation including measures related to investment pooling, may require changs to the current governance, funding and investment arrangements, creating a risk of increased complexity or cost to the fund.

D5 Governance risks

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued, then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

D6 Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

Type of employer	Assessment	Monitoring
Local Authority	Tax-raising or government-backed, no individual assessment required	n/a
Colleges	Government-backed, covered by DfE guarantee in event of failure	Check that DfE guarantee continues, after regular scheduled DfE review
Academies	Government-backed, covered by DfE guarantee in event of MAT failure	Check that DfE guarantee continues, after regular scheduled DfE review
Admission bodies	Each case is individual and the fund judges on merit.	Review on application from a relevant body and every three years along with the triennial valuation.

Any change in covenant over the inter-valuation period may lead to a contribution rate review

D7 Climate risk and TCFD reporting

The fund has considered climate-related risks when setting the funding strategy.

The Fund has carried out climate scenario analysis incorporating both stress testing, and narrative-based scenario analysis for the local authority employers at the 2025 valuation. The narrative approach explores the complex and interrelated risks associated with climate change by defining a specific extreme, downside risk (in this instance a food shock) and constructing a narrative around potential policy and market response. This approach allows consideration to be given to the impact of sudden, severe downside risks in the short term, and potential immediate actions. Coupling the narrative approach with stress testing (to better understand the impact of possible climate scenarios) has allowed the Fund to incorporate real world climate scenarios that may occur and indicate the resilience of the Fund under these scenarios.

Climate scenario analysis helps assess risks and tests the resilience of current and long-term strategies under various scenarios. This helps to identify vulnerabilities across both assets and liabilities. Identification of these vulnerabilities can inform risk management processes (see figure 1), helping the Fund ensure appropriate controls and mitigations are in place. Scenario analysis therefore supports informed decision makingand may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial

Disclosures (TCFD) principles.

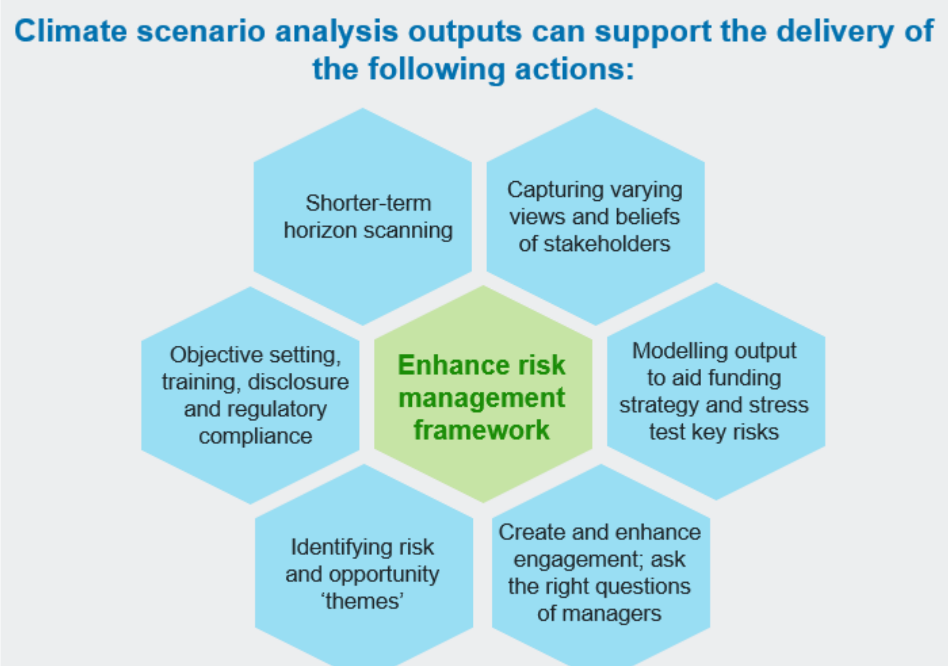


Figure 1.

This climate analysis was not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the vast majority of the fund's assets and liabilities, applying the climate analysis to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

D8 Gender Pension Gap reporting

The government published its consultation "Local Government Pension Scheme in England and Wales: Access and Fairness" in May 2025. One of the proposals as part of this consultation was to include gender pension gap reporting in the 2025 valuation report. Regulation around reporting will be laid down in March 2026 and as such, the Fund has reported on the gender pension gap in the 2025 valuation report (appendix 9).

Reporting has been included for active members, pensioner members and by employer using the local government pension scheme funds account return (SF3) categorisation.

Appendix E – Actuarial assumptions

The key outputs from an employer's funding valuation are its contribution rate requirement (see Section 2 for further details) and its funding level (see Section 4). For both calculations the fund actuary requires actuarial assumptions.

The fund typically reviews and sets the actuarial assumptions used for funding purposes as part of the triennial valuation. Those assumptions are then used until the next triennial valuation (updated for current market conditions where appropriate).

The fund has reviewed the actuarial assumptions used for funding purposes as part of the 2025 valuation. These are set out below.

E1 What are actuarial assumptions?

Actuarial assumptions are required to value the fund's liabilities because:

- There is uncertainty regarding both the timing and amount of the future benefit payments (the actual cost can't be known until the final payment is made). Therefore to estimate the cost of benefits earned to date and in the future, assumptions need to be made about the timing and amount of these future benefit payments
- The assets allowed to an employer today are a known figure. However, the future investment return earned on those assets and future cashflows into the fund are uncertain. An assumption is needed about what those future investment returns will be

There are two types of actuarial assumptions that are needed to perform an actuarial valuation: **financial assumptions** determine the expected amount of future benefit payments and the expected investment return on the assets held to meet those benefits, whilst **demographic assumptions** relate primarily to the expected timing of future benefit payments (i.e. when they are made and for how long).

All actuarial assumptions are set as best estimates of future experience with the exception of the discount rate assumption which is deliberately prudent to meet the regulatory requirement for a 'prudent' valuation.

Any change in the assumptions will affect the value that is placed on future benefit payments ('liabilities'), but different assumptions don't affect the actual benefits the fund will pay in future.

E2 What funding bases are operated by the Fund?

A *funding basis* is the set of actuarial assumptions used to value an employer's (past and future service) liabilities. The fund operates two funding bases for funding valuations: the *ongoing participation basis* and the *low-risk exit basis*. All actuarial assumptions are the same for both funding bases with the exception of the discount rate – see further details below.

E3 What financial assumptions are used by the fund?

Discount rate

The discount rate assumption is the average annual rate of future investment return assumed to be earned on an employer's assets from a given valuation date.

The fund uses a risk-based approach to setting the discount rate which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions') and the Fund's investment strategy.

The discount rate is determined by the *prudence level*. Specifically, the discount rate is calculated to be:

The average annual level of future CPI inflation that will be observed over a 20-year period with a 50% likelihood

The prudence level is the likelihood. The prudence levels used by the fund are as follows:

Funding basis	Prudence level
Ongoing participation	83%
Low-risk exit	N/A – see below

The discount rate for the low risk exit basis is not set using risk-based methodology. The low-risk exit basis discount rate is set equal to the annualised yield on long dated conventional government bonds at the valuation date.

CPI inflation

The CPI inflation assumption is the average annual rate of future Consumer Price Index (CPI) inflation assumed to be observed from a given valuation date. This assumption is required because LGPS benefit increases (in deferment and in payment) and revaluation of CARE benefits are in line with CPI.

The fund uses a risk-based approach to setting the CPI inflation assumption which allows for prevailing market conditions on the valuation date (see ‘Further detail on the calculation of financial assumptions’).

The CPI inflation assumption is calculated to be:

The average annual level of future CPI inflation that will be observed over a 20 year period with a 50% likelihood

Salary growth

The salary growth assumption is linked to the CPI inflation assumption via a fixed margin. The salary increases assumption is 0.5% above the CPI inflation assumption plus a promotional salary scale.

E4 Further detail on the calculation of financial assumptions

The (ongoing participation basis) discount rate and CPI inflation assumptions are calculated using a risk-based method. To assess the likelihood associated with a given level of investment return or a given level of future inflation, the fund actuary uses Hymans Robertson’s propriety economic scenario generator; the *Economic Scenario Service* (or *ESS*). The model uses statistical distributions to project a range of 5,000 different possible outcomes for the future behaviour of different asset classes and wider economic variables, such as inflation.

The table below shows the calibration of the model as at 31 March 2025 for some sample asset classes and economic variables. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years. Yields and inflation refer to the simulated yields at that time horizon.

		Annualised total returns									Inflation/Yields		
Time period	Percentile	Global equities (unhedged)	DGF Low Beta	Private Equity	Property	Infrastructure equity (unlisted)	A Credit (14 yr maturity)	A Credit (4 yr maturity)	Multi Asset Credit (sub investment grade)	Private Lending	Inflation (CPI)	17 year real yield (CPI)	17 year yield
5 years	16th	-0.5%	3.5%	-2.5%	0.2%	1.1%	2.5%	4.0%	4.1%	4.5%	1.2%	1.5%	4.8%
	50th	8.2%	5.8%	10.0%	6.8%	8.1%	4.9%	5.2%	6.7%	8.2%	2.8%	2.4%	5.8%
	84th	16.9%	8.1%	22.8%	14.1%	15.5%	7.1%	6.1%	8.8%	11.4%	4.3%	3.3%	7.1%
10 years	16th	2.1%	4.3%	1.2%	2.3%	3.1%	4.5%	4.8%	5.8%	6.4%	0.8%	0.8%	3.9%
	50th	8.5%	6.2%	10.2%	7.3%	8.4%	6.0%	5.8%	7.4%	8.8%	2.5%	2.1%	5.3%
	84th	14.8%	8.1%	19.6%	12.7%	13.8%	7.3%	6.7%	8.9%	10.9%	4.1%	3.3%	7.1%
20 years	16th	3.7%	4.4%	3.4%	3.5%	4.2%	5.5%	4.6%	6.1%	7.0%	0.7%	-0.5%	1.6%
	50th	8.3%	6.1%	9.9%	7.3%	8.3%	6.5%	5.8%	7.6%	8.8%	2.3%	1.3%	3.6%
	84th	13.1%	8.2%	17.0%	11.3%	12.4%	7.4%	7.2%	9.1%	10.7%	3.9%	3.0%	6.2%
	Volatility (1 yr)	18.6%	4.9%	26.6%	15.2%	14.5%	6.5%	3.2%	6.3%	9.3%	1.4%	-	-

The ESS model is recalibrated monthly. The fund actuary uses the most recent calibration of the model (prior to the valuation date) to set financial assumptions for each funding valuation.

E5 What demographic assumptions are used by the fund?

The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund’s experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in the assumptions that apply to them.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2024 version of the continuous mortality investigation (CMI) model published by the actuarial profession. The core parameters of the model apply, however, the starting point has been adjusted by +0.25% (for males and females) to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

Other demographic assumptions	
Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. At age 65 this is assumed to be 55% for males and 54% for females). Dependant of a male is 3.5 years younger than him Dependent of a female is 0.6 years older than her
Commutation	65% of maximum under HMRC limits.
50:50 option	0% of members will choose the 50:50 option.

Males (incidence per 1000 active members per year)

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	323.45	609.76	0.00	0.00	0.00	0.00
25	117	0.17	213.65	402.77	0.00	0.00	0.00	0.00
30	131	0.20	151.59	285.73	0.00	0.00	0.00	0.00
35	144	0.24	118.44	223.22	0.10	0.07	0.02	0.01
40	151	0.41	95.36	179.66	0.16	0.12	0.03	0.02
45	159	0.68	89.57	168.72	0.35	0.27	0.07	0.05
50	167	1.09	73.83	138.92	0.90	0.68	0.23	0.17
55	173	1.70	58.14	109.45	3.54	2.65	0.51	0.38
60	174	3.06	51.82	97.51	6.23	4.67	0.44	0.33
65	174	5.10	31.81	59.85	11.83	8.87	0.00	0.00

Females (incidence per 1000 active members per year)

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.10	281.94	373.90	0.00	0.00	0.00	0.00
25	117	0.10	189.71	251.55	0.10	0.07	0.02	0.01
30	131	0.14	159.02	210.83	0.13	0.10	0.03	0.02
35	144	0.24	137.25	181.90	0.26	0.19	0.05	0.04
40	151	0.38	114.23	151.34	0.39	0.29	0.08	0.06
45	159	0.62	106.60	141.21	0.52	0.39	0.10	0.08
50	167	0.90	89.87	118.92	0.97	0.73	0.24	0.18
55	173	1.19	67.06	88.83	3.59	2.69	0.52	0.39
60	174	1.52	54.04	71.50	5.71	4.28	0.54	0.40
65	174	1.95	25.76	34.07	10.26	7.69	0.00	0.00

Appendix F
London Borough of Hammersmith and Fulham Pension Fund Policy on pass-through

Effective date of policy	16/11/2023
Date approved	15/11/2023
Next review	31/03/2025

Introduction

The purpose of this policy is to set out the administering authority's approach to admitting new contractors into the fund on a pass-through basis.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

F.1. Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To set out the fund's approach to admitting new contractors, including the calculation of contribution rates and how risks are shared under the pass-through arrangement.
- To outline the process for admitting new contractors into the fund.

F.2. Background

Employees outsourced from local authorities, police and fire authorities or from independent schools (generally academies, regulated by the Department for Education (DfE)) must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the Local Government Pension Scheme (as per the Best Value Authorities Staff Transfer (Pensions) Direction 2007). This is typically achieved by employees remaining in the LGPS and the new employer becoming an admitted body to the Fund and making the requisite employer contributions.

Pass-through is an arrangement whereby the letting authority (the local authority or the independent school) retains the main risks of fluctuations in the employer contribution rate during the life of the contract, and the risk that the employer's assets may be insufficient to meet the employees' pension benefits at the end of the contract.

F.3. Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Schedule 2 Part 3 sets out the entities eligible to join the fund as an admitted body, their key responsibilities as an admitted body and the requirements of the admission agreement.
- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and provides a definition of the primary rate and the secondary rate.
- Regulation 64 - covers the requirements for a cessation valuation following the exit of a participating employer from the fund.

Statement of principles

This statement of principles covers the admission of new contractors to the fund on a pass-through basis. Each case will be treated on its own merits, but in general:

- In the absence of a preferred approach from the letting authority, pass-through is the default approach for the admission of all new contractors (with fewer than 100 members) to the fund from the effective date of this policy. For the avoidance of doubt, this would apply to contracts established by councils, police & fire authorities, and academy trusts ("the letting authority").
- The contractor's pension contribution rate is set equal to the total contribution rate payable by the letting authority. This will change from time to time in line with changes to the letting authority's contribution rate (i.e. following future actuarial valuations). For the avoidance of doubt, the total contribution rate is the sum of the primary and secondary contribution rates.
- The contractor will meet the cost of additional liabilities arising from (non-ill health) early retirements and augmentations.
- Ill health experience will be pooled with the letting authority and no additional strain payments will be levied on the contractor in respect of ill health retirements.
- The contractor will not be required to obtain an indemnity bond.
- There will be no notional transfer of assets to the contractor within the Fund. This means that all assets and liabilities relating to the contractor's staff will remain the responsibility of the letting authority during the period of participation.
- At the end of the contract (or when there are no longer any active members participating in the fund, for whatever reason), the admission agreement will cease and no further payment will be required from the contractor (or the letting authority) to the fund, save for any outstanding regular contributions and/or invoices relating to the cost of early retirement strains and/or augmentations. Likewise, no "exit credit" payment will be made from the Fund to the contractor (or letting authority).
- The terms of the pass-through agreement will be documented by way of the admission agreement between the administering authority, the letting authority, and the contractor.
- All existing admission agreements are unaffected by this policy.

The principles outlined above are the default principles which will apply; however, the letting authority may request the specific details of a particular agreement to differ from the principles outlined above.

The administering authority is not obliged to agree to a departure from the principles set out in this policy, but will consider such requests and engage with the letting authority to reach agreement.

Policy and process

F.4. Compliance

Adherence to this policy is the responsibility of the relevant responsible service manager for any given outsourcing.

The administering authority and the fund actuary must always be notified that an outsourcing has taken place, regardless of the number of members involved.

F.5. Contribution rates

The contribution rate payable by the contractor over the period of participation will be set equal to the total rate payable by the letting authority from time to time. This means that the contractor's contribution rate will change once every three years, following the triennial actuarial valuation, but not between those times. Even then, this would always be in line with changes in the letting authority contribution rate.

F.6. Risk sharing and cessation valuation

The letting authority will retain the risk of the contractor becoming insolvent during the period of admission and so no indemnity bond will be required from contractors participating in the Fund on a pass-through basis. The letting authority is effectively guaranteeing the contractor's participation in the fund.

A cessation valuation is required when a contractor no longer has any active members in the fund. This could be due to a contract coming to its natural end, insolvency of a contractor or the last active member leaving employment or opting out of the LGPS.

Where a pass-through arrangement is in place, the fund assets and liabilities associated with outsourced employees are retained by the letting authority. At the end of the admission, the cessation valuation will therefore record nil assets and liabilities for the ceasing employer and therefore no cessation debt or exit credit is payable to or from the Fund.

The contractor will be required to pay any outstanding regular contributions and/or unpaid invoices relating to the cost of (non-ill health) early retirement strains and/or augmentations at the end of the contract.

However, in some circumstances, the winning bidder will be liable for additional pension costs that arise due to items over which it exerts control. The risk allocation is as follows:

Risks	**Letting authority**	**Contractor/ Admitted body**
Surplus/deficit prior to the transfer date	✓	
Interest on surplus/deficit	✓	
Investment performance of assets held by the Fund	✓	
Changes to the financial assumptions *		✓
Changes to longevity/demographic assumptions *		✓
Exchange of pension for tax free cash	✓	
Ill health retirement experience	✓	
Strain costs attributable to granting early retirements (not due to ill health) (e.g. redundancy, efficiency, waiving actuarial reductions on voluntary early retirements)		✓
Greater/lesser level of withdrawals	✓	
Rise in average age of contractor's employee membership	✓	
Changes to LGPS benefit package *		✓
Excess liabilities attributable to the contractor granting pay rises that exceed those assumed in the last formal actuarial valuation of the Fund	✓	
Award of additional pension or augmentation		✓

** These elements would be picked up at the next triennial valuation, if the contractor is still active in the Fund at that time, and would feed through into the letting authority's total contribution rate and hence the contractor's contribution rate.*

Note that the effect of risks allocated to the letting authority may feed into the contribution rate payable by the letting authority (and under the terms of this policy, by the contractor/admitted body) at the next valuation.

F.7. Accounting valuations

Accounting for pensions costs is a responsibility for individual employers.

It is the administering authority's understanding that contractors may be able to account for such pass-through admissions on a defined contribution basis and therefore no formal FRS102 / IAS19 report may be required (contractors are effectively paying a fixed rate and are largely indemnified from the risks inherent in providing defined benefit pensions).

As the letting authority retains most of the pension fund risk relating to contractors, it is the administering authority's understanding that these liabilities (and assets) should be included in the letting authority's FRS102 / IAS19 disclosures.

The administering authority expect employers to seek approval to the treatment of pension costs from their auditor.

F.8. Application

Letting authorities may request terms which differ from those set out in this policy and any such request will be considered by the administering authority.

All existing admission agreements (i.e. which commenced prior to the effective date of this policy) are unaffected by this policy.

F.9. Process

The procurement department at each letting authority that has responsibility for staff/service outsourcing must be advised of this policy. The process detailed below must be adhered to by the letting authority and (where applicable) the winning bidder.

- **Tender Notification** - The letting authority must publicise this pass-through policy as part of its tender process to bidders. This should confirm that the winning bidder will not be responsible for ensuring that the liabilities of outsourced employees are fully funded at the end of the contract, and that the winning bidder will only be responsible for paying contributions to the fund during the period of participation and meeting the cost of (non-ill health) early retirement strains, and the cost of benefit augmentations (assuming the terms of this policy are adhered to). It should also advise the employer contribution rate as detailed in paragraph 3.2.

- **Initial notification to Pension Team** – The letting authority must contact the administering authority when a tender (or re-tender) of an outsourcing contract is taking place and staff (or former staff) are impacted. The administering authority must be advised prior to the start of the tender and the letting authority must also confirm that the terms of this policy have been adhered to.

- **Confirmation of winning bidder** – The letting authority must immediately advise the administering authority of the winning bidder.

- **Request for winning bidder to become an admitted body** – The winning bidder (in combination with the letting authority), should request to the administering authority that it wishes to become an admitted body within the fund.

- **Template admission agreement** – a template pass-through admission agreement will be used for admissions under this policy. It will set out all agreed points relating to the employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the administering authority, will the wording within the template agreement be changed. All admission agreements must be reviewed (including any changes) by the administering authority and possibly its legal advisors.

- **Signed admission agreement** - Signing of the admission agreement can then take place between an appropriate representative of the winning bidder, the lead finance officer of the letting authority, and the administering authority. It is at this point the fund can start to receive contributions from the contractor and its employee members (backdated if necessary).

- **Commercial contract** – Once the admission agreement has been signed, the winning bidder is then able to enter the fund. It is the letting authority's responsibility to ensure that the commercial contract reflects the pension arrangements in the admission agreement.

F.10. Cost

The letting authority will be liable to meet any additional costs incurred by the administering authority as a result of any deviation from the fund's standard processes and agreements for pass-through arrangements, which includes (but is not limited to) the actuarial fees.

3 Related Policies

The fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".

The treatment of new employers joining the fund is set out in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the fund?"

The treatment of employers exiting the fund is set out in the Funding Strategy Statement, specifically "Section 7 – What happens when an employer leaves the fund?"

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to:	Pension Fund Committee
Date:	17 March 2026
Subject:	Investment Strategy Review
Report author:	Siân Cogley, Pension Fund Manager
Director:	Phil Triggs, Director of Treasury and Pensions

1. SUMMARY

1.1 As part of the triennial valuation, the Investment Strategy Statement is reviewed to reflect updated funding levels and any material developments since the previous valuation.

1.2 This paper provides a high level briefing to the Pension Fund Committee (Step 1) in advance of a full Investment Strategy Review (Step 2).

1.3 It outlines key strategic themes to inform the full review, which will be completed once the Fund's actuarial valuation results are finalised.

2. RECOMMENDATION

2.1 The Committee is asked to discuss and comment on the following questions:

- What long-term high-level risk versus return profile is appropriate?
- Which key strategy themes to target most prominently.
- Any other key views on asset classes or implementation.

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.

3. BACKGROUND

3.1 As part of the review, the Fund must assess its current investment strategy and estimated funding position in light of changes since the 2023 review, and evaluate the key metrics, risks and forward-looking challenges within the existing portfolio.

3.2 In the context of the Fit for the Future legislation, the Fund must also identify and agree the key strategic themes to inform Step 2 of the full investment strategy review. Further detail is set out in Appendix 1.

4. Current Fund Position

4.1 Since the 2022 Actuarial Valuation, geopolitical developments have increased market volatility, although equities have performed strongly. UK gilt yields rose sharply following the domestic “mini-budget,” marking a return to more typical long-term interest rates after the prolonged low-rate environment introduced following the Global Financial Crisis.

4.2 Macroeconomic policy continues to contribute to market volatility; however, equities have remained resilient and UK gilt yields have stabilised.

4.3 The funding level has improved by approximately 8% since the March 2022 valuation, reaching 113% as at March 2025. The surplus has increased from £58m to £161m. This improvement reflects strong investment performance and higher forward-looking return expectations.

4.4 The current and target asset allocations are set out below.

5.Strategy Themes for

		Investment Manager	31 Dec 2025 Allocation	Target Allocation	Relative to Target
Equity	Active Equities	LCIV (Morgan Stanley)	12.1%	-	+12.1%
	Passive Equities	L&G, BlackRock	34.5%	40.0%	-5.5%
	Total Equities		**46.6%**	**40.0%**	**+6.6%**
Dynamic Asset Allocation	Absolute Return	Ruffer	10.0%	10.0%	0.0%
	B&M Credit	Allspring, LCIV (Insight)	14.2%	15.0%	-0.8%
	Total Dynamic Asset Allocation		**24.2%**	**25.0%**	**-0.8%**
Secure Income	Multi Asset Credit	Partners Group	0.1%	-	+0.1%
	Diversified Credit	Oak Hill Advisors	5.5%	5.0%	+0.5%
	Multi Sector Private Credit	Aberdeen	3.6%	4.0%	-0.4%
	Leisure Development	Darwin	1.1%	2.5%	-1.4%
	Infrastructure	Partners Group	1.1%	5.0%	-3.9%
	Renewable Infrastructure	Quinbrook	4.0%	3.5%	+0.5%
	Total Secure Income		**15.5%**	**20.0%**	**-4.5%**
Inflation Protection	Long Lease Property	Aberdeen	3.6%	5.0%	-1.4%
	Ground Rents	Alpha Real Capital	6.5%	7.5%	-1.0%
	Affordable Housing	Man Group	1.8%	2.5%	-0.7%
	Total Inflation Protection		**11.9%**	**15.0%**	**-3.1%**
Cash	**Cash**		**1.8%**	**-**	**+1.8%**

Consideration

5.1 There are several strategic areas on which the Fund may focus. The Committee should consider its level of conviction for each theme and how these align with the target strategy.

- Overall Risk/Return Profile: The funding level has improved materially. Reducing risk would reflect a more prudent approach, while maintaining or increasing risk could support further funding improvements.
- Cashflow Requirements: Employer contributions are expected to fall significantly, reducing cash inflows and increasing the need to draw cash from investments.
- Diversification of Growth Drivers: Public equities have delivered strong returns in recent years but now trade at elevated valuations.
- Inflation Protection: Pension benefits are directly linked to uncapped inflation, and certain investments can help mitigate inflation risk.
- ESG: The Committee has already made progress in incorporating ESG and impact considerations within the portfolio.

6. Implementation Considerations

6.1 It is important to consider implementation whilst setting asset allocation, given the regulatory changes (Fit for the Future).

6.2 The Strategic Asset Allocation (SAA) Framework will be much more streamlined than what funds have been used to due to the loss of autonomy to the London CIV. There will be available ‘buckets’ that funds will need to decide how to split their assets and then it is the pool’s decision on how to implement i.e. geographic location, active vs passive.

7.

Asset class	SAA (%)	Tolerance range (±%)
Listed equity		
Private equity		
Private credit		
Property / Real estate		
Infrastructure		
Other alternatives		
Credit		
UK Government bonds		
Investment cash		

Next Steps

7.1 Once members have decided on the main themes they would like to pursue, Isio will present the full investment strategy review at the next committee meeting.

Appendix 1: Investment Strategy Review - Discussion Paper

London Borough of Hammersmith & Fulham Pension Fund

Investment Strategy Review
Step 1: Key Themes Discussion

February 2026

isio.

Introduction

Introduction

- This presentation has been prepared for the Pension Fund Committee (the "Committee") of the London Borough of Hammersmith & Fulham Pension Fund (the "Fund").
- The purpose of this presentation is to set the scene (Step 1) ahead of a full investment strategy review (Step 2). The presentation considers key strategic themes that can be factored into the full review – to be completed following finalisation of the Fund's Actuarial Valuation Results.

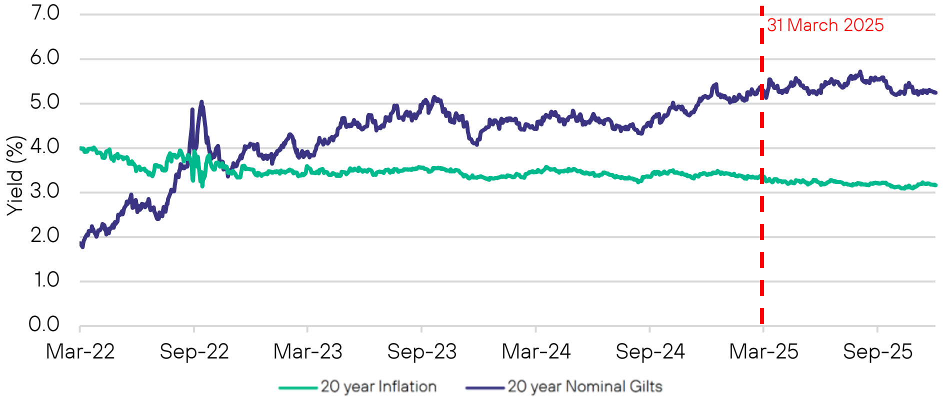
Objectives

- Consider the Fund's current investment strategy and estimated funding position in the light of changes made since the last investment strategy review in 2023.
- Understand the key metrics and risks underlying the current investment portfolio and challenges facing the Fund going forward.
- In the context of the Fit for the Future legislation, consider potential key strategy themes to take forward, and reach Committee agreement on, as to the focus to take forward to the Step 2 full investment strategy review.

Financial Market Update Since Last Review

- Since the March 2022 Actuarial Valuation macroeconomic events have driven volatility in financial markets – **despite this equities have risen strongly.**
- Central banks have tightened monetary policy and raised base interest rates globally alongside the domestic impact of the 'mini-budget' - **resulting in a sharp rise in UK Gilt yields.**
- **Post 31 March 2025**, uncertain macroeconomic policy and the US's tariff policies caused market volatility however **robust performance in equity markets has continued, while UK Gilt yields have remained relatively stable.**
- **Forward-looking expected returns are now higher than in 2022** (the point of the last Actuarial Valuation).

Gilt Yields and Inflation – 31 March 2022 to 31 December 2025

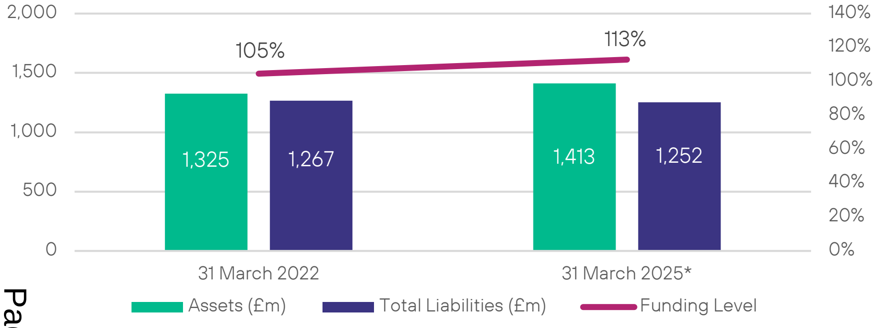


Asset Class Returns – 31 March 2022 to 31 December 2025

	Global Equity	UK Equity	US Equity	European Equity	EM Equity	Global High Yield	UK IG Credit	Over 15 Years Gilts	Over 5 Year Index-Linked Gilts
Return (p.a.)	13.3%	10.7%	13.3%	11.9%	11.3%	5.8%	0.9%	-11.1%	-12.9%

Current Funding Position

Changes in Funding Position



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Actuarial Valuation Assumptions

	31 March 2022	31 March 2025*
Discount Rate	4.4% p.a. (equivalent to G+2.8%)	5.3% p.a. (equivalent to G+0.6%)
Prudence Margin	67%	83%
Required Return (Estimated Likelihood of Achieving)	4.1% p.a. (71%)	4.6% p.a. (90%)
Primary Contribution Rate	20.7% p.a.	19.4% p.a.

- It is expected **the funding level has improved by c.8%** since the March 2022 Actuarial Valuation to 113% with a surplus of £161m (up from £58m) as at March 2025.
- **Increased forward-looking expected investment returns has been the key improvement driver** – which has increased the discount rate and lowers the value placed on the past service liabilities. The overall liability value (including future service) has increased due to inflationary benefit increases and a more prudent actuarial approach.
- **Positive investment returns have also driven funding improvement**, with the Fund having delivered performance in excess of the 2022 discount rate over the three-year period.
- Funding improvements have been partially offset by an **increase to the prudence margin. If this had remained unchanged, the funding position is estimated to be 120% as at 31 March 2025.**

Timeline of Investment Changes Since Last Review

2022

2023

Q1 2023
Additional 2.5% strategic allocation to ARC Ground Rents

Additional 1% allocation to renewable infra – Quinbrook to replace Aviva

Q1 2023
5% switch from global equities to credit

1% reduction in Aberdeen MSPC

Q3 2023
15% credit allocation to B&M – Allspring and LCIV

2024

Q3 2024
Aviva full redemption complete

Q4 2024
Commitment to Quinbrook II to maintain target exposure

2025

Q1 2025
Additional ARC Ground Rent commitment

Q2 2025
Agreement to redeem MSPC Fund

Q4 2025
Additional Quinbrook commitment

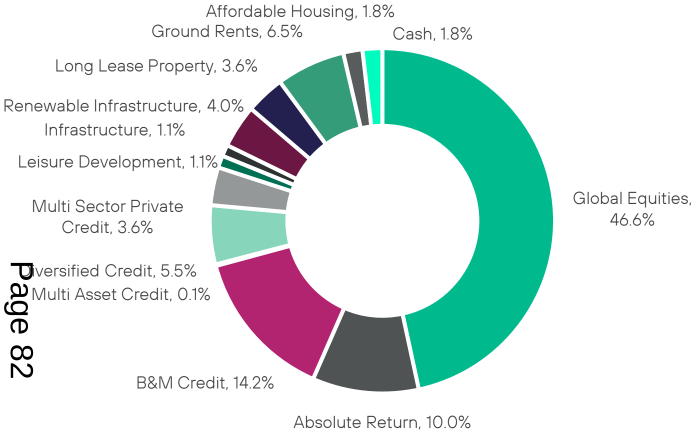
Q4 2025
Agreement to redeem LCIV Global Quality – reinvest in BlackRock passive

2026

These changes were aligned to implement the current target strategy which can evovle through time

Current Asset Allocation

Current Allocation as at 31 December 2025



Key Metrics	31 Dec 2025 Allocation
Expected Return (% p.a.)	8.3%
Estimated Probability of Outperforming Discount Rate	87%
VaR (3 yr, 95% chance)	£498m
% Inflation Protection in assets	c.17%
% Illiquidity in assets	c.22%
% Pool-aligned	c.61%

		Investment Manager	31 Dec 2025 Allocation	Target Allocation	Relative to Target
Equity	Active Equities	LCIV (Morgan Stanley)	12.1%	-	+12.1%
	Passive Equities	L&G, BlackRock	34.5%	40.0%	-5.5%
	Total Equities		**46.6%**	**40.0%**	**+6.6%**
Dynamic Asset Allocation	Absolute Return	Ruffer	10.0%	10.0%	0.0%
	B&M Credit	Allspring, LCIV (Insight)	14.2%	15.0%	-0.8%
	Total Dynamic Asset Allocation		**24.2%**	**25.0%**	**-0.8%**
Secure Income	Multi Asset Credit	Partners Group	0.1%	-	+0.1%
	Diversified Credit	Oak Hill Advisors	5.5%	5.0%	+0.5%
	Multi Sector Private Credit	Aberdeen	3.6%	4.0%	-0.4%
	Leisure Development	Darwin	1.1%	2.5%	-1.4%
	Infrastructure	Partners Group	1.1%	5.0%	-3.9%
	Renewable Infrastructure	Quinbrook	4.0%	3.5%	+0.5%
	Total Secure Income		**15.5%**	**20.0%**	**-4.5%**
Inflation Protection	Long Lease Property	Aberdeen	3.6%	5.0%	-1.4%
	Ground Rents	Alpha Real Capital	6.5%	7.5%	-1.0%
	Affordable Housing	Man Group	1.8%	2.5%	-0.7%
	Total Inflation Protection		**11.9%**	**15.0%**	**-3.1%**
Cash	**Cash**		**1.8%**	**-**	**+1.8%**

Value at Risk ("VaR") – An Explanation

- The 95% value at risk is the difference between the 5th percentile outcome and the expected (median) outcome
- VaR measures how much better or worse the funding position could be relative to the central expectation for different market conditions - **this is important when comparing investment strategies and their risk profiles**

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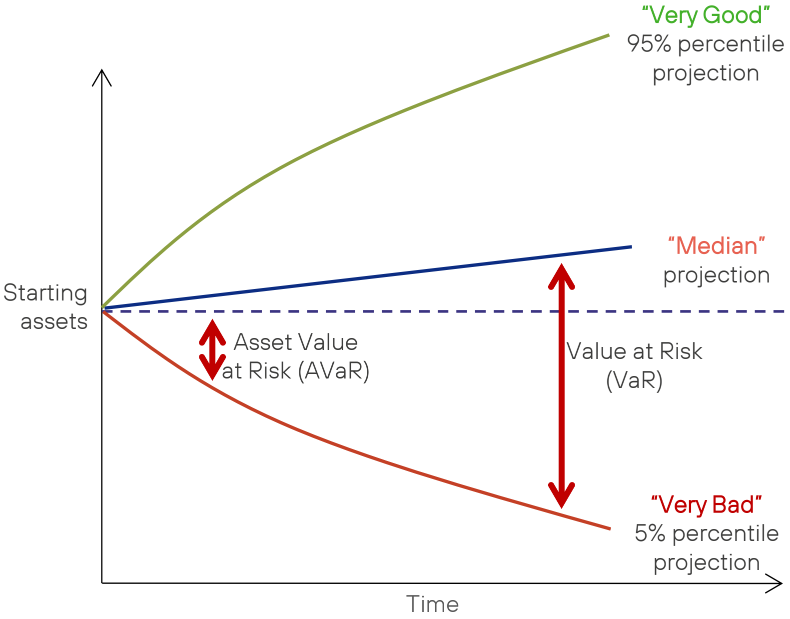


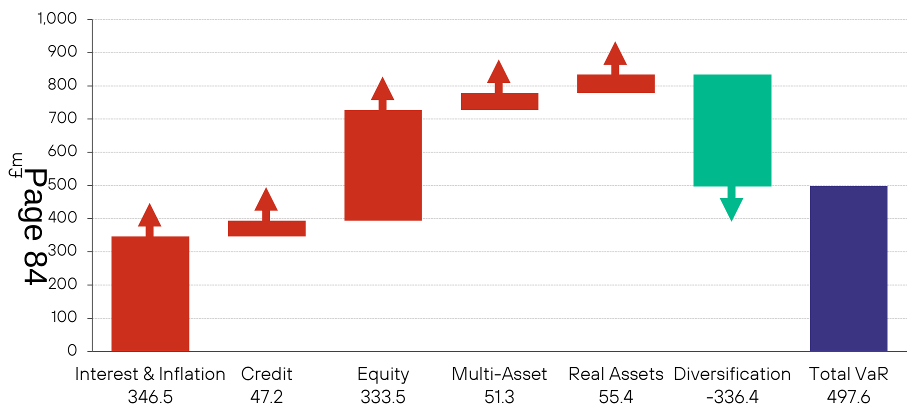
This represents a modelling outcome that is better than 95% of the other results

This models the "expected" return – i.e. 50% of outcomes better, 50% of outcomes worse

This models a 95% bad event, and models the lowest 5% of portfolio outcomes

Risk Analysis of Current Portfolio

Value at Risk (3 year, 95%) Breakdown
Current Allocation



Types of Risk

Rewarded: investors should benefit, in the form of growth in their assets, for accepting the risk

Unrewarded: investors are not compensated for accepting the risk – we look to mitigate unrewarded risk as far as possible

Key Risks for the Fund

Inflation: almost all of the pension benefits in the Fund are directly linked to inflation (and uncapped). **This is an unrewarded risk built into the structure of the discount rate (used to estimate the value of the Fund's liabilities).**

Equity: the Fund's equity exposure is the key expected driver of asset growth (consistent with the wider LGPS universe). The Fund's equity risk exposure makes up a large proportion of total VaR – driven by the relatively large allocation. **Equity risk is a rewarded risk – investors accept shorter term volatility in exchange for expected longer term growth.**

Real Assets: although smaller in magnitude, another significant risk to the Fund is real assets risk – driven by exposure to property and infrastructure. Key underlying risks include illiquidity, physical infrastructure concerns and impacts of climate change. **This is another example of rewarded risk – investors accept these specific risks in exchange for long-term growth.**

Key Risk Mitigation

Diversification: Diversification is key to risk mitigation - the combination of asset classes and how they respond to different market conditions **helps balance key risks.** This should be maintained as part of any strategic changes.

Cashflow Position

- The Fund's contributions are expected to largely offset the outgo based on current projections – though there would be a **small shortfall each year (c.£20m).**
- To date, this shortfall has been met using **investment income from existing mandates**, using cash balances or rebalancing liquid mandates.
- A **reduction in primary contribution rate from 20.7% to 19.4% at the total Fund level is expected** as part of the 2025 Actuarial Valuation – this will increase the shortfall each year – albeit not significantly.
- This means, the **Fund's investment portfolio will have a slightly increased responsibility to meet cashflow requirements.**
- We will undertake detailed cashflow analysis as part of the Step 2 investment strategy once cashflow forecasts are made available to us, however we believe this should be a key consideration of the review, to proactively consider this issue as the Fund matures and needs to pay out more cashflow.

Forecast (£'000)	2025/26
Contributions	43,787
Pensions	(44,105)
Lump Sums	(11,012)
Net Transfers Out	(4,284)
Net Expenses	(4,588)
Net Cashflow	(20,201)

Source: Pension Fund Officers – 25 November 2025 Pension Fund Committee Meeting.

Current Portfolio Considerations (1)

Asset Class	Consideration

Equity	• Key source of portfolio growth, but also largest risk exposure.
	• Currently c.7% overweight equities – this should at a minimum be reduced into line with target.
	• Transitioning to 100% passive exposure given recent manager concerns and limited active alternatives with London CIV.
	    • This will deliver reduced management fees and tracking error relative to the wider market capitalisation.
	    • In the current market, passive markets are increasingly concentrated to the US and large technology stocks, which poses a risk.
	    • Consider opportunities to further diversify drivers of growth within the investment portfolio, within or outside of equities..
	• Portfolio exhibits strong Responsible Investment tilts.

Dynamic Asset Allocation	• Dynamic aspect achieved primarily through Ruffer (target 10%). Manager maintains the ability to flex the underlying asset class allocation based on current markets and outlook. Historically taken contrarian views and currently defensively positioned.
	• Credit portfolio (target 15%) invested entirely in buy & maintain corporate bonds – following de-risking in 2023 and switch out of LCIV Global Bonds portfolio.
	• Credit spreads are currently tight (at historic levels) particularly in investment grade bonds – indicating that the downside risk associated with investment grade credit currently exceeds the potential for upside returns.
	    • The buy & maintain mandate invests predominantly in investment grade credit. While less sensitive to spread pressures than passive credit due to the portfolio's buy and hold mandate – cash from maturing bonds will be reinvested at lower yield-to-maturity and decrease the overall portfolio yield over time.
	    • Consider alternative opportunities to increase income other than the buy & maintain allocation – such as other flavours of credit which offer reduced credit spread sensitivity (e.g. private credit which offers an illiquidity premium or multi-asset credit which can invest across the credit spectrum to seek value), and real assets which offer increased income and inflation protection.
	• Index-Linked Gilts are currently attractively priced and can offer direct inflation protection and risk mitigation.

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Current Portfolio Considerations (2)

Asset Class	Consideration

Secure Income	• Underweight target by c.5%. Strong source of investment income and some inflation protection, and contribution to Responsible Investment targets – should consider how best to increase into line with target or further.
	• Partners Group Direct Infrastructure is in run-down and the underweight position will increase further.
	  ◦ Future commitments to the LCIV Infrastructure Fund and/or the LCIV Renewables Infrastructure Fund will be required to maintain target allocation.
	• Issued request to fully redeem from Aberdeen MSPC during Q2 2025.
	  ◦ An update on how Aberdeen plans to repay investors is expected in early 2026.
	  ◦ Consider how best to replace the 4% strategic allocation to this mandate.
	• Darwin Alternatives is materially underweight amid poor performance and NAV write-downs.
	  ◦ Locked in until 2032 with no secondary market to facilitate exit. Continue to monitor.

Inflation Protection	• Strong source of inflation protection, plus income. Underweight target by c.3% - consider how best to increase into line with target or further. • Consider the merits of continued exposure to the long income property market – recognising that the Aberdeen strategy will likely transition to London CIV's sub fund (the Inflation Plus Fund). • Understand London CIV's longer term transition proposition for ground rents exposure. • Consider increased allocation to residential housing. London CIV UK Housing Fund offers exposure to various sectors of the residential market via a fund-of-funds approach.

Strategy Themes for Consideration (1)

Overall Risk / Return Profile

Funding level has increased.

Is there a strong desire to target higher/lower return (and risk) than the current position?

A reduction in overall risk/return would reflect prudence, maintaining (or increasing) risk/return could better drive funding.

Guidance here will help refine the alternative target asset allocation we present for discussion in Step 2.

Cashflow Requirements

Employer contributions are expected to reduce – albeit not materially.

How much income is needed from the investment portfolio?

Can income be switched on from more of the current mandates?

What strategy changes could proactively target more income?

Diversify Growth Drivers

The key allocation driving growth is public equities – which have performed well in recent years.

The Fund has scope to take a higher level of illiquidity. Illiquid assets can offer a similar level of return to equities, alongside income, and add diversification.

The Committee should determine its conviction to each theme and the balance to target

Strategy Themes for Consideration (2)

Inflation Protection

Pension benefits are directly linked to inflation (and uncapped).

c.17% of the portfolio provides inflation protection. Increase level?

Consider index-linked gilts (direct inflation linkage and currently attractive yields vs historic)?

Real assets also provide inflation protection less directly whilst also driving growth.

ESG

The Committee has already made progress in terms of ESG and impact in the asset portfolio.

There is more that could be considered from the LCIV fund range e.g. UK residential housing or natural capital.

The Committee should determine its conviction to each theme and the balance to target

Key Implementation Considerations

Pool Implementation – current and expected fund range	ESG / Responsible Investment Targets	Illiquidity vs Flexibility
UK / Local Investment Targets	Further Diversify Growth Exposure	Diversify Fixed Income Exposure

Considering implementation while setting asset allocation will be important given the regulatory changes

Pooling Regulation - LCIV

Fit for the Future Legislation

- From 31 March 2026, decision making over implementation of the Fund's investment strategy will fall with the London CIV.
- Resultantly, via legislation, the Fund will be required to invest entirely with London CIV products from 31 March 2026 onwards.
- Exceptions being:
  - Passive products invested with L&G and/or BlackRock;
  - Operational cash; and
  - Directly held legacy assets (not via fund structures).
- As such, in implementing the agreed investment strategy, the Committee should consider the funds currently available (or known to be under development) on the London CIV platform in the first instance.
- London CIV Partner Funds (including the Fund) will also be required to set out their approach to local investment, including setting a target range for local investment in their Investment Strategy Statements.
- London CIV is currently working with its Partner Funds to build on the initial asset pooling transition plans, in line with the impending deadline.

Strategic Asset Allocation ("SAA") Framework

- The UK Government will require the SAA agreed between Partner Funds and their pools to be no more granular that that of the following template 9 category framework:

Asset class	SAA (%)	Tolerance range (±%)
Listed equity		
Private equity		
Private credit		
Property / Real estate		
Infrastructure		
Other alternatives		
Credit		
UK Government bonds		
Investment cash		

- We also understand the Government is considering an "impact allocation" bucket.
- Specific implementation decisions on geographic allocation, active vs passive, style management, choice of index etc. will rest with your pool.
- Individual LGPS funds will remain responsible for setting high level strategy objectives and SAA in line with the above template. And will also remain responsible for setting responsible investment and local investment objectives.

Decisions for Today and Next Steps

Decisions for Today

- Ahead of Step 2 of the Investment Strategy Review there are some key areas for the Committee to consider:
  - What high level risk vs return profile to target?
  - Which key strategy themes to target most prominently?
  - Any other views on asset classes or implementation?

Next Steps

- The Committee, Officers and Advisors should discuss and consider their views on the key themes presented and the areas outlined to the left. These views will feed into Step 2 of the Investment Strategy Review.
- Officers and Advisors should consider whether there are any issues to raise with London CIV in tandem with the investment strategy review process.

Appendices

A1: Assumptions

A2: Modelling Methodology

A3: Disclaimers

A1: Return and Volatility Assumptions (1)

Introduction to the Assumptions

- These are our "best estimate" asset class return, volatility and correlation assumptions. We believe there is a 50:50 chance that the actual outcome will be above/below our assumptions.
- The assumptions are long-term, for a 10-year period, expressed in Sterling terms.
- Return assumptions are:
  - Annualised (i.e. geometric averages), rounded to the nearest 0.1%.
  - Expressed relative to the yield on fixed interest gilts (the annual yield at the 10-year tenor on the Bank of England spot curve). This yield was 4.6% as of 31 December 2025.
  - Net of management fees.
  - Before tax. UK pension schemes are exempt from tax on investments. The impact of taxation may reduce returns for other investors.
- Volatility assumptions are based on the standard deviation of annual returns over a 10-year period, rounded to the nearest 0.5%.
  - Bond volatilities are sensitive to the duration of the index. Our Fixed Interest Gilts (FIG) and Index-Linked Gilts (ILG) assumptions both relate to Over 15 Year indices.
- Correlation assumptions are based on the correlation of annual returns over a 10-year period, rounded to the nearest 5%.

Limitations and Risk Warnings

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

A1: Return and Volatility Assumptions (2)

Category	Asset Class [1]	Return [2]	Volatility [3]
Equity	Developed Markets – Passive	3.7%	18.0%
	Developed Markets – Active	4.7%	19.0%
	Developed – SmallCap Passive	4.3%	22.0%
	Emerging Markets – Passive	5.2%	26.0%
	Private Equity	6.2%	24.0%
Real Assets	UK Balanced Property	2.7%	13.0%
	UK Long Lease Property	2.5%	8.0%
	UK Private Rented Sector	3.0%	13.0%
	UK Social/Affordable Housing	2.0%	7.0%
	Global Balanced Property	2.0%	15.0%
	Infrastructure Equity (core)	4.2%	10.0%
	Infrastructure Equity (core plus)	4.9%	15.0%
	Infrastructure Equity (value add)	5.5%	20.0%
	Timberland	4.5%	15.0%
Multi-Asset	Diversified Growth Funds	3.2%	12.5%
	Diversified Alternatives	6.0%	18.0%
	Hedge Funds – Multi-Strategy FoF	2.5%	10.0%
	Hedge Funds – Global Macro	3.0%	13.0%

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

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

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

[3] Expected standard deviation of absolute annual returns.

[4] Includes allowances for downgrades and defaults.

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

Source: *Isio*

Category	Asset Class [1]	Return [2]	Volatility [3]
Credit [4]	Corp. Bonds (IG All-Stk) – Passive	0.3%	8.5%
	Corp. Bonds (IG All-Stk) – Active	0.6%	8.5%
	Corp. Bonds (IG >15y) – Passive	0.3%	12.5%
	Corp. Bonds (IG >15y) – Active	0.6%	12.5%
	Absolute Return Bonds	1.5%	4.0%
	Asset-Backed Finance	4.0%	10.0%
	Asset-Backed Secs (IG lower risk) [5]	1.0%	2.5%
	Asset-Backed Secs (IG higher risk) [5]	2.0%	5.0%
	Capital Call Finance	1.8%	5.0%
	Direct Lending	4.2%	10.5%
	Distressed Debt	7.0%	18.0%
	Diversified Credit	2.5%	11.0%
	Diversified Private Credit	4.2%	10.0%
	High Yield Credit	3.0%	11.0%
	Infrastructure Debt – Senior	2.0%	6.0%
	Infrastructure Debt – Junior	3.3%	9.5%
	Multi-Asset Credit (lower risk) [5]	2.6%	6.5%
	Multi-Asset Credit (higher risk) [5]	3.3%	9.0%
	Private Debt Secondaries	5.0%	11.0%
	Private IG Credit	2.4%	7.0%
	Real Estate Debt – Whole Loan	3.5%	9.0%
	Secured Finance (lower risk) [5]	2.5%	6.0%
	Semi-Liquid Credit	3.5%	9.0%
Gilts	Fixed Int. Gilts (>15y) – Passive	0.0%	13.5%
	Index-Linked Gilts (>15y) – Passive	0.0%	12.5%
Cash	Cash	0.0%	2.0%

A2: Modelling Methodology – SOFIA (1)

Modelling Principles

Our modelling tool, called SOFIA, is a stochastic asset-liability model that simulates a large number of possible future economic outcomes, in which financial conditions develop in different ways, defined by assumptions for average outcomes, range of variability, and inter-dependency between different markets.

The high-level market scenarios are generated by a third-party Economic Scenario Generator (ESG) provided by Moody's Analytics. The ESG is an industry-standard tool that is widely used by financial institutions (e.g. insurers, asset managers, and investment banks). Based on the scenarios generated by the ESG, SOFIA simulates asset-class returns calibrated to Isio Investment Advisory's asset-class assumptions.

SOFIA takes the initial starting position of the assets, and projects this forward under the simulated scenarios, taking into account any scheduled inflows and outflows. Different asset allocations may be modelled in order to illustrate the effects of different investment strategies. In each case, SOFIA assumes that the strategy remains constant over the full projection period: asset proportions are annually rebalanced back to the original allocations.

The model's projections can take into account the following types of cashflows in future years (both positive and negative, i.e. contributions and withdrawals):

- Fixed cashflows: £ amounts in nominal terms. (These are the same amounts in every simulation.)
- Inflation-linked cashflows: £ amounts in real terms. (These are broadly the same amounts in every simulation, but will vary according to the individual inflation in each simulation.)
- Income yield: a percentage of projected asset value. (These amounts will vary across simulations, depending on the simulated asset performance in each simulation.)

Tax impacts have not been modelled as part of this assessment.

The intended uses of the SOFIA model are to:

- Assess the journey plan's expected trajectory, i.e. the simulated future funding position, represented by the median outcome (meaning we expect that 50% of possible outcomes would be better than this and 50% would be worse).
- Assess the range of possible future positions by looking at good and bad outcomes, where these are defined as percentiles (e.g. the 5th percentile means we expect that 5% of possible outcomes would be worse and 95% would be better).
- Assess the Value at Risk (VaR) and the major components of VaR.
- Compare different investment portfolios, and see their expected impact on the journey plan and risk profile.

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A2: Modelling Methodology – SOFIA (2)

Limitations and Risk Warnings

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

The return and volatility assumptions allow for an element of climate-change risk, but the possibility of a significant step change caused by reaching climate “tipping points” is hard to quantify and is not explicitly reflected.

Risk factors not considered in the modelling include:

- liquidity risk;
- portfolio complexity (i.e. administrative and governance burdens);
- legislative risks (e.g. the possibility of taxation changes).

These risks should therefore be considered on a qualitative basis alongside the quantitative modelling results.

Portfolios that make use of derivatives are exposed to additional forms of risk (e.g. the possibility of collateral calls at short notice), and can experience losses greater than the amount of invested capital.

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

No guarantee can be offered that actual outcomes will be in line with the “expected” projection, or will fall between the good and bad scenarios. Actual outcomes may be better than the simulated 95th percentile or worse than the simulated 5th percentile.

A2: Modelling Methodology – SOFIA (3)

Material Assumptions

SOFIA uses a “market neutral” approach to modelling the evolution of interest rates and inflation, where the expected future values are implicit within the initial yield curves as observed in the market. (This is in contrast to alternative approaches that impose explicit assumptions for long-term interest rates and inflation.)

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

Please refer to Appendix 1 (Return and Volatility Assumptions) setting out the assumptions used within the modelling.

A3: Disclaimers

- This report has been prepared for the Pension Fund Committee of the London Borough of Hammersmith & Fulham Pension Fund and is based on their specific facts and circumstances and pursuant to the terms of Isio Group/Isio Services Ltd'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/Isio Services Ltd accepts no responsibility or liability to that party in connection with the Services.

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- Isio Services Limited is authorised and regulated by the Financial Conduct Authority FRN 922376.

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- This report, and the work relating to it, complies with "Technical Actuarial Standard 100: Principles for Technical Actuarial Work" ("TAS 100").

- This report has been prepared for the purpose of assisting the addressee in their review of the investment strategy. If you intend to use it for any other purpose or make any other decisions after considering this report, please inform Isio and we will consider what further information or work is needed to assist you in making those decisions.

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LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to:	Pension Fund Committee
Date:	17 March 2026
Subject:	Pensions Bill Update
Report author:	Siân Cogley, Pension Fund Manager
Director:	Phil Triggs, Director of Treasury and Pensions

SUMMARY

1.1 This report outlines the changes to the Local Government Pension Scheme (LGPS) pooling arrangements and governance arising from the Pensions Schemes Bill, draft LGPS regulations, and accompanying statutory guidance and the progress that London Borough of Hammersmith and Fulham Pension Fund has made towards the regulation thus far.

RECOMMENDATION

2.1 The Committee is asked to:

- Note the report outlining the Pensions Schemes Bill changes.
- Consider the next steps the Pension Fund needs to make to comply with regulation.

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.

3. BACKGROUND

3.1 The LGPS is a statutory, funded defined benefit scheme in England and Wales, administered locally within a national regulatory framework. Since 2015, government policy has required LGPS funds to pool investments into a small number of collective structures to deliver scale, stronger governance, and broader asset access.

3.2 Early pooling was driven by policy and guidance rather than primary legislation. The Pensions Schemes Bill, alongside draft LGPS regulations and statutory guidance, now places pooling on a clearer statutory basis and significantly strengthens governance requirements.

3.3 At the time of this report, the Pensions Schemes Bill is in Committee Stage in the House of Lords and is expected to receive Royal Assent in 2026, with key provisions, including LGPS asset pooling, due to take effect from 1 April 2026, albeit with some risk that Royal Assent could be delayed.

4. Pensions Schemes Bill – Key Provisions Affecting LGPS

4.1 The Pensions Schemes Bill introduces enabling powers that allow the Secretary of State to:

- Mandate participation of LGPS administering authorities in asset pools.
- Set requirements on the structure, operation, and governance of those pools.
- Direct the transfer of assets into pooled vehicles, rather than leaving this to voluntary or phased arrangements.
- Impose compliance and reporting requirements, including enforcement mechanisms where authorities do not meet pooling expectations.

4.2 While the Bill does not itself prescribe detailed LGPS rules, it provides the statutory authority needed to support more prescriptive secondary legislation and guidance.

5. Draft LGPS Regulations

5.1 The draft LGPS regulations build on the powers in the Bill and represent a shift from encouragement to obligation in relation to pooling.

Key elements include:

5.1.1 Mandatory Pooling

- Administering authorities are required to invest assets through their designated LGPS pool, subject to limited and clearly defined exceptions.
- Individual authority investment strategies must be aligned with the pool's investment offerings.

5.1.2 Investment Strategy Statements (ISS)

- Greater emphasis is placed on consistency between an authority's ISS and the pool's Strategic Asset Allocation and product range.
- Authorities are required to pool 100% of assets.

5.1.3 Compliance and Direction

- The Secretary of State may issue directions where an administering authority is failing to comply with pooling requirements.
- Regulations strengthen intervention powers compared with the pre-Bill framework.

6. Statutory Guidance on Pooling and Governance

6.1 Updated statutory guidance provides practical interpretation of the regulations and sets expectations for behaviour and governance standards.

6.2 Role of Administering Authorities

- Retain fiduciary responsibility for setting funding strategy, contribution rates, and high-level investment objectives.
- Are expected to use the pool as the primary vehicle for implementation of investment strategy.
- Must ensure robust oversight of the pool's performance, costs, and risk management.

6.3 Role of LGPS Pools

- Pools are expected to act as the principal investment managers for LGPS assets.
- They must demonstrate strong internal governance, clear decision-making structures, and appropriate skills and capacity.
- Pools are expected to develop a comprehensive and competitive range of investment products to meet member fund needs.

6.4 Governance and Accountability

Clear separation is expected between:

- Strategic decision-making (administering authorities), and
- Operational investment decisions (pools).

- Enhanced transparency requirements, including reporting on costs, performance, and responsible investment.
- Stronger expectations around risk management, internal controls, and conflicts of interest.

7. Implications for Governance Structures

7.1 For Administering Authorities

- Reduced direct control over day-to-day investment decisions.
- Increased emphasis on contract management, oversight, and assurance.
- Need for member and officer training to reflect a more strategic, less hands-on role.

7.2 For Pools

- Greater scrutiny from both scheme employers and central government.
- Increased responsibility and potential liability as assets transition fully into pooled vehicles.
- Requirement to professionalise governance arrangements and demonstrate value for money.

8. Key Issues and Risks

8.1 As funds begin to implement the changes stated in the Pensions Schemes Bill, there are several key issues and risks that need to be taken into account:

- Alignment risk: Ensuring that pool offerings genuinely meet the diverse needs of individual funds.
- Accountability: Maintaining clear lines of responsibility despite more complex governance structures.
- Transition risk: Managing asset transfers without unnecessary cost or disruption.
- Local democratic input: Balancing statutory pooling requirements with the role of locally elected members.

