

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 28/02/2023

Subject: Pension Fund Quarterly Update Pack

Report author: Siân Cogley, Pension Fund Manager

Responsible Director: Phil Triggs, Director of Treasury and Pensions

SUMMARY

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

- overall performance for the quarter ended 31 December 2022;
 - cashflow update and forecast;
 - assessment of risks and actions taken to mitigate these.
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RECOMMENDATIONS

1. The Pension Fund Committee is recommended to note the update.
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Wards Affected: None

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

Financial Impact

None.

Legal Implications

None.

DETAILED ANALYSIS

LBHF Pension Fund Quarterly Update: Q3 2022/23

1. This report and attached appendices make up the pack for the quarter three (Q3) ended 31 December 2022. An overview of the Pension Fund's performance is provided in Appendix 1. This includes administrative, investment, and cash management performance for the quarter.
2. Appendix 2 provides information about the Pension Fund's investments and performance. The highlights from the quarter are shown below:
 - Global markets investment performance was positive over the quarter, with global equity indices returning a 2.4% in local currency terms over the quarter.
 - Overