

London Borough of Hammersmith & Fulham

Report to: Pensions Sub-Committee

Date: 3 March 2021

Subject: Pension Fund Quarterly Update Pack

Report of: Matt Hopson, Pension Fund Manager

Executive Summary

1.1 This paper provides the Pensions Sub-Committee with summary of the Pension Fund's:

- a. Overall performance for the quarter ended 31 December 2020;
- b. Cashflow update and forecast;
- c. Assessment of risks and actions taken to mitigate these.

Recommendations

1. The Pensions Sub-Committee is recommended to note the update.
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Wards Affected: None

H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
<ul style="list-style-type: none">• Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax payer.

Financial Impact

- None

Legal Implications

- None
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Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

1. LBHF Pension Fund Quarterly Update – Q3 2020/21

- 1.1. This report and attached appendices make up the pack for the quarter (Q3) ended 31 December 2020. 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 contains the Pension Fund's report on the latest updates with regards to the integration of the environmental, social and governance (ESG) factors as part of the its investment strategy.
- 1.3. Appendix 3 provides information about the Pension Fund's investments and performance. Richard Slater from Deloitte will be attending the meeting to present this report. The highlights are shown below:
 - In general, this has been a positive quarter for equity markets due to a number of positive activities that have taken place over this quarter, mainly being the release of the COVID-19 vaccine, giving some form assurance of things returning to normality. President Joe Biden's victory in the US Election has also impacted investment performance.
 - Overall, the investment performance report shows that over the quarter to 31 December 2020, following the downturn in markets caused by the COVID-19 outbreak, the market value of the assets increased by £44.2m to £1,185.0m.
 - The Fund performed in line with the benchmark net of fees by delivering a return of 4.5% over the quarter to 31 December 2020, and the estimated funding level was 96.6% as at 31 December 2020.
 - However, over the year to 31 December 2020, the fund underperformed against its benchmark by -1.6%.
 - The highlights over the quarter to 31 December 2020 was the performance of the LCIV Absolute Return Fund and Oak Hill Advisors, who both outperformed their 'cash plus' benchmark.
- 1.4. The Pension Fund's cashflow monitor is provided in Appendix 4. This shows both the current account and invested cash movements for the last quarter, as well as cashflow forecasts to 30 September 2021. An analysis of the differences between the actuals and the forecasts for the quarter is also included.
- 1.5. Appendix 5 contains the Pension Fund's Risk Registers.

2. Risk Management Implications

2.1 This is included in the risk registers.

3. Other Implications

3.1. n/a

4. Consultation

4.1. n/a

List of Appendices:

Appendix 1: Scorecard at 31 December 2020

Appendix 2: Pension Fund ESG Report

Appendix 3a: Deloitte Quarterly Report for Quarter Ended 31 Dec 2020

Appendix 3b: Deloitte Quarterly Report for Quarter Ended 31 Dec 2020 (EXEMPT)

Appendix 4: Cashflow Monitoring Report

Appendix 5: Pension Fund Risk Registers.

Scorecard at 31 December 2020

London Borough of Hammersmith and Fulham Pension Fund Quarterly

Monitoring Report

	Mar 20	Jun 20	Sep 20	Dec 20	Report reference
Value (£m)	1,006.4	1, 118.7	1,141.3	1, 185.5	Deloitte Report Gross of Fees
% return quarter	-8.8%	11.1%	2.0%	4.5%	
% return one year	-2.9%	4.8%	3.8%	8.1%	
LIABILITIES					
Value (£m)	1,100	1,144	1,196	1,225	
Surplus/(Deficit) (£m)	(25)	(37)	(45)	(48)	
Funding Level	98%	97%	96%	96%	
MEMBERSHIP					
Active members	4,332	4,151	4,252	4,442	
Deferred beneficiaries	6,840	6,992	5,953	5,914	
Pensioners	5,111	5,278	5,334	5,368	
Employers	50	47	57	57	
CASHFLOW					
Cash balance	£1.6m	£3.0m	£1.6m	£1.0m	Appendix 4
Variance from forecast	£0.0m	£0.6m	£0.5m	£1.0m	
RISK					
No. of new risks	0	1	0	0	Appendix 5: Risk Register
No. of ratings changed	0	12	0	0	
LGPS REGULATIONS					
New consultations	None	None	McCloud Supreme Court	None	

New sets of regulations	None	None	None	£95k exit cap scrapped	
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