9. Conclusion

9.1 Overall, these reforms mark a decisive change within the LGPS landscape and funds across the country will need to adapt to changing responsibilities such as:

- From voluntary to mandatory pooling of assets
- Governance responsibilities are more clearly defined but more demanding for both funds and pools.
- Administering authorities retain strategic responsibility but must operate within a tighter national framework.

9.2 Successful implementation will depend on strong relationships between funds and pools, supported by transparent and effective governance.

10. Next Steps for Consideration (Pensions Investment Team Actions)

Proposal	**Proposed Action for London Borough of Hammersmith and Fulham (LBHF) Pension Fund**
Funds must conduct independent governance reviews aligned with valuation cycles (every three years). The first review must cover the period ending 31 March 2027 and be completed by 31 March 2028. Reviews should assess compliance and be published. The Secretary of State can direct a review if issues are identified.	Develop a governance strategy to meet completion date
Prepare and publish a governance strategy, training strategy, and conflict of interest policy. These must be reviewed at least once per valuation period (and after material changes) and align with statutory guidance.	Alongside the governance strategy look to formalise the pre-committee meeting training sessions as a set strategy. A separate Conflicts of Interest Policy will need to be drafted and approved by the Pension Fund Committee, reliance on the Council's policy is no longer sufficient.
An administration policy that must outline administration processes, be reviewed at least once per valuation period, and comply with guidance.	LBHF Head of Pensions to refresh the existing Administration Policy in line with new guidance. There are several administration changes that will be covered by the Head of Pensions in a separate update at a later date.
Where pension functions are delegated to an officer, AAs must appoint a dedicated senior LGPS officer by 1 October 2026 (and within six months of any vacancy thereafter). This role oversees scheme administration and investments, operates per statutory guidance, and cannot be combined with roles like the section 151 officer (chief financial officer), head of paid service, or monitoring officer to avoid conflicts. The officer must have the appropriate qualifications and experience.	Senior officers at LBHF to nominate officer.
An independent (non-voting) person must be appointed to pension committees or to advise the senior officer by 1 October 2026. This ensures objective oversight.	LBHF Pension Fund has appointed an Independent Advisor (Sam Gervaise-Jones)
A requirement that asset pool companies (LCIV) provide proper advice to AAs on the content of their investment strategy, and requires AAs to consider that advice before formulating their investment strategy.	LBHF Pension Fund to agree a grace period with ISIO as a transitional arrangement to the new way of working with the LCIV's appointed advisor (Mercer).

All fund investment assets to be pooled into asset pool companies (LCIV) by 31 March 2026.	LBHF Pension Fund is currently working with officers across London and LCIV to finalise the Investment Management Agreement (IMA) and accompanying schedules, which allows LCIV oversight of the fund’s assets. This is due to be signed by 31 March 26.

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to:	Pension Fund Committee
Date:	17 March 2026
Subject:	London Collective Investment Vehicle Investment Manager Agreement (LCIV IMA)
Report author:	Siân Cogley, Pension Fund Manager
Director:	Phil Triggs, Director of Treasury and Pensions

SUMMARY

The attached appendices are the final legal agreement between the London Borough of Hammersmith and Fulham Pension Fund and the London CIV (LCIV) to allow the fund's assets to be considered under pool management as at 1st April 2026.

RECOMMENDATION

The Committee is asked to:

- Approve the Investment Management Agreement (Appendix 1).

- Delegate agreement of the final revisions to the Chairman of the Pension Fund Committee through consultation with the Section 151 Officer and Tri-Borough Director of Treasury and Pensions.

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

This agreement is part of the wider Pensions Schemes Bill to pool LGPS assets and therefore, in order for the fund to be compliant with regulations, the IMA must be signed.

BACKGROUND

1. As part of the new Pensions Scheme Bill, currently at Committee stage in the House of Lords, Local Government Pension Scheme (LGPS) funds in England and Wales must place 100% of their assets under pooled management by 31 March 2026.

2. A key component of pooled asset management is the Investment Management Agreement (IMA), which is the legal contract through which a fund authorises a professional investment manager to manage its assets.

3. Appendix 1 (exempt) sets out the London Collective Investment Vehicle (LCIV) core IMA, which is to be adopted by all London funds. The core IMA defines the terms and conditions for asset management, including roles and responsibilities, fee arrangements, and the delegation of buy, sell, and hold decisions to the LCIV.

4. The core IMA is supported by fund-specific schedules. These schedules align closely with each fund's Investment Strategy Statement (ISS) and can be updated as required.

5. Pensions officers and Section 151 officers across London have jointly appointed the legal firm Brabners to represent the interests of individual London Borough pension funds. Brabners has undertaken a detailed review of the core IMA and worked with the LCIV to agree amendments where necessary.

6. As the 2025 Triennial Valuation has not yet been finalised, officers are progressing the IMA on the basis of the Investment Strategy Statement approved by the Pension Fund Committee in 2023, to ensure compliance with the Government's implementation timetable.

Appendix 1: LCIV IMA (Exempt)

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to:	Pension Fund Committee
Date:	17 March 2026
Subject:	Pension Fund Quarterly Update Q4 2025
Report author:	Siân Cogley, Pension Fund Manager
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 December 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

There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.

Legal Implications

None.

DETAILED ANALYSIS

1. LBHF Pension Fund Quarterly Update: Q3 2025/26

1.1 This report and attached appendices make up the pack for the quarter ended 31 December 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.

1.2 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 December 2025, the market value of the assets increased by £9m to £1.491m

- The Fund has underperformed its benchmark net of fees by 2.16%, delivering an absolute return of 1.15% over the quarter.

- The total Fund delivered a positive return of 5.71% on a net of fees basis over the year to 31 December 2025.

1.3 The Pension Fund's cashflow monitor is provided in Appendix 3. This shows both the current account and invested cash movements for the last quarter, as well as cashflow forecasts to 30 September 2026. An analysis of the differences between the actuals and the forecast for the quarter is also included.

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

1.5 Following the committee decision to divest from LCIV Global Equity Quality Fund, managed by Morgan Stanley in November in favour of BlackRock's ESG inclined passive equity fund, officers were notified that LCIV is planning to close the fund and needed to coordinate a unified exit strategy with all remaining investors – Westminster and City of London Pension Funds. Officers will continue to work with Isio, LCIV and Blackrock to ensure that the transition will proceed as planned.

2. London CIV Update

2.1 During this quarter, London officers met with LCIV to finalise the core Investment Manager's Agreement (IMA) with unique accompanying schedules, as well as working on the Service Level Delivery documents which will outline the services that LCIV will provide after 31 March 2026.

2.2 Officers were notified that LCIV's Chief Operating Officer, Martin Gloyne, will be retiring at the end of the financial year. The pool has successfully hired Danny Firth as his replacement, who will formally take up the role from 16 March 2026, working alongside Martin to agree and implement the transition plan.

2.3 Danny Firth brings more than 30 years' experience leading operations, governance and risk across pensions, investment management and financial services, with a career spanning senior executive leadership, operational transformation and complex stakeholder environments. He joins London CIV from the Tesco Pension Fund, where he led strategy, governance and culture for the £12.9bn UK Tesco Pension Fund's Investment Manager, working closely with trustees, sponsors and regulators.

3. Risk Management Implications

3.1 These are included in the risk registers

- Appendix 4 sets out a current review of two of the 11 red risks on the risk register as at 31 December 2025.
    1. These include an argument for Risk 10 to be split out into two risks going forwards (Compliance versus Investment/Financial)
    2. It also includes an argument for Risk 19 and Risk 28 to be combined into one risk.

- As stated in the September 2025 quarterly update, this approach has been taken from comments from the Pension Fund Committee members to align the approach of risk reporting with the Audit Committee.

- In the new reporting system, the full Risk Register would be brought to the committee in the Q2 meeting each year, with the other meetings (Q1, Q3 and Q4) receiving a focused review for discussion.

- The reason for the Q2 cycle regarding the full register is to align with likely date for external audit completion.

3.2 There have been no other changes to the risk register.

Appendices

Appendix 1:	Scorecard as at 31 December 2025
Appendix 2a:	Isio Quarterly Performance Report for Quarter Ended 31 December 2025 (public)
Appendix 2b:	Isio Investment Performance Report 31 December 2025 (EXEMPT)
Appendix 3:	Cashflow Monitoring Report
Appendix 4:	Red Risks Review

Appendix 1

Scorecard at 31 Dec 2025
London Borough of Hammersmith and Fulham Pension Fund Quarterly Monitoring Report

	Mar 25 £000	**Jun 25 £000**	**Sep 25 £000**	**Dec 25 £000**	**Report reference/Comments**
Value (£m)	1,409	1,439	1,482	1,491	IRAS reports.
% return quarter	-1.27%	2.4%	3.3%	1.15%	
% Return one year	3.73%	5.4%	7.59%	5.71%	
LIABILITIES					
Value (£m)	1,178	959	**	**	Hymans Robertson LLP Estimated Funding Update. **Sep and Dec 25 were not issued because the 2025 valuation assumptions had been agreed and initial results discussed the actuary believes that providing an updated funding report based on a roll forward of the 2022 valuation with those assumptions might lead to confusion.
Surplus/(Deficit) (£m)	231	480	**	**	
Funding Level	120%	150%	**	**	
CASHFLOW					
Cash balance	3,616	6,566	6,288	7,009	Appendix 3.
Variance from forecast	(1,980)	(351)	(278)	(4,431)	
MEMBERSHIP					
Active members	4,921	4,881	5,050	4,882	Reports from Pension Fund Administrator
Deferred beneficiaries	7,216	7,186	7,180	7,158	
Pensioners	6,266	6,300	6,342	6,371	
RISK					
No. of new risks	1	0	0	0	Appendix 4: Risk Register
No. of ratings changed	0	0	0	0	
LGPS REGULATIONS					
New consultations	0	1	1	1	May 25 – Access and Fairness (Admin) Sep 25 – CIPFA Code Consultation Dec 25 – LGPS Regs *Pension Schemes Bill in Committee Stage
New sets of regulations	None	Pending*	Pending	None	

London Borough of Hammersmith & Fulham Pension Fund

Investment Performance Report to 31 December 2025

February 2026

isio.

Contents

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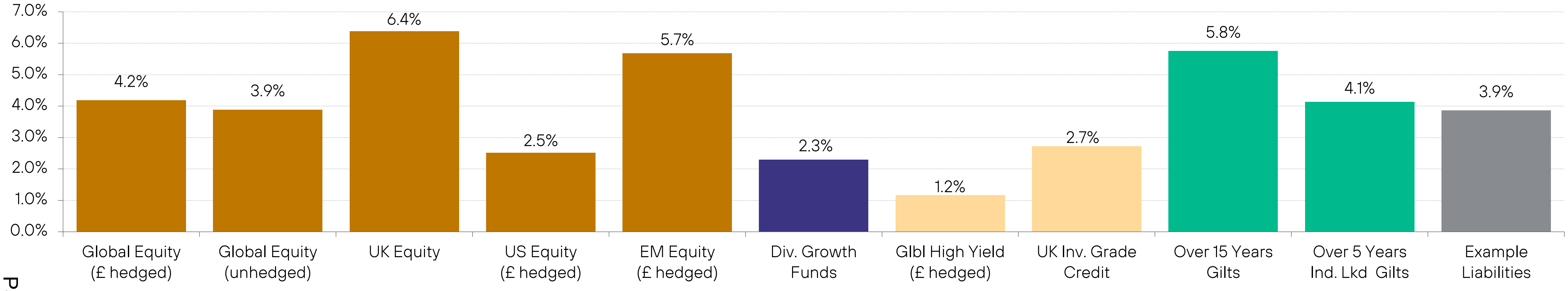
Market Summary – Overview Q4 2025

Market movements over the quarter



Key Upcoming Events

Notable events

- UK: Spring Statement, 3 March

Q1 2026 Base rate publications

- UK: The dates for the Bank of England's Monetary Policy Committee ("MPC") announcements are 5 February and 19 March.
- US: The dates for the US Federal Reserve's Federal Open Market Committee ("FOMC") meetings are 17-18 March.

Q1 2026 Inflation publications

- UK: 18 February and 25 March
- US: 13 February and 11 March

Commentary

- Global equities delivered positive returns in the final quarter of 2025, with major indices such as the S&P 500 hitting record levels. Returns were primarily driven by strong corporate earnings, broadly positive investor sentiment and continued enthusiasm for technology stocks despite profit-taking activities near year-end.
- UK equities outperformed over the quarter with the financials and commodity-linked sectors benefitting from growing global demand as investors seek opportunities outside the US.
- Emerging market equities also delivered positive returns over the quarter, outperforming the MSCI World Index, buoyed by strong performance in tech-heavy markets like Korea and Taiwan.
- Gilt yields fell over the quarter due to inflation moderating and improved fiscal signals following the well-received November Budget. The reduction of the base rate to 3.75% in December further supported market sentiment.
- Credit markets delivered positive returns as credit spreads remained tight with rising market conviction in central bank easing. Investment-grade credit outperformed high yield credit, supported by the former's greater sensitivity to declining interest rates.

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

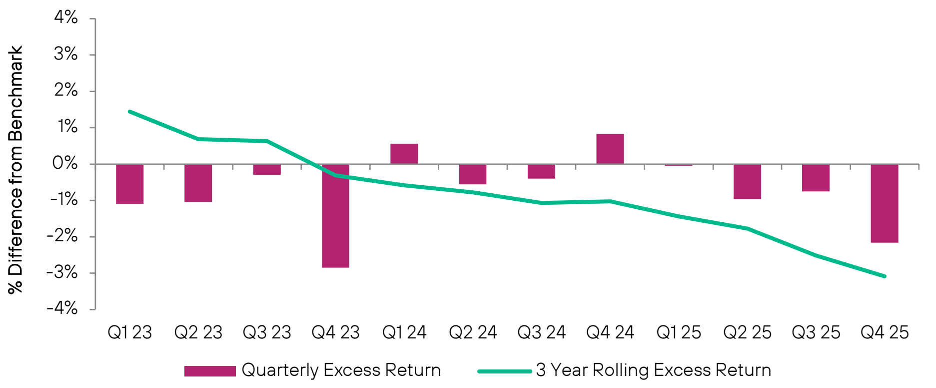
Executive Summary – Q4 2025

Fund Performance to 31 December 2025		3 months (%)			1 year (%)			3 years (% p.a.)		
		Fund	Benchmark	Relative	Fund	Benchmark	Relative	Fund	Benchmark	Relative
Equity	LCIV Global Equity Quality	(1.6)	3.4	(5.0)	(4.1)	13.9	(18.0)	8.3	16.3	(8.0)
	L&G Low Carbon Mandate	3.0	3.0	0.0	12.2	12.4	(0.1)	17.3	17.4	(0.2)
Dynamic Asset Allocation	LCIV Absolute Return Fund	2.1	1.9	0.2	10.8	8.4	2.4	0.5	8.8	(8.3)
	LCIV Long Duration B&M	4.4	4.3	0.1	6.5	6.6	(0.1)	n/a	n/a	n/a
	LCIV Short Duration B&M	1.5	1.7	(0.2)	5.9	6.5	(0.6)	n/a	n/a	n/a
	Allspring Climate Transition Global B&M	2.9	3.0	(0.2)	7.3	5.5	1.8	n/a	n/a	n/a
Secure Income	Oak Hill Advisors	1.7	1.9	(0.3)	6.9	8.4	(1.5)	9.5	8.8	0.7
	Aberdeen MSPC Fund[3]	1.1	2.9	(1.8)	8.7	7.8	0.9	9.3	7.1	2.2
	Darwin Alternatives	(16.9)	2.4	(19.3)	(21.3)	10.4	(31.7)	(20.9)	10.8	(31.7)
	Partners Group Infra[2]	(0.8)	2.8	(3.7)	8.7	12.4	(3.6)	11.0	12.8	(1.8)
	Quinbrook Renewables Impact[4]	0.1	1.9	(1.8)	5.5	14.1	(8.7)	n/a	n/a	n/a
Inflation Protection	Aberdeen Long Lease Property Fund	1.9	3.5	(1.7)	6.4	7.0	(0.7)	(2.0)	3.7	(5.7)
	Alpha Real Capital	(3.6)	9.4	(12.9)	(10.2)	1.7	(11.8)	(7.8)	(8.2)	0.4
	Man Group	1.1	1.9	(0.8)	(4.4)	8.4	(12.8)	0.1	8.8	(8.7)
Total Fund[1]		**1.2**	**3.3**	**(2.2)**	**5.7**	**9.8**	**(4.1)**	**7.1**	**10.2**	**(3.1)**

Commentary

- The Total Fund delivered a positive return of 1.2% on a net of fees basis in absolute terms over the quarter to 31 December 2025, underperforming the fixed weight benchmark by 2.2%. The Fund delivered absolute returns of 5.7% and 7.1% p.a. on a net of fees basis over the year and annualised three years respectively to 31 December 2025, underperforming its fixed weighted benchmark by 4.1% over the year and 3.1% 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. In addition, there are instances where Northern Trust do not fully take into account cashflows in and out of a fund over the reporting period, impacting quoted returns – particularly apparent for Alpha Real Capital and Quinbrook over recent periods..
- The chart to the right compares the net performance of the Fund relative to the fixed weight benchmark over the three years to 31 December 2025. The 3-year rolling excess return remained negative over the fourth quarter of 2025 with the Fund having underperformed the fixed weight benchmark over ten of the last twelve quarters to end December 2025. Longer-term underperformance has been driven primarily by weak performance from the LCIV Global Equity Quality Fund relative to the wider global equity market, and to a lesser degree by Darwin Alternatives and Man Group.

Total Fund Performance – Last Three Years



Source: Northern Trust (Custodian). Figures are quoted net of fees. Differences may not tie due to rounding. [1]The Total Assets benchmark is calculated using the fixed weight target asset allocation. [2]Partners Group Direct Infrastructure Fund performance provided by Northern Trust with one month lag. [3]Aberdeen MSPC Fund performance provided by Northern Trust with quarter lag. [4]Quinbrook performance provided by Northern Trust with quarter lag. Northern Trust do not take into account cashflows in and out of the fund; and as such we anticipate that performance over longer time periods may differ to that quoted in the table above

Asset Allocation as at 31 December 2025

Fund	Actual Asset Allocation				
	30 Sept 2025 (£m)	31 Dec 2025 (£m)	30 Sept 2025 (%)	31 Dec 2025 (%)	Benchmark Allocation (%)
LCIV Global Equity Quality	185.1	181.7	12.4	12.1	-
L&G Low Carbon Mandate	501.5	516.4	33.7	34.5	20.0
BlackRock ACS World ESG – GBP Hedged	-	-	-	-	20.0
Total Equity	**686.6**	**698.1**	**46.2**	**46.6**	**40.0**
LCIV Absolute Return Fund	146.1	149.2	9.8	10.0	10.0
Allspring Buy & Maintain (Climate Transition)	143.7	147.8	9.7	9.9	10.0
LCIV Buy & Maintain (Long Duration)	30.8	31.7	2.1	2.1	2.5
LCIV Buy & Maintain (Short Duration)	33.4	33.5	2.2	2.2	2.5
Total Dynamic Asset Allocation	**354.0**	**362.1**	**23.8**	**24.2**	**25.0**
Partners Group MAC[1]	2.1	2.0	0.1	0.1	-
Oak Hill Advisors Diversified Credit Strategies	81.4	82.8	5.5	5.5	5.0
Partners Group Direct Infrastructure[1]	22.8	16.0	1.5	1.1	5.0
Quinbrook Renewables Impact	57.2	60.3	3.8	4.0	3.5
Aberdeen Multi Sector Private Credit	53.1	53.3	3.6	3.6	4.0
Darwin Alternatives Leisure Development Fund	20.5	17.0	1.4	1.1	2.5
Secure Income	**237.0**	**231.5**	**15.9**	**15.5**	**20.0**
Aberdeen Long Lease Property	53.6	54.6	3.6	3.6	5.0
Alpha Real Capital Inflation Linked Income Fund	100.3	96.8	6.7	6.5	7.5
Man Group	26.6	26.9	1.8	1.8	2.5
Total Inflation Protection	**180.6**	**178.3**	**12.1**	**11.9**	**15.0**
Bank Balance	28.7	27.7	1.9	1.8	-
Total Assets	**1,486.9**	**1,497.7**	**100.0**	**100.0**	**100.0**

Source: Northern Trust (Custodian) and have not been independently verified. Figures may not sum to total due to rounding. [1]Partners Group Multi Asset Credit and Direct Infrastructure valuations provided by Northern Trust with a month's lag (i.e. as at 31 August 2025 and as at 30 November 2025).

Fund Activity (1)

Item	Action points / Considerations	Status
Global Equity Portfolio	**Morgan Stanley, BlackRock and L&G** • At the 25 November 2025 Pension Fund Committee Meeting, following a prolonged period of underperformance both relative to the wider market and quality-oriented peers, and amid significant senior team changes, the Committee agreed to disinvest from the LCIV Global Equity Quality Fund. The Committee agreed the proceeds be reinvested into the BlackRock ACS World ESG Screened and Optimised Equity Tracker Fund (GBP Hedged), with the wider equity portfolio (40% of total portfolio) simultaneously redistributed to achieve a 50:50 allocation to BlackRock and L&G, both passively managed. • Recognising that two of the remaining three London Borough investors in the Global Equity Quality Sub Fund have agreed to disinvest, the Sub Fund is expected to be suspended and ultimately closed by London CIV. The transition process has therefore paused awaiting confirmation from the final investor of their intention to exit the mandate. This approach is deemed the most equitable, pragmatic and coordinated between all parties – recognising that no party should bear a disproportionate share of withholding tax or closure costs.	Information only
Infrastructure and Renewable Infrastructure	**Quinbrook** • Renewables Impact Fund I ("QRIF I"): Quinbrook issued no further drawdown requests or capital distributions over the quarter. Resultantly, as at 31 December 2025, the Fund's remaining unfunded commitment stands at c.£2.0m, with the Fund's £45m commitment c. 95% drawn. • Renewables Impact Fund II ("QRIF II"): Over the quarter, at the 25 November 2025 Pension Fund Committee Meeting the Committee agreed to top up the Fund's commitment to QRIF II by an additional £35m – taking the total QRIF II commitment to £70m. Over the fourth quarter of 2025, Quinbrook issued a net capital drawdown request of £1.5m, comprising of a £3.3m capital drawdown request, offset by an equalisation distribution of £1.9m – for payment by 25 November 2025, funded from excess cash in the Northern Trust bank account. Following quarter end, Quinbrook issued an equalisation capital drawdown request on advance commitment of £5.7m following the additional commitment – for payment by 10 February 2026, funded from excess cash in the Northern Trust bank account. As such, the Fund's commitment will be c.19% drawn for investment following payment of the February drawdown. **Partners Group** • Over the quarter, Partners Group issued three capital distributions on 9 October 2025 (c.€2.8m), 16 October 2025 (c.€3.0m) and 23 December 2025 (c.€1.7m).	Information only

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Summary

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

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

Status key

- Action
- Decision
- Discussion
- Information only

Fund Activity (2)

Item	Action points / Considerations	Status
Affordable Housing	**Man Group Community Housing** • Over the quarter, Man Group issued a recallable capital distribution of £0.9m for payment by 23 October 2025. As such, the Fund's total commitment is c. 89% drawn for investment at 31 December 2025. • An update on the Community Housing Fund's investments in Grantham, Wellingborough and Saltdean can be found in the Private Appendix to this report.	●
Multi Sector Private Credit	**Aberdeen** • In March 2025, Aberdeen provided notice to investors that the MSPC Fund has been gated. Aberdeen presented to the Committee at the 25 June 2025 Pension Fund Committee Meeting to discuss the rationale for gating the fund, alongside proposed changes to the MSPC Fund strategy. Subsequently, the Committee agreed to disinvest from the MSPC Fund and submitted a formal redemption request ahead of the 30 June 2025 deadline. • During July 2025, Aberdeen informed all investors that the Fund's gating mechanism remained in place due to the significant amount of withdrawal requests it has received (75% of NAV – reaching 87.5% as at 1 October 2025). • Aberdeen has considered options for the MSPC Fund, including potential new inflows, voluntary termination of the fund and secondary market transactions. Despite identifying a secondary market opportunity, Aberdeen has confirmed that the quantum of interest in the opportunity is insufficient to offset the current redemption queue. Aberdeen has also progressed discussions with external parties who had expressed an interest in acquiring a substantial stake, however these prospects have since confirmed they will not pursue an investment in the MSPC Fund. • Furthermore, Aberdeen have communicated their stance that all viable inflow options which would deliver a positive outcome for investors have been exhausted. Consequently, Aberdeen intends to share a formal communication in early 2026, setting out a recommendation for the strategic direction of the Fund and estimated timelines to implement these. In the meantime, the MSPC Fund's gating mechanism remains in place.	●

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Summary

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

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

Status key

- Action
- Decision
- Discussion
- Information only

Fund Activity (3)

Item	Action points / Considerations	Status
Multi Asset Credit	**Partners Group** • The Partners Group Multi Asset Credit Fund had made 54 investments, of which 51 have been fully realised as at 31 December 2025. The Fund's three-year investment period ended in July 2017 and therefore, any investments realised have subsequently been repaid to investors. • Partners Group did not issue any further capital distributions over the quarter. • The MAC fund represents 0.1% (£2.0m) of the Fund's total investment portfolio. Partners Group anticipates that the majority of remaining portfolio asset exits will complete during 2026.	●
Buy & Maintain (Climate Transition)	**Allspring** • Following quarter end, Allspring announced that Henrietta Pacquement, Portfolio Manager, has been promoted to focus full-time on her role as Allspring's Global Fixed Income Chief Operating Officer, alongside her continued leadership of Allspring's Sustainability team. Resultantly, Henrietta will now step away from portfolio management responsibilities, effective 4 March 2026, and will no longer be listed as a portfolio manager on the buy and maintain fund. • Henrietta will remain closely involved in the ongoing development and enhancement of Allspring's sustainability frameworks while also driving operational efficiencies to allow portfolio managers to focus on their roles and with greater efficiency. • **Isio view:** We are comfortable with this change on the basis that the Fund maintains 4 experienced portfolio managers. The Fund initially had 4 portfolio managers before the addition of one further individual in 2024 to support the wider team as Henrietta transitioned to the CIO role. We understand that Henrietta's role and responsibilities as PM have significantly reduced since and are therefore comfortable that no further portfolio managers are added to replace Henrietta.	●

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Summary

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

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

Status key

- Action
- Decision
- Discussion
- Information only

Fund Activity (4)

Item	Action points / Considerations	Status

Low Carbon Equity	L&G
	• Following recent business changes over the past 2 years, we have recognised a series of recent changes within the team – both at the asset management ("AM") senior leadership level and at the business function level. Over Q4 2025, L&G announced the following team changes:
	  • Start November – Within the L&G Index team, there was 3 senior leavers (notably, Fadi Zaher, Head of Index Solution), replaced by 3 senior hires.
	  • Mid November – Within the L&G AM leadership team, both the COO (Brenda Sklar) and CRO (Margaret Ammon) have departed. Additionally, the Head of Private Markets has stepped back due to health challenges. L&G announced that are in a search process for a CRO, with an interim (Stuart Woodyatt - Global Head of Operational Risk - 36 years' experience) being installed currently. The COO role however is being merged with the CFO role (which is currently led by Richard Lee) – with a new Global Head of Operations role being created, with the view that this individual will report into the CFO.
	  • December – Within the L&G AM leadership team, CIO Sonja Laud will be departing in Q1 2026. L&G are in the process of recruiting for her replacement, with Emiel van den Heiligenberg who is Head of Asset Allocation taking up the role on an interim basis.
	• From a senior leadership perspective within the AM function, the number of individuals remains broadly unchanged from end of 2024, with other senior L&G individuals being added to the AM committee. In respect to the restructuring of Brenda Sklar's COO role, L&G highlighted there were personal (non-work related) factors which impacted Brenda's decision to leave – and L&G then made a business decision to instead create a Global Head of Operations role, occupied by Dylan Hughes who has 26 years of industry experience. Both Margaret and Sonja are departing for senior roles within other organisations, being Quilters and UBS respectively.
	• Prior to the announcements in Q4 2025, there had been some senior departures within the Index team, which coincided with the merging of the Index and ETF business lines in May 2025 – with the departure of Howie Li (Global Head of Index and ETF), Aanand Venkatraman (Head of ETFs for EMEA) and Michael Stewart (Head of Index Investment Specialists). We were informed at the time that this was a business decision from L&G, with the total headcount within Index, ETF and Systematic decreasing from 70 at end-December 2024 to 62 in September 2025.
	• Isio view: Given the backdrop of the strategic business review, turnover within the team was to be expected, especially given the emphasis on streamlining and avoiding duplication of roles. Despite the changes, we remain comfortable with L&G's ability to maintain effective operations and client service despite ongoing changes. While the firm is in a transitional phase, we are assured they retain sufficient resources and expertise for investment outcomes and client service to be unaffected. Notably, L&G does not anticipate further material restructuring of senior leadership or business groups, though they have committed to transparent communication if unforeseen changes arise. We will revert with a senior team update when suitable replacements are found, but in the interim, we believe that L&G have appointed suitable well-tenured individuals to temporarily occupy these roles.
	• L&G have signalled their commitment to the legacy Index business, highlighting however that the expected growth areas for L&G moving forward are the ETF business (where they believe they are lagging relative to competition) and with Private Markets (where they plan to build out their capabilities). As highlighted though, the Private Markets part of their business is very small relative to their Public Markets exposure (c.<5%) – but L&G's aim is to increase the relative size over time.
	• In terms of future plans, L&G have indicated a preference to establish a greater international presence, viewing ETF and Private Markets key offerings to support this expansion. We will continue to monitor and work with L&G such that this is carried out in a sustainable way, which does not negatively impact their current clients.	

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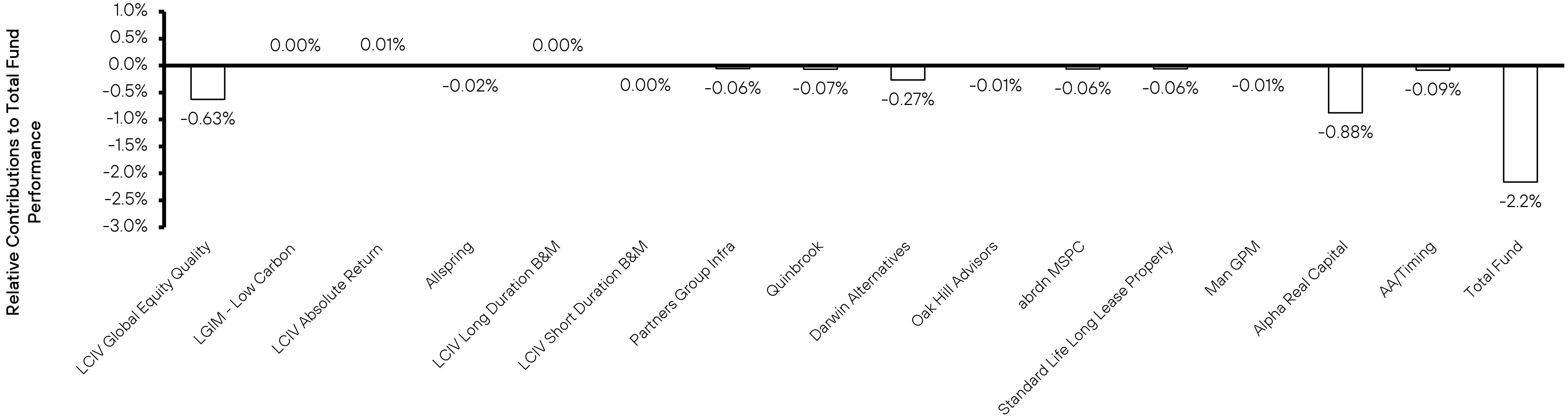
Attribution of Performance to 31 December 2025

Relative Contributions to Total Fund Performance - Quarter



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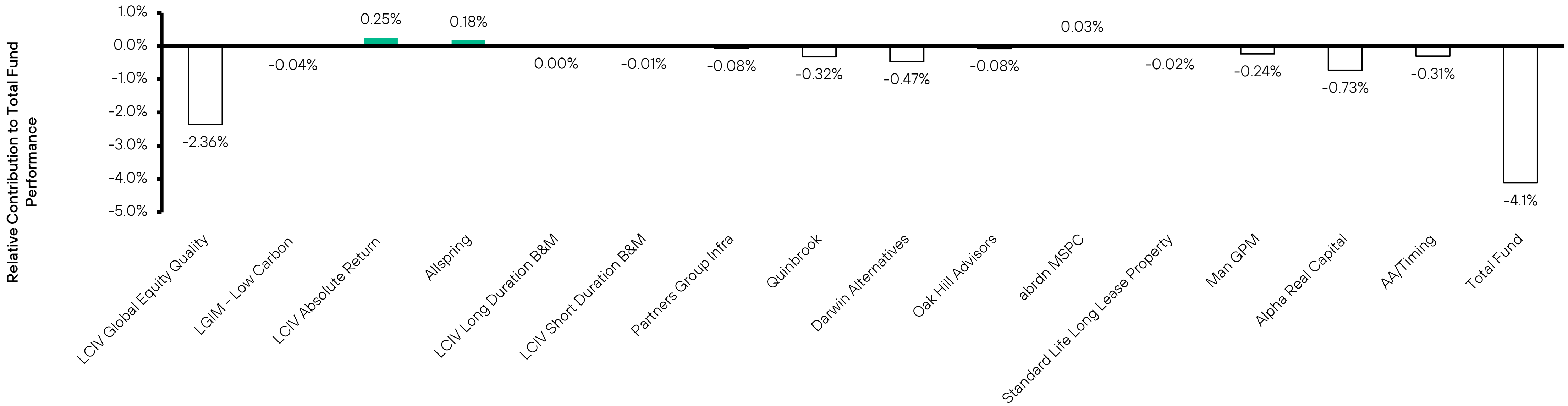
Key area	Comments
Commentary	• The Fund underperformed its fixed weight benchmark by c.2.2% over the quarter to 31 December 2025. • In line with previous quarters, the majority of underperformance can be attributed to the LCIV Global Equity Quality Fund, which delivered a negative return on an absolute basis and materially underperformed its MSCI ACWI benchmark. The Committee agreed to fully disinvest from the LCIV Global Equity Quality Fund at the at the 25 November 2025 Pension Fund Committee Meeting. • Total Fund relative underperformance over the quarter has also been driven by Darwin Alternatives, owing to the impact of lower-than-expected rental revenues and a write-down of the underlying Leisure Property Fund portfolio, alongside the sale of Rosetta at a loss. • Northern Trust's reporting also attributes a large proportion of Total Fund underperformance to Alpha Real Capital. However, Alpha Real Capital has reported positive returns on an absolute basis over Q4 2025. We are working with Northern Trust to understand the difference in reported performance.

Sources: Investment managers, Isio calculations.

Attribution of Performance to 31 December 2025

Relative Contributions to Total Fund Performance - Annual



Key area	Comments
Commentary	• Over the year to 31 December 2025, the Fund underperformed its fixed weight benchmark by c. 4.1%. • As overleaf, underperformance over the year can primarily be attributed to the LCIV Global Equity Quality Fund – driven by the strategy's quality bias (and corresponding underweight position to outperforming sectors) alongside poor stock selection within technology and healthcare. • Underperformance over the year can also be attributed to Darwin Alternatives, with the Leisure Development Fund crystallising further losses over Q3 and Q4 2025; and Alpha Real Capital – although as overleaf we believe Northern Trust has under-reported performance. • Underperformance was partially offset by the LCIV Absolute Return Fund, owing to the positive impact of falling gilt yields over the year on the defensive-positioned portfolio; alongside Allspring, which outperformed the broader corporate bond market due to the portfolio's shorter duration and the positive impact of its climate-transition-tilted positioning.

Investment Manager Updates

London CIV (1)

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Sub-fund	Asset Class	Manager	Total AuM as at 30 Sep 2025 (£m)	Total AuM as at 31 Dec 2025 (£m)	Number of London CIV clients	Inception Date
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	1,651	1,629	5	11/04/16
LCIV Global Alpha Growth Paris Aligned	Global Equity	Baillie Gifford	2,692	2,206	10	13/04/21
LCIV Global Equity	Global Equity	Newton	677	687	3	22/05/17
LCIV Global Equity Quality	Global Equity	Morgan Stanley Investment Management	730	715	3	21/08/20
LCIV Global Equity Focus	Global Equity	Longview Partners	1,214	1,217	6	17/07/17
LCIV Global Equity Value	Global Equity	Wellington Management International Limited	363	389	3	28/10/24
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	630	692	8	11/01/18
LCIV Sustainable Equity	Global Equity	RBC Global Asset Management (UK)	1,421	1,450	7	18/04/18
LCIV Sustainable Equity Exclusion	Global Equity	RBC Global Asset Management (UK)	1,059	1,086	6	11/03/20
LCIV PEPPA	Global Equity	State Street Global Advisors	1,228	1,265	5	01/12/21
LCIV Global Total Return	Diversified Growth Fund	Pyrford	110	-	-	17/06/16
LCIV Diversified Growth	Diversified Growth Fund	Baillie Gifford	264	265	3	15/02/16
LCIV Absolute Return	Diversified Growth Fund	Ruffer	1,073	1,073	9	21/06/16
LCIV Real Return	Diversified Growth Fund	Newton	43	-	-	16/12/16
LCIV Global Bond	Fixed Income	PIMCO	976	1,139	10	30/11/18
LCIV Short Duration B&M Credit Fund	Fixed Income	Insight Investment Management	185	186	4	06/12/23
LCIV Long Duration B&M Credit Fund	Fixed Income	Insight Investment Management	805	835	7	06/12/23
LCIV All Maturities B&M Fund	Fixed Income	Insight Investment Management	495	504	3	09/10/24
LCIV MAC	Fixed Income	CQS & PIMCO	2,375	2,421	18	31/05/18
LCIV Alternative Credit	Fixed Income	CQS	755	767	5	31/01/22
Total			18,747	18,525		

Investment Performance to 31 Dec 2025

Business

As at 31 December 2025, the London CIV had assets under management of £18.5bn within the 18 sub-funds (not including private markets strategies), a decrease of £0.2bn over the quarter owing primarily to London Borough investor flows.

As at 31 December 2025, the total assets under oversight, including passive investments held outside the London CIV platform, stood at £38.7bn, an increase of c. £1.2bn over the quarter. Total commitments raised by the private market funds stood at c. £4.1bn of which c. £2.6bn had been drawn as at 31 December 2025.

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

Source: London CIV.

London CIV (2)

Sub-fund	Total Commitment as at 30 Sep 2025 (£'000)	Called to Date (£'000)	Fund Value as at 30 Sep 2025 (£'000)	Number of London CIV clients	Inception Date
LCIV Infrastructure Fund	475,000	388,691	474,377	6	31/10/2019
LCIV Real Estate Long Income Fund	213,000	213,000	154,001	3	11/06/2020
LCIV Renewable Infrastructure Fund	1,108,500	610,035	644,691	16	29/03/2021
LCIV Private Debt Fund	625,000	456,376	548,600	8	29/03/2021
LCIV UK Housing Fund	530,000	257,601	259,277	9	31/03/2023
LCIV Private Debt Fund II	550,000	103,537	111,216	8	28/05/2024
LCIV Nature Based Solutions Fund	344,000	191,151	183,207	5	12/07/2024
The London Fund	250,000	130,104	135,567	4	15/12/2020

Source: London CIV.

Investment Performance to 30 Sep 2025

The table to the left provides an overview of the London CIV's private markets investments as at 30 September 2025.

Data as at 31 December 2025 is not available as at the time of writing.

LCIV – Global Equity Quality

Key area	Performance commentary
Commentary	• The LCIV Global Equity Quality delivered a negative absolute return of -1.6% on a net of fees basis over the quarter, underperforming the MSCI-based benchmark by 5.0% over the period. • Consistent with the previous quarter, the Sub-Fund's weak return was driven by the structural orientation of the quality portfolio, further exacerbated by poor stock selection. During Q4 2025, cyclical industries outperformed companies with more stable, sustainable cashflows. In addition, stock selection within the technology sector (e.g. RELX Plc) contributed negatively to absolute returns. • The Sub-Fund has materially underperformed its MSCI ACWI benchmark since inception into the Fund's investment portfolio. While we acknowledge that the investment market environment has been more supportive of growth-oriented stocks and the wider index has been driven predominantly by large cap technology stocks which the quality-focused fund characteristically holds a low allocation to – it is the strategy's poor stock selection within the technology and healthcare sectors which have driven poor returns. Concerningly, healthcare is a sector where we would expect a quality-focused manager to add value.

Investment Performance to 31 December 2025

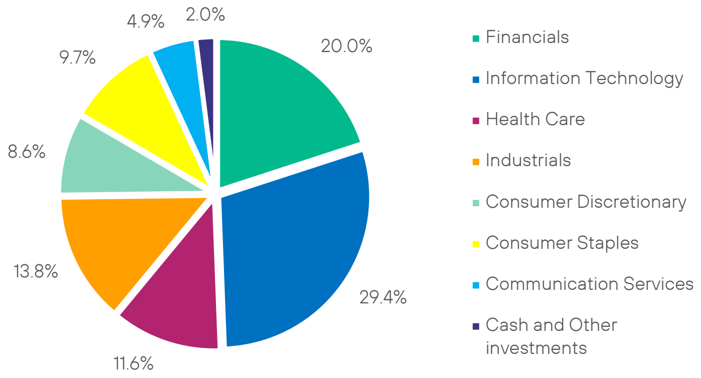
	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	-1.6	-4.1	8.3	6.4
Benchmark (MSCI World Net Index)	3.4	13.9	16.3	11.6
Net Performance relative to Benchmark	-5.0	-18.0	-8.0	-5.2

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.

Portfolio Sector Breakdown



Key Statistics

	LCIV Global Equity Quality Fund
No. of Holdings	37
No. of Countries	9
No. of Sectors	7
No. of Industries	19

Holdings

	% of NAV
Microsoft	5.9
Sap Se	5.6
Alphabet Inc (Class A)	4.9
Taiwan Semiconductor Manufacturing	4.5
Visa Inc	4.1
Coca-Cola	3.5
RELX Plc	3.4
Thermo Fisher Scientific	3.4
Protector & Gamble	3.4
Intercontinental Exchange Inc	3.3
Total	42.0

Note: Returns net of fees.
Sources: Northern Trust, Morgan Stanley and London CIV. Totals may not sum due to rounding.

L&G – World Low Carbon Equity

Key area	Performance Commentary
Commentary	• The L&G MSCI World Low Carbon Index Fund delivered a positive absolute return of 3.0% on a net of basis over the quarter to 31 December 2025, in line with its benchmark. • Global equities maintained strong momentum, supported by robust corporate fundamentals, although technology stocks lagged slightly. UK and emerging market equities also contributed positively to overall performance. • The L&G MSCI World Low Carbon Index Fund delivered an absolute return of 12.2% on a net of fees basis over the one-year period to 31 December 2025, underperforming its benchmark by 0.1%. Over the longer three-year and five-year periods, the strategy delivered positive absolute returns of 17.3% p.a. and 12.8% p.a. on a net of fees basis, underperforming its benchmark by 0.2% p.a. and 0.1% p.a. respectively.

Investment Performance to 31 December 2025

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	3.0	12.2	17.3	12.8
Benchmark (MSCI World Low Carbon Target)	3.0	12.4	17.4	12.9
Net Performance relative to Benchmark	0.0	-0.1	-0.2	-0.1

Relative performance may not tie due to rounding

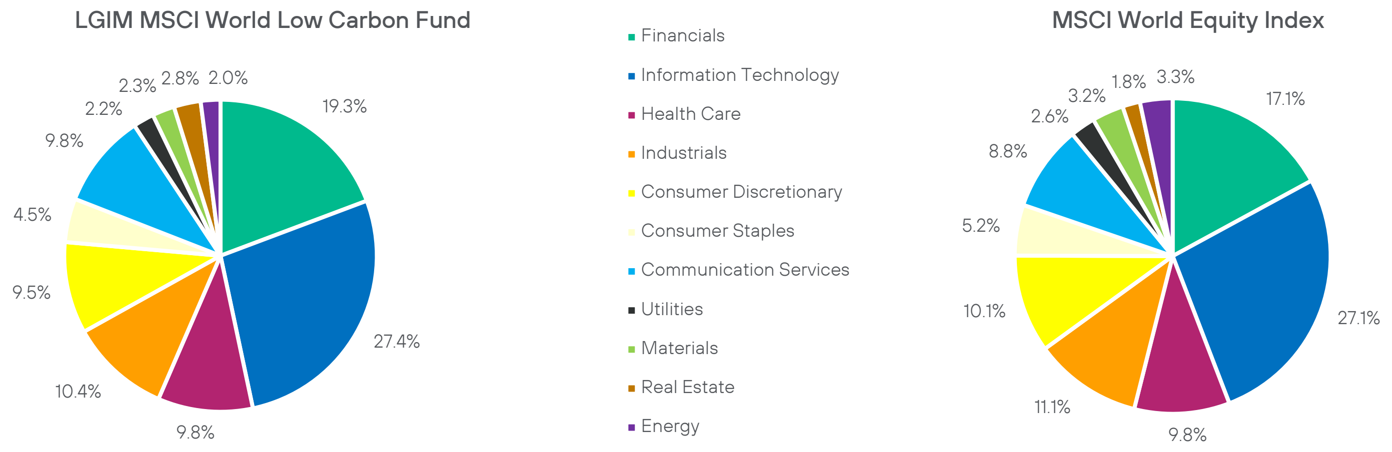
Fund Overview

Legal and General Investment Management ("L&G") 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 L&G MSCI World Low Carbon Index Fund and the MSCI World Equity Index as at 31 December 2025.

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

Portfolio Sector Breakdown at 31 December 2025



Note: Returns net of fees. Total may not sum to 100% due to rounding.
Sources: Northern Trust and L&G.

LCIV – Absolute Return

Key area	Performance Commentary
Commentary	• The LCIV Absolute Return Fund delivered a positive return of 2.1% over the quarter on an absolute basis, outperforming its SONIA + 4% p.a. target by 0.2%. The strategy's strong weighting to government bonds proved beneficial over the quarter as yields fell. Performance was also supported by gains from growth assets such as equities and precious metals, which performed strongly over the period. In contrast, the Sub-Fund's defensive derivative protection positions detracted. • The Sub-Fund has delivered positive returns over longer time periods, but 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).

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Investment Performance to 31 December 2025

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	2.1	10.8	0.5	3.5
Target	1.9	8.4	8.8	7.2
Net performance relative to Target	0.2	2.4	-8.3	-3.7

Relative performance may not tie due to rounding

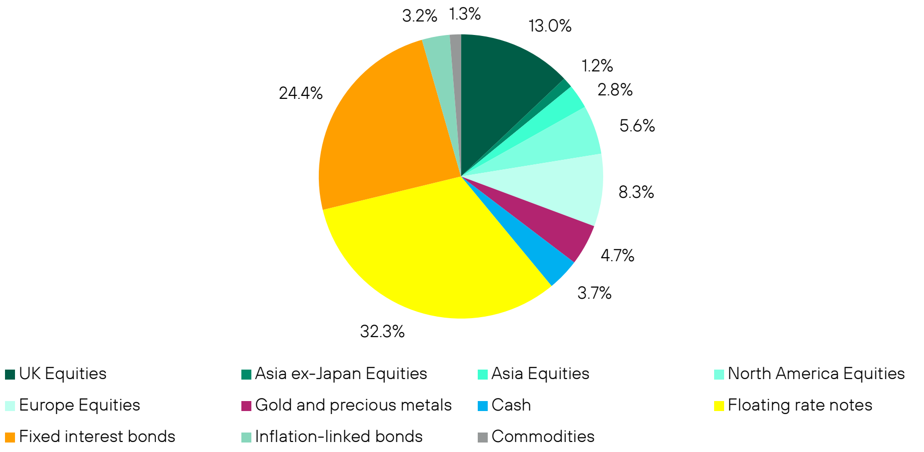
Fund Overview

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

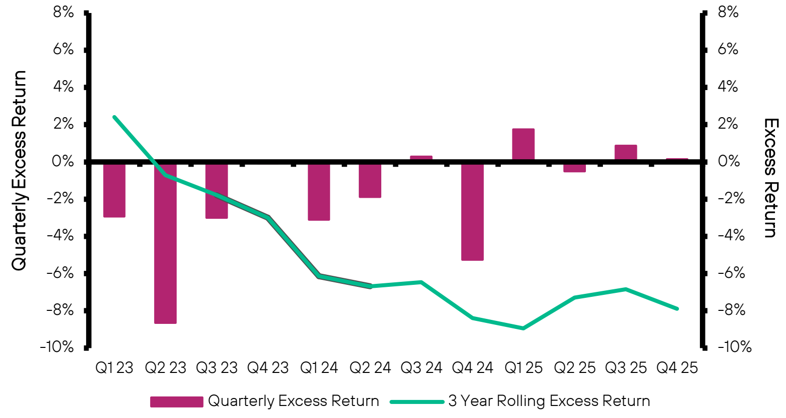
The LCIV Absolute Return Fund aims to deliver growth throughout the investment cycle and acts as a return-seeking diversifier from equities through a relatively defensively positioned portfolio. The manager has the ability to regularly alter the underlying asset allocation in response to market conditions.

While the manager, Ruffer, maintains its view that investors are too bullish on equity markets and are not pricing in downside risks, the manager has opted to retain some level of risk-on assets that will help capture upside if growth asset returns remain consistently positive.

Portfolio Sector Breakdown



Investment Performance to 31 December 2025



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

Sources: Northern Trust, London CIV and Ruffer.

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

Key area	Performance Commentary
Commentary	• The Short Duration Sub-Fund delivered a positive return of 1.5% over the quarter, driven primarily by falling gilt yields. Favourable movements in USD and GBP swap spreads also supported performance. However, the Sub-Fund marginally underperformed its iBoxx 0–5 Years Credit Index benchmark due to negative sector and issuer positioning. • The Long Duration Sub-Fund delivered a positive return of 4.4% over the quarter, driven by a steeper decline in gilt yields at longer maturities and supported by favourable USD and GBP swap-spread movements. Unlike the Short Duration Sub-Fund, sector and issuer positioning had a marginally positive impact, led mainly by healthcare bonds, resulting in slight outperformance versus its benchmark.

Key Statistics

	Short Duration		Long Duration	
	30 Sep 2025	31 Dec 2025	30 Sep 2025	31 Dec 2025
Weighted Average Credit Rating	A	A	A-	A-
Yield to Maturity	4.61	4.36	5.96	5.70
Current Yield	3.83	3.70	5.50	5.17
Interest Rate Duration (Years)	2.15	2.26	10.83	10.96
Spread Duration (Years)	1.90	1.74	10.05	9.88

Investment Performance to 31 December 2025

Short Duration	Last Quarter (%)	One Year (%)
Net of fees	1.5	5.9
Benchmark / Target	1.7	6.5
Net performance relative to Benchmark	-0.2	-0.6

Long Duration	Last Quarter (%)	One Year (%)
Net of fees	4.4	6.5
Benchmark / Target	4.3	6.6
Net performance relative to Benchmark	0.1	-0.1

Relative performance may not tie due to rounding

Fund Overview

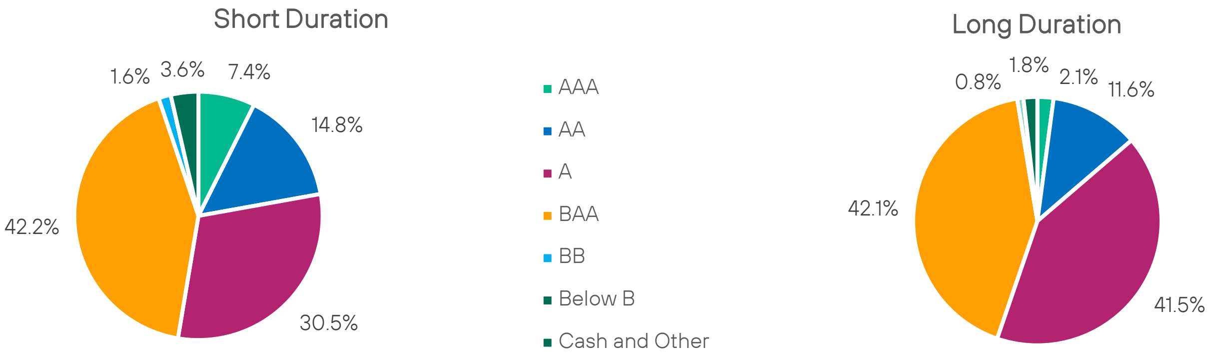
Insight Investment Management was appointed to manage a buy & maintain credit mandate across both a short and long duration strategy, held as sub-funds under the London CIV platform from 6 December 2023.

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.

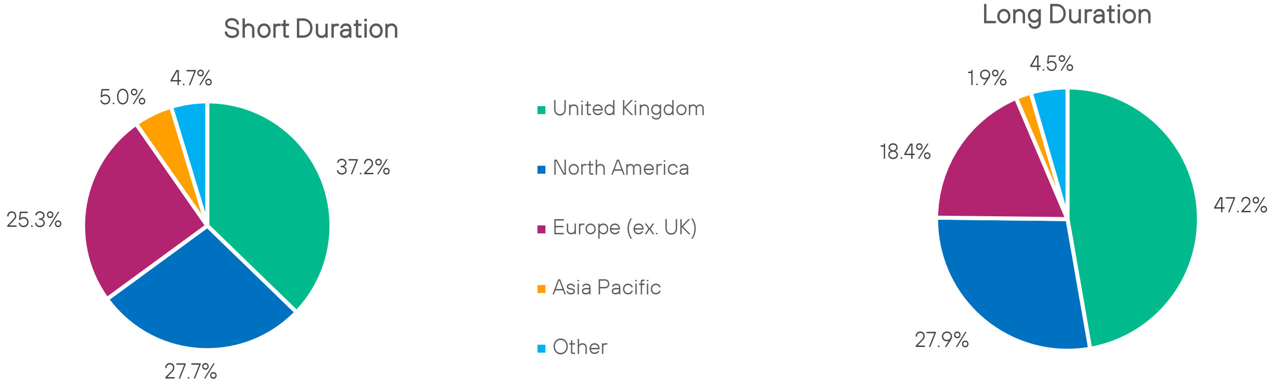
Sources: Northern Trust and London CIV.

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

Portfolio Credit Rating Breakdown



Portfolio Regional Breakdown



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 December 2025.

Sources: Northern Trust and London CIV.

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

Allspring – Climate Transition Global Buy & Maintain (1)

Key area	Performance Commentary
Commentary	• The Allspring Climate Transition Global Buy and Maintain Fund has delivered a positive return of 2.9% over the quarter to 31 December 2025 on a net of fees basis, underperforming its target by 0.2%. • The Fund is largely invested in IG-rated loans, which are more sensitive to interest-rate movements. As a result, falling UK gilt yields boosted underlying valuations over the quarter, driving positive returns. • Underperformance against the Sterling denominated index was mainly driven by negative sector and stock selection (particularly in communications and technology).

Investment Performance to 31 December 2025

	Last Quarter (%)	One Year (%)
Net of fees	2.9	7.3
Target	3.0	5.5
Net performance relative to Target	-0.2	1.8

Relative performance may not tie due to rounding

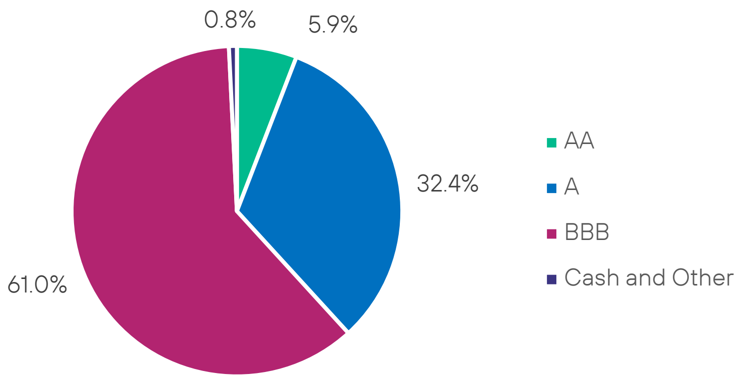
Fund Overview

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 the largest regions as at 31 December 2025.

Portfolio Credit Rating Breakdown as at 31 December 2025



Largest Country Allocation (Top 10) as at 31 December 2025

	% of NAV
United Kingdom	34.6
United States	23.1
France	13.3
Germany	5.9
Netherlands	4.8
Australia	3.0
Spain	2.8
Italy	2.6
Belgium	1.7
Mexico	1.3
Total	93.1

Sources: Northern Trust and Allspring.

Allspring – Climate Transition Global Buy & Maintain (2)

ESG Metrics as at 31 December 2025

	Allspring Climate Transition Global Buy & Maintain		Benchmark	
	Value	Coverage	Value	Coverage
MSCI ESG Score	7.5	95%	7.3	91%
Sustainalytics ESG Risk Score	17	95%	18	94%
Carbon to Value Invested (metric tons CO_2e/$1m invested)*	22	97%	27	94%
Weighted Average Carbon Intensity (metric tons CO_2e/$1m revenues)*	68	97%	71	94%
Coal Emissions (metric tons CO_2e/$1m invested)	0	N/A	3,951	N/A
Gas Emissions (metric tons CO_2e/$1m invested)	4,302	N/A	4,177	N/A
Oil Emissions (metric tons CO_2e/$1m invested)	6,924	N/A	5,715	N/A

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

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ESG Metrics

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

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

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

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

Source: Allspring.

Aberdeen – Multi-Sector Private Credit Fund

Key area	Performance Commentary
Commentary	• The MSPC Fund has delivered a positive return of 1.1% on a net of fees basis over the quarter. Positive returns have been driven primarily by the strategy's allocation to real estate debt. The strategy however, has underperformed its corporate bond-based target by 1.8% over the quarter, owing to the index' greater sensitivity to movements at the short-end of the yield curve. The strategy has outperformed over longer periods owing to the illiquidity premium attached to the Fund's assets.
Portfolio Composition	• As at 31 December 2025, the MSPC Fund portfolio has reached target allocation and consists of 15 private assets: • 4 infrastructure debt investments; • 5 senior commercial real estate debts investments; and • 6 private corporate debt investments. • The MSPC Fund has also made investments in structured credit and public bonds.

Investment Performance to 31 December 2025

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	1.1	8.7	9.3	2.5
Benchmark / Target	2.9	7.8	7.1	0.8
Net performance relative to Benchmark	-1.8	0.9	2.2	1.7

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

Fund Overview

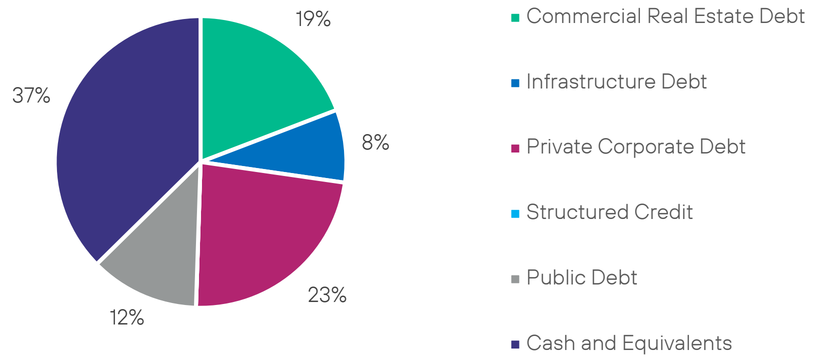
Aberdeen was appointed to manage a multi sector private credit mandate, with the Fund drawing down capital for investment on 8 April 2020.

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.

As at 31 December 2025, c. 51% of the MSPC Fund portfolio has been invested in illiquid assets that will make up the long-term portfolio, with the remaining c. 49% invested in a liquid transition portfolio and cash following recent sales of assets.

The asset allocation as at 31 December 2025 is provided in the chart to the left.

Portfolio Asset Type Breakdown at 31 December 2025



Investment Metrics

	30 Sep 2025	31 Dec 2025
Duration (years)	2.51	2.29
Average rating	BBB+	A
Average portfolio spread	218bps	237bps
Average illiquidity premium	124bps	128bps
Average yield to maturity	5.23%	4.94%

Source: Northern Trust and Aberdeen.

Darwin Alternatives – Leisure Development Fund (1)

Key area	Performance Commentary
Commentary	• The Leisure Development Fund delivered a negative return of -16.9% on an absolute basis over the quarter to 31 December 2025, underperforming its cash +6% p.a. target by 19.3%. • Significant underperformance over the quarter was attributed to a write down of the Darwin Leisure Property Fund (of which the Leisure Development Fund holds a c.5% allocation). The write down follows liquidity pressures, suspended redemptions and a depressed NAV environment, with the fund set to be restructured and managed by ABT Capital. • Lower rental revenues have also impacted performance, with combined rental revenue being 6% behind budget – alongside completion of the sale of Rosetta at a loss. • The eight resorts within the DLDF portfolio are now being operated under a newly established, streamlined central management platform, trading under the new brand, Verde Resorts. James Melville-Jackson has been appointed as Managing Director of Verde Resorts, the new company operating the holiday park portfolio.

Investment Performance to 31 December 2025

	Last Quarter (%)	One Year (%)	Three Years (%)
Net of fees	-16.9	-21.3	-20.9
Benchmark / Target	2.4	10.4	10.8
Net performance relative to Benchmark	-19.3	-31.7	-31.7

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

- At Kilnwick Percy, Darwin are looking to a third-party to provide a new wellness facility in the existing spa area. This would be chargeable to the guests and generate rental income for the park.

- Discussions are due to be held with the Blenheim Palace Estate to discuss moving forward with the plans for phase 2 of Blenheim Palace Lodge Retreat. The concept is a low cost 'unplugged' experience incorporating new gardens and other spaces for wellness, relaxation and engagement. Darwin are looking to submit a planning application in Q2 2026.

- A letter of intent has been signed with Octopus and Zestec to establish a solar array at Dundonald Links and planning work is now underway. The solution would deliver 0.5MW of solar capacity with battery storage, generating savings of £1M over the term and saving over 100 tonnes of CO2 per annum.

- Discussions are also ongoing with Tennis Scotland to build an indoor racquet facility at Dundonald. Padel, and possibly pickleball facilities would also be included. Tennis Scotland would offer funding of up to 66% of the CapEx through grants and an interest free loan from the LTA. The facility would attract visitors year-round and help to further raise the profile of Dundonald Links. Padel, in particular, is a very cash generative sport and the four padel courts alone could generate c.£0.5m in revenues each year.

- Darwin are exploring an opportunity with a landed estate in the south of the Lake District to develop a new lodge resort. The site is a 25-minute drive from Morecombe Bay, the location of the new Eden Project, and is well served by the Manchester catchment area.

Source: Northern Trust and Darwin Alternatives.

Darwin Alternatives – Leisure Development Fund (2)

Portfolio Holdings

Park	Purchase Rationale	Size (Acres)	Purchase Date
Stratford Armouries, Warwickshire	Develop site into luxury lodge retreat	9	June 2017
Norfolk Woods, Norfolk	Redevelop to holiday resort with leisure facilities	15	June 2017
The Springs, Oxfordshire	Upgrade golf facilities and add lodges to create small lodge resort	133	July 2017
Rivendale, Derbyshire	Redevelop to holiday resort with leisure facilities	35	January 2018
Dundonald Links, Ayrshire	Add lodges and central facilities to create lodge resort	268	March 2019
Kilnwick Percy, East Yorkshire	Add additional lodges to existing golf resort	150	March 2020
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

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Portfolio

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

Source: Darwin Alternatives.

Oak Hill Advisors – Diversified Credit Strategies

Key area	Performance Commentary
Commentary	• The strategy delivered a positive return of 1.7% on a net of fees basis over the quarter to 31 December 2025, underperforming the benchmark by 0.3%. As the strategy is measured against a Sterling cash-plus benchmark, we would expect relative performance differences over shorter time horizons. • Positive absolute returns over Q4 2025 were primarily attributed to strong credit selection in the manager's core asset classes of high yield bonds and leveraged loans. • The strategy's opportunistic nature means that the fund can take on restructuring opportunities for issuers. There were no defaults over the fourth quarter of 2025 within the Diversified Credit Strategies portfolio, while six positions representing c. 1.6% of the total portfolio were downgraded.

Investment Performance to 31 December 2025

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	1.7	6.9	9.5	5.5
Benchmark / Target	1.9	8.4	8.8	7.2
Net Performance relative to Benchmark	-0.3	-1.5	0.7	-1.6

Relative performance may not tie due to rounding

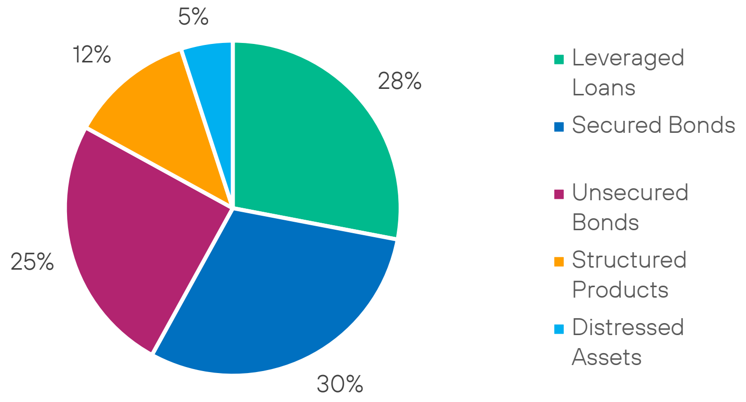
Fund Overview

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

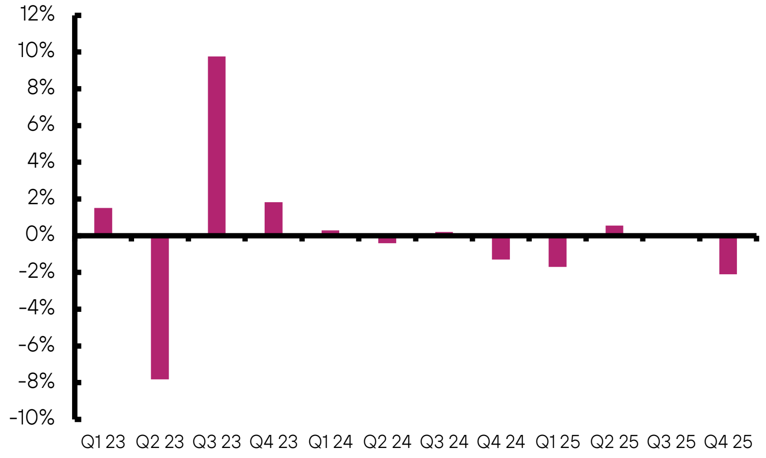
It should be noted, however, that the DCS Fund is denominated in US Dollars. There is no hedging in place in respect of this investment and therefore short-term returns are impacted by exchange rate fluctuations. Oak Hill Advisors highlights that the strategy has delivered 7.2% on a net of fees basis over the year to 31 December 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 7.2% over the year to 31 December 2025.

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

Portfolio Sector Breakdown at 31 December 2025



Quarterly Excess Returns



Source: Northern Trust and Oak Hill Advisors.

Partners Group – Direct Infrastructure

Key area	Performance Commentary
Activity	• The Direct Infrastructure Fund's investment period ended on 30 September 2021 and the Fund will therefore make no further investments going forward, having made 22 investments. • As at 30 September 2025, the Partners Group Direct Infrastructure Fund was in its realisation phase with an active portfolio of 11 investments having realised 11 positions to date. • As at 30 September 2025, the Fund has delivered a net IRR of 13.8% since inception. The Fund's net multiple remained stable over the period. Telepass, a pan-European provider of electronic tolling, was written up reflecting strong financial performance.

Investment Performance to 31 December 2025

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	-0.8	8.7	11.0	13.4
Benchmark / Target	2.8	12.4	12.8	11.2
Net Performance relative to Benchmark	-3.7	-3.6	-1.8	2.2

Relative performance may not tie due to rounding

Fund Overview

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

The charts to the bottom left show the regional split of the Direct Infrastructure Fund and a breakdown of the Fund by infrastructure sector as at 30 September 2025.

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 three capital distributions on 9 October 2025 (c.€2.8m), 16 October 2025 (c.€3.0m) and 23 December 2025 (c.€1.7m).

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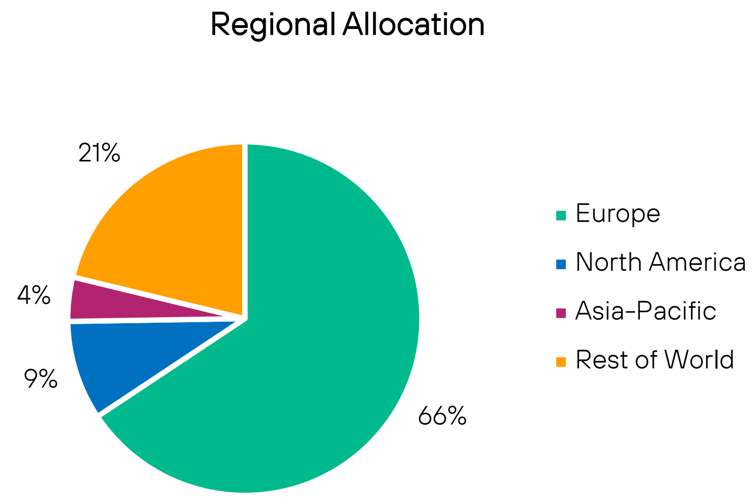
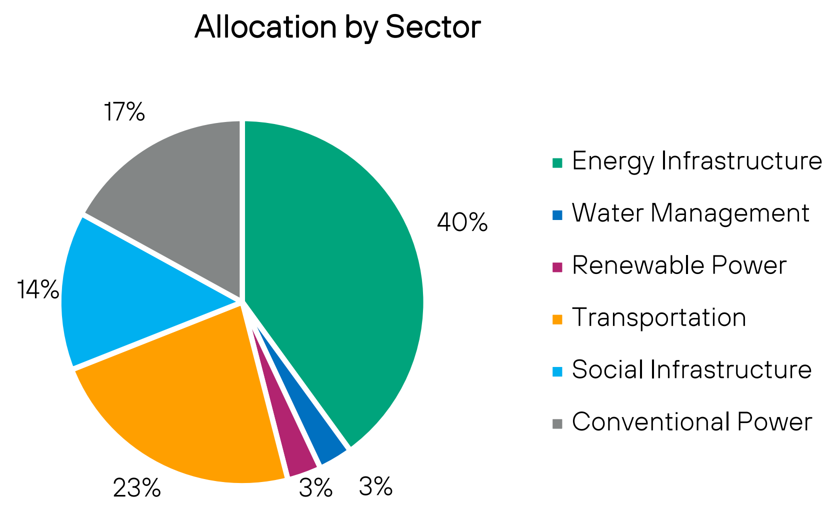
Portfolio Breakdown by Region and Sector as at 30 September 2025





Source: Northern Trust and Partners Group.

Quinbrook – Renewables Impact Fund (1)

Key area	Performance Commentary
Capital Calls and Distributions	• The London Borough of Hammersmith & Fulham Pension Fund committed £45m to the Quinbrook Renewables Impact Fund ("QRIF I") in August 2023, £35m to the Quinbrook Renewables Impact Fund II ("QRIF II") in November 2024 and in November 2025. • Quinbrook issued no further drawdown requests or capital distributions over the quarter. Resultantly, as at 31 December 2025, the Fund's remaining unfunded commitment stands at c.£2.0m, with the Fund's £45m commitment c. 95% drawn. • Over the fourth quarter of 2025, Quinbrook issued a net capital drawdown request of £1.5m, comprising of a £3.3m capital drawdown request, offset by an equalisation distribution of £1.9m – for payment by 25 November 2025. Following quarter end, Quinbrook issued an equalisation capital drawdown request on advance commitment of £5.7m following the additional commitment – for payment by 10 February 2026. As such, the Fund's commitment will be c.19% drawn for investment following payment of the February drawdown.

Investment Performance to 31 December 2025

	Last Quarter (%)	One Year (%)
Net of fees	0.1	5.5
Benchmark / Target	1.9	14.1
Net performance relative to Benchmark	-1.8	-8.7

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 30 September 2025, the Renewables Impact Fund I has delivered a net IRR of 8.2% since inception and QRIF II's MOIC (Multiple on Invested Capital) was 0.9x.

Activity over the quarter to 30 September 2025

QRIF I

- Rassau continued to deliver strong performance, operating at 100% availability. The asset also finalised its bid into NESO's (National Energy System Operator) Y-1 tender, targeting a six-month delivery window across Q2 and Q3 2027.
- The quarter also marked significant progress across the broader Thistle program. The Gretna project reached COD. Gretna was operational on 5th September. During the quarter, the operational assets generated £5.84 million of revenue.
- With respect to Cleve Hill, no capital was used on the constructions activities for Fortress, all funds used were from the debt facility. At peak output over Q3, the project accounted for 0.2% of total UK power demand. Approximately 65% of this generation is contracted to Tesco. During the quarter, Tesco advised the Manager that they would pay for all electricity produced until 31 March 2027.
- Furthermore, Habitat Energy continued to expand its optimisation platform, growing its customer base from 3.9 GW / 6.3 GWh to 3.9 GW / 6.4 GWh. The business's trailing 12- month revenue increased by 14.8% quarter-on-quarter to £5.5m.

QRIF II

- As at 30 September 2025, the Fund had invested £80.9m into several core thematics: standalone electricity storage, decarbonisation of transport, co-located renewable electricity generation and storage, and standalone renewable electricity generation.
- The Fund had closed on six investments to date (as at Q3 2025: (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) and v) Naveen (grid support).
- In July 2025 the Manager progressed with the Naveen project of a synchronous condenser located in Wexford, Ireland.

Source: Northern Trust and Quinbrook.

Quinbrook – Renewables Impact Fund (2)

QRIF I: Project Name	Fund Ownership	Investment Date	Technology	Location
Pathfinder - Operational				
Rassau	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

QRIF II: Project Name	Fund Ownership	Investment Date	Technology	Location
Fern (Norton)	100%	Dec-24	Solar and Battery Storage	UK
Mallard Pass	100%	Dec-24	Solar	UK
Fern (Talbot Green)	100%	Dec-24	Solar	UK
Kamino	100%	Dec-24	Battery Storage	UK
Aegis	100%	Dec-24	Vehicle recharging	UK
Naveen	100%	Jul-25	Synchronous Condenser	Ireland

Portfolio

The table to the left shows a list of the investments held by the Quinbrook Renewables Impact Fund I & II as at 30 September 2025. Data as at 31 December 2025 is not available as at the time of writing.

Source: Quinbrook.

Aberdeen – Long Lease Property

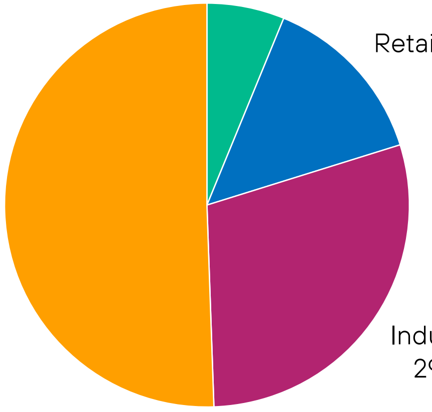
Key area	Performance Comments
Commentary	• The Long Lease Property Fund has delivered a positive return of 1.9% over the quarter to 31 December 2025, underperforming its gilts-based benchmark by 1.7% owing to the positive impact of falling longer dated gilt yields on the target • The Fund has underperformed the wider property market over the year and three years owing to property market and long income decline at the end of 2022 and early 2023, asset sales at depressed pricing, and a lack of exposure to outperforming sectors. • Transaction volumes have been low over 2024 and 2025, however with improving investor liquidity and looser monetary policy transaction activity is set to increase over the coming periods.

Investment Performance to 31 December 2025

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	1.9	6.4	-2.0	-2.0
Benchmark / Target	3.5	7.0	3.7	-3.2
Net Performance relative to Benchmark	-1.7	-0.7	-5.7	1.2

Relative performance may not tie due to rounding

Portfolio Sector Breakdown at 31 December 2025



Top 10 Tenants (% of net rental income) as of 31 December 2025

Tenant	% Net Income	Credit Rating
Amazon UK Services Limited	10.7	AA
Marston's plc	9.7	BB
Viapath Services LLP	9.3	BBB
J Sainsbury plc	9.3	A
Salford Villages Limited	8.4	A
Poundland	6.9	BBB
Next Group plc	6.8	B
Premier Inn Hotels Limited	6.7	BBB
Lloyds Bank plc	6.2	Not available
(The) Court of Edinburgh Napier University	5.9	Not available
Total	80.0*	

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. 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 December 2025, 1.6% of the Fund's NAV is invested in ground rents via an indirect holding in the Aberdeen Ground Rent Fund, with 18.5% of the Fund invested in income strip assets.

The top 10 tenants contributed c.80.0% of the total net income of the Fund as at 31 December 2025.

The unexpired lease term as at 31 December 2025 stood at 24.2 years, a decrease of 1.4 years over the fourth quarter of 2025. The proportion of income with fixed, CPI or RPI rental increases decreased by 0.9% over the fourth quarter of 2025 to 91.6% as at 31 December 2025.

Source: Northern Trust and Aberdeen.
Note that figures may not sum to 100% due to rounding.

Alpha Real Capital – Index Linked Income

Key area	Comments
Commentary	• Alpha Real Capital have reported a positive return of 1.2% over the quarter to 31 December 2025, driven primarily by income return. We are working with NT to understand the reasoning behind the discrepancy in quoted performance. • The strategy has underperformed its long-dated inflation-linked gilts benchmark over the quarter and year to 31 December 2025, driven by subdued ground rents valuations and the impact of the previously-mentioned administration and subsequent void, and the positive impact of falling long-dated gilt yields on the target. • Over the quarter, the manager completed a top-up transaction for the PGL portfolio as part of a wider deal to reassign three of the former Kingswood Learning and Leisure Group assets which have been allocated to the PGL group (following their parent entering administration).

Investment Performance to 31 December 2025

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)
Net of fees	-3.6	-10.2	-7.8
Benchmark / Target	9.4	1.7	-8.2
Net performance relative to Benchmark	-12.9	-11.8	0.4

Relative performance may not tie due to rounding

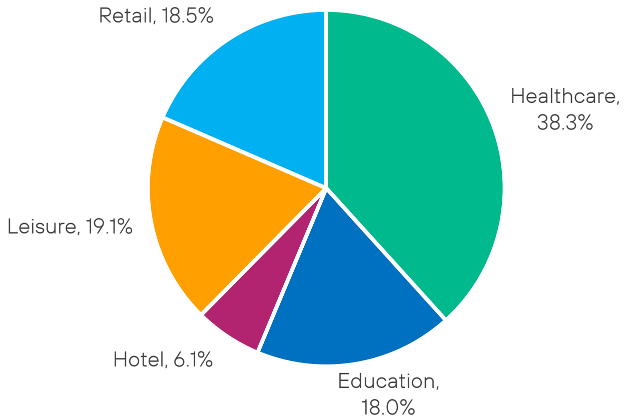
Alpha Real Capital was appointed to manage a ground rents mandate with the aim of outperforming the BoAML Long-Dated UK Inflation-Linked Gilts Index benchmark by 2.0% p.a. over a 5-year period. The manager has an annual management fee.

The average lease length stood at c. 141 years as at 31 December 2025, remaining unchanged over the quarter. The Index Linked Income Fund's portfolio is 100% linked to RPI (or CPI) with no fixed rent reviews in the portfolio.

The sector allocation in the Index Linked Income Fund as at 31 December 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 December 2025. The top 10 holdings in the Index Linked Income Fund accounted for c. 83.5% of the Fund as at 31 December 2025.

Portfolio Sector Breakdown at 31 December 2025



Top Ten Holdings by Value as 31 December 2025

Tenant	Value (%)	Credit Rating
Elysium Healthcare	15.3	A1
Dobbies	12.8	Baa1
Parkdean	11.6	A2
HC One	10.8	A2
PGL	8.9	Baa2
Away Resorts	7.1	A2
Busy Bees	5,9	A2
Grange Hotels	3.8	A2
CareTech II	4.5	A3
Booths	2.8	Aa3
Total	83.5	

Source: Northern Trust and Alpha Real Capital.

Man Group – Affordable Housing

Key area	Comments
Commentary	Capital Calls and Distributions • The Fund committed £30m to Man Group in February 2021. • Over the quarter, Man Group issued a recallable capital distribution of £0.9m for payment by 23 October 2025. • As such, the Fund's total commitment is c. 89% drawn for investment at 31 December 2025. Activity • Having completed the strategy's eleventh investment, Man Group has confirmed that no further investments will be added to the Community Housing Fund portfolio. • As at 30 September 2025, the Fund has contracted 1,403 homes and delivered 561 homes. • An update on the Fund's investments in Grantham, Wellingborough and Saltdean can be found in the Private Appendix to this report.

Investments Held

Investment	Number of Homes	Affordable Homes (%)	Gross Cost (£m)	Capital Invested to Date (£m)
Atelier, Lewes	41	95	13	13
Alconbury, Cambridgeshire	95	100	22	22
Grantham, Lincolnshire	227	85	51	33
Campbell Wharf, Milton Keynes	79	100	21	21
Towergate, Milton Keynes	55	100	18	17
Coombe Farm, Saltdean	71	83	28	28
Chilmington, Ashford	225	TBC	72	67
Tattenhoe, Milton Keynes	34	100	6	6
Glenvale Park, Wellingborough	146	100	35	24
Old Malling Farm, Lewes	226	100	84	31
Stanhope Gardens, Aldershot	96	100	39	35
Wantage Grove	108	100	35	9
Total	1,403	96	425	305

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 30 September 2025.

As at 30 September 2025, the Man Group Community Housing Fund has a weighted average expected levered IRR of 7.0%.

At the time of writing, Man Group data as at 31 December 2025 is not available.

Source: Man Group.

Appendices

Fund and Manager Benchmarks

Manager	Asset Class	Allocation	Benchmark	Inception Date
LCIV	Global Equity Quality	-	MSCI AC World Index	30/09/20
L&G	Low Carbon Target	20.0%	MSCI World Low Carbon Target Index	18/12/18
BlackRock	ACS World ESG – GBP Hedged	20.0%	MSCI World ESG Focus Low Carbon Screened Index – GBP Hedged	TBC
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 December 2025
LCIV Global Sustain	Global Equity	1.27%
L&G MSCI Low Carbon	Global Equity	1.68%
LCIV Absolute Return	Dynamic Asset Allocation	0.61%
Allspring Climate Transition B&M	Dynamic Asset Allocation	5.22%
LCIV Short B&M	Dynamic Asset Allocation	3.70%
LCIV Long B&M	Dynamic Asset Allocation	5.17%
Partners Group MAC	Secure Income	5.10%[1]
Partners Group Infrastructure	Secure Income	1.50%[1]
Aberdeen MSPC Fund	Secure Income	4.94%
Oak Hill Advisors	Secure Income	6.60%
Standard Life Long Lease Property	Inflation Protection	5.49%
Alpha Real Capital	Inflation Protection	4.73%
	Total	2.57%

Note: [1]30 September 2025.

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 CO2e/$MM)	GHG emissions over which the company has control, or derive from direct suppliers, divided by revenue	Greenhouse gases emitted by the direct operations of and suppliers to a company (scope 1, 2, and upstream scope 3) divided by revenue.
Trucost	Carbon-Direct+First Tier Indirect (tonnes CO2e)	GHG emissions over which the company has control (Direct + First Tier indirect)	Greenhouse gases emitted by the direct operations of and suppliers to a company (scope 1, 2, and upstream scope 3).
Trucost	Carbon-Scope 1 (tonnes CO2e)	GHG emissions from operations that are owned or controlled by the company	Greenhouse gas emissions generated from burning fossil fuels and production processes which are owned or controlled by the company (reference: GHG Protocol).
Trucost	Carbon-Scope 2 (tonnes CO2e)	GHG emissions from consumption of purchased electricity, heat or steam by the company	Greenhouse gas emissions from consumption of purchased electricity, heat or steam by the company (reference: GHG Protocol).
Trucost	Carbon-Scope 3 (tonnes CO2e)	Other indirect GHG emissions not covered in Scope 2	Other upstream indirect greenhouse gas emissions, such as from the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. T&D losses) not covered in Scope 2, outsourced activities, waste disposal, etc. (in line with GHG Protocol standards) (reference: GHG Protocol).

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Source: Allspring.

Allspring – ESG Metrics (2)

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

Source: Allspring.

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Pension Fund Current Account Cashflow Actuals and Forecast for period Oct - Dec-25

	Oct-25 £000s Actual	Nov-25 £000s Actual	Dec-25 £000s Actual	Jan-26 £000s F'cast	Feb-26 £000s F'cast	Mar-26 £000s F'cast	Apr-26 £000s F'cast	May-26 £000s F'cast	Jun-26 £000s F'cast	Jul-26 £000s F'cast	Aug-26 £000s F'cast	Sep-26 £000s F'cast	F'cast Annual Total £000s	F'cast Monthly Total £000s
Balance b/f	**1,606**	**9,290**	**7,677**	**7,009**	**5,544**	**4,678**	**3,237**	**9,600**	**8,685**	**7,154**	**5,593**	**4,657**		
Contributions	4,347	3,779	5,016	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	45,991	3,833
Pensions	(3,610)	(3,692)	(3,542)	(3,615)	(3,616)	(3,591)	(3,788)	(3,665)	(3,681)	(3,711)	(3,686)	(3,693)	(43,889)	(3,657)
Lump Sums	(402)	(626)	(1,632)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(9,860)	(822)
Net TVs in/(out)	(1,528)	(1,910)	242	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(5,897)	(491)
Net Expenses/other transactions	(15)	(163)	(752)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(4,531)	(378)
Net Cash Surplus/(Deficit)	**(1,209)**	**(2,612)**	**(668)**	**(1,465)**	**(1,466)**	**(1,441)**	**(1,638)**	**(1,515)**	**(1,531)**	**(1,561)**	**(1,536)**	**(1,543)**	**(18,184)**	**(1,515)**
Distributions	893	999			600			600			600		3,692	738
Net Cash Surplus/(Deficit) including investment income	**(316)**	**(1,613)**	**(668)**	**(1,465)**	**(866)**	**(1,441)**	**(1,638)**	**(915)**	**(1,531)**	**(1,561)**	**(936)**	**(1,543)**	**(14,492)**	**(1,208)**
Transfers (to)/from Custody Cash	8,000						8,000					8,000	24,000	6,000
Balance c/f	**9,290**	**7,677**	**7,009**	**5,544**	**4,678**	**3,237**	**9,600**	**8,685**	**7,154**	**5,593**	**4,657**	**11,114**	**84,238**	**4,792**

Current account cashflow actuals compared to forecast in Oct - Dec-25

	Oct-25		Nov-25		Dec-25		Oct - Dec-25
	Forecast £000s	Actual £000s	Forecast £000s	Actual £000s	Forecast £000s	Actual £000s	Variance £000s
Contributions	3,600	4,347	3,600	3,779	3,600	5,016	2,341
Pensions	(3,568)	(3,610)	(3,582)	(3,692)	(3,570)	(3,542)	(124)
Lump Sums	(800)	(402)	(800)	(626)	(800)	(1,632)	(260)
Net TVs in/(out)	(300)	(1,528)	(300)	(1,910)	(300)	242	(2,297)
Expenses/other transactions	(400)	(15)	(400)	(163)	(400)	(752)	269
Distributions			700	999			299
Transfers (to)/from Custody Cash		8,000			8,000		
Total	**(1,468)**	**6,791**	**(782)**	**(1,613)**	**6,530**	**(668)**	**230**

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 Oct - Dec-25

	Oct-25 £000s Actual	Nov-25 £000s Actual	Dec-25 £000s Actual	Jan-26 £000s F'cast	Feb-26 £000s F'cast	Mar-26 £000s F'cast	Apr-26 £000s F'cast	May-26 £000s F'cast	Jun-26 £000s F'cast	Jul-26 £000s F'cast	Aug-26 £000s F'cast	Sep-26 £000s F'cast	F'cast Annual Total £000s	F'cast Monthly Total £000s
Balance b/f	**23,298**	**20,238**	**18,833**	**20,288**	**21,798**	**21,808**	**21,818**	**12,328**	**12,338**	**12,348**	**10,858**	**10,868**		
Sale of Assets												5,000	5,000	1,667
Purchase of Assets		(3,300)					(3,000)			(3,000)			(9,300)	(2,325)
Net Capital Cashflows		**(3,300)**					**(3,000)**			**(3,000)**		**5,000**	**(4,300)**	**(358)**
Distributions	4,930	1,900	1,445	1,500			1,500			1,500			12,775	1,825
Interest	10	10	10	10	10	10	10	10	10	10	10	10	120	10
Management Expenses		(15)											(15)	(5)
Foreign Exchange Gains/Losses														
Class Actions														
Other Transactions														
Net Revenue Cashflows	**4,940**	**1,895**	**1,455**	**1,510**	**10**	**10**	**1,510**	**10**	**10**	**1,510**	**10**	**10**	**12,880**	**1,073**
Net Cash Surplus/(Deficit) excluding withdrawals	**4,940**	**(1,405)**	**1,455**	**1,510**	**10**	**10**	**(1,490)**	**10**	**10**	**(1,490)**	**10**	**5,010**	**8,580**	**715**
Contributions to Custody Cash														
Withdrawals from Custody Cash	(8,000)						(8,000)					(8,000)	(24,000)	(2,667)
Balance c/f	**20,238**	**18,833**	**20,288**	**21,798**	**21,808**	**21,818**	**12,328**	**12,338**	**12,348**	**10,858**	**10,868**	**7,878**	**(15,420)**	**(1,952)**

10A	Risk Description	ESG & Climate Regulatory Compliance Risk	Risk Score:	Impact	9	Likelihood	3	Total	27

Failure to comply with statutory environmental, social and governance (ESG) and climate-related governance and disclosure requirements, including TCFD reporting obligations and emerging pensions legislation, leading to regulatory breach, reputational damage and potential legal challenge.

Risk Owner(s)	Phil Triggs

Summary risk update/current position (incl. key metrics)	Date updated:	31 December 2025

TCFD reporting requirements for LGPS funds came into force from December 2024. The Fund has produced its required disclosures in line with statutory guidance, including governance, strategy, risk management, and metrics and targets.
The regulatory landscape continues to evolve, with increasing expectations around climate scenario analysis, stewardship transparency and responsible investment governance. Ongoing monitoring of legislative developments, including proposed pensions reform measures, remains necessary to ensure continued compliance.
Failure to meet disclosure standards, maintain appropriate governance documentation, or evidence effective oversight could result in regulatory scrutiny, audit challenge or reputational harm.

Proposed/planned mitigations	Mitigation Owner	Date for completion	Current Status
TREAT			
1. Maintenance and regular review of Responsible Investment and Climate Risk policies	Tri-Borough Pensions Team	Ongoing	Ongoing
2. Ongoing monitoring of legislative and regulatory developments	Tri-Borough Pensions Team	Ongoing	Ongoing
3. Committee training on ESG regulatory obligations	Tri-Borough Pensions Team	Ongoing	Ongoing

10B	Risk Description	Climate-Related Investment and Financial Risk	Risk Score:	Impact	9	Likelihood	3	Total	27

Failure to appropriately manage climate-related financial risks within the investment strategy, including transition risk, physical risk and stranded asset exposure, leading to asset underperformance, funding deterioration and increased employer contribution requirements.

Risk Owner(s)	Phil Triggs

Summary risk update/current position (incl. key metrics)	Date updated:	31 December 2025

Climate change presents financially material risks to long-term investment performance. Market repricing linked to decarbonisation policy, technological disruption and carbon regulation may materially affect asset valuations, particularly within energy, infrastructure and carbon-intensive sectors.
The Fund incorporates climate considerations within strategic asset allocation, manager monitoring and stewardship oversight. Carbon metrics and scenario analysis are reviewed annually; however, climate data limitations and modelling uncertainty remain inherent risks.
A disorderly transition or misalignment between portfolio positioning and global decarbonisation pathways could adversely impact funding levels over the long term.

Proposed/planned mitigations	Mitigation Owner	Date for completion	Current Status
TREAT			
1. Diversification across asset classes to manage transition and concentration risk (to be managed in discussion with the LCIV)	Tri-Borough Pensions Team	Ongoing	Ongoing

2. Engagement with investment managers on transition planning and stewardship outcomes (to be managed in discussion with the LCIV)	Tri-Borough Pensions Team	Ongoing	Ongoing
3. Integration of climate risk analysis within strategic asset allocation reviews (to be managed in discussion with the LCIV)	Tri-Borough Pensions Team	Ongoing	Ongoing

The tables above split what is currently one risk (Risk 10 ESG & Climate Risk) into two distinct risks; 10a – ESG & Climate Regulatory Compliance Risk, and 10b – Climate-Related Investment and Financial Risk.. While these issues are related, they represent materially different categories of risk with distinct drivers, consequences and control mechanisms. The rationale for separating them is primarily that it would improve clarity within the Fund's risk framework and strengthen oversight by the Committee.

Since the introduction of mandatory TCFD reporting for LGPS funds, ESG considerations have moved beyond reputational concerns and are now embedded within statutory compliance requirements. Failure to meet disclosure obligations, maintain appropriate governance documentation, or evidence effective oversight could expose the Fund to regulatory scrutiny, audit challenge or reputational damage. This aspect of the risk is procedural in nature and relates primarily to governance, reporting and compliance processes.

By contrast, climate-related investment risk is financial in character and affects the Fund's balance sheet. Transition risk, physical climate risk and stranded asset exposure may materially affect asset valuations and long-term funding outcomes. A disorderly transition to a low-carbon economy or misalignment between the portfolio and global decarbonisation pathways could result in asset underperformance and increased employer contribution requirements. This is therefore an investment strategy and funding risk rather than a compliance issue.

The control environments for these two risk types are also different. Compliance risk is mitigated through policies, reporting frameworks, regulatory monitoring and member training. Investment climate risk is managed through strategic asset allocation, manager oversight, scenario modelling, portfolio diversification and stewardship activity. Combining both exposures within a single risk reduces transparency regarding which controls are being relied upon and how effectively they are operating.

Unless there is objection from the Pension Fund Committee, the risk register will split these into separate risks for future quarter's reporting.

19	Risk Description	Liability Risk	Risk Score:	Impact	10	Likelihood	5	Total	50

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.

Risk Owner(s)	Phil Triggs

Summary risk update/current position (incl. key metrics)	**Date updated:**	**31 December 2025**

Following the significant inflationary spike experienced during 2022–2023, UK CPI has moderated from peak levels but remains subject to volatility. While headline inflation has reduced, services inflation and wage growth remain relatively persistent compared to pre-pandemic norms. Ongoing geopolitical tensions, energy market sensitivity and structural labour market constraints continue to present upside risks. The current environment presents less risk of an acute inflation shock than in prior years; however, there remains a meaningful risk that inflation settles structurally above long-term actuarial assumptions. Inflation and related macroeconomic indicators continue to be monitored alongside actuarial advice and investment strategy review.

Proposed/planned mitigations	Mitigation Owner	Date for completion	Current Status
TREAT			
1. *Inflation sensitivity analysis undertaken as part of actuarial valuation - The actuary includes CPI sensitivity modelling within the triennial valuation to quantify the funding impact of changes in inflation assumptions. This ensures the Committee understands the scale of liability exposure to assumption variation.*	Tri-Borough Pensions Team	Ongoing	Ongoing
2. *Investment strategy diversification including assets with inflation linkage - The Fund maintains exposure to asset classes with potential inflation-hedging characteristics (e.g. index-linked gilts, infrastructure, real assets), reducing the mismatch between asset performance and inflation-linked liabilities. This would be managed with the LCIV's investment advisor going forwards.*	Tri-Borough Pensions Team	Ongoing	Ongoing
3. *Regular monitoring of macroeconomic indicators with the investment consultant - Inflation trends, monetary policy developments and broader economic conditions are reviewed regularly with the investment consultant to assess whether strategic adjustments are required. This would be managed with the LCIV's investment advisor going forwards.*	Tri-Borough Pensions Team	Ongoing	Ongoing

28	Risk Description	Liability Risk	Risk Score:	Impact	7	Likelihood	4	Total	28

The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher-than-expected liabilities.

Risk Owner(s)	Phil Triggs

Summary risk update/current position (incl. key metrics)	**Date updated:**	**31 December 2025**

The 2025 Triennial Valuation is being finalised this month. Assumptions regarding CPI inflation, discount rates and long-term interest rates have been set following detailed analysis by the Fund Actuary, taking account of prevailing market conditions and forward-looking economic expectations.
Since the inflationary spike of 2022–2023, UK CPI has moderated; however, inflation remains subject to volatility and structural uncertainty. Services inflation and wage growth continue to exhibit persistence relative to pre-pandemic norms, while geopolitical tensions and energy market sensitivity present ongoing

upside risks. At the same time, interest rates remain materially higher than the ultra-low-rate environment experienced during the 2010s, although market expectations point to gradual easing over the medium term. *The Fund's liabilities are highly sensitive to both inflation and discount rate assumptions. While higher discount rates may reduce the present value of liabilities, upward pressure on CPI and salary growth assumptions increases projected benefit payments. The overall funding impact therefore depends on the interaction between these variables rather than any single assumption in isolation.* *The 2025 valuation incorporates updated economic assumptions intended to balance prudence with affordability for employers. Sensitivity analysis has been undertaken to illustrate the funding impact of small changes in key assumptions. Notwithstanding the completion of the valuation, the risk remains that actual economic experience diverges from assumptions over the inter-valuation period, potentially leading to funding level volatility and pressure on employer contribution rates.* *Macroeconomic conditions continue to be monitored alongside actuarial advice and investment strategy alignment to ensure the Fund remains resilient to changes in inflation and interest rate expectations.*

Proposed/planned mitigations	Mitigation Owner	Date for completion	Current Status
TREAT			
1. Robust Assumption Setting Process at Triennial Valuation - The Fund works closely with the Actuary to ensure that economic and demographic assumptions adopted at valuation are evidence-based, forward-looking and appropriately prudent. This includes consideration of market-implied inflation expectations, gilt yields, long-term growth forecasts and peer LGPS benchmarking.	Tri-Borough Pensions Team / Actuary	31 March 2026	Completed for 2025 Valuation
2. Annual IAS19 disclosures and interim funding updates are reviewed to identify emerging divergence between actual economic experience and valuation assumptions. This provides early warning of funding pressure between triennial valuations.	Tri-Borough Pensions Team	Ongoing	Annual Completion

There is a reasonable argument in favour of merging Risks 19 and 28 on the basis that both arise from the same underlying exposure: divergence between actuarial assumptions and actual economic outcomes. Inflation and interest rates are intrinsically linked within the valuation framework, and both ultimately affect liabilities through changes in CPI revaluation, salary growth and discount rates. The mitigations are also similar, relying on actuarial oversight, sensitivity analysis and investment strategy alignment. Combining the risks could therefore simplify the risk register, reduce duplication and present a single, coherent "Actuarial Assumption Risk" aligned to how the Fund monitors macroeconomic variables in practice.

However, there is also a strong case for retaining them as distinct risks. Risk 19 focuses specifically on CPI inflation exceeding expectations, which directly and measurably increases pension liabilities and has a clearly articulated sensitivity (e.g. 0.1% CPI resulting in a material percentage increase in liabilities). Risk 28 is broader in scope and captures the wider risk that valuation assumptions — including discount rates and long-term interest rates — may prove inaccurate. While related, the drivers and funding impacts of inflation risk and discount rate risk can differ materially, particularly where movements in bond yields partially offset inflation effects.

Maintaining separate risks also improves transparency and accountability. Inflation is a highly visible and politically sensitive variable with direct implications for employer affordability and contribution stability, warranting focused monitoring. In contrast, broader assumption risk encompasses technical actuarial judgment and long-term economic forecasting, which may require different reporting emphasis and oversight. Keeping them separate ensures that neither inflation sensitivity nor assumption calibration is diluted within a single combined entry.

On balance, although there is conceptual overlap, retaining Risks 19 and 28 as distinct entries provides clearer governance, more precise risk scoring and stronger monitoring discipline. The interrelationship between inflation and other assumptions can be acknowledged within narrative updates, but maintaining separate risks ensures that both specific CPI exposure and wider actuarial assumption risk continue to receive appropriate scrutiny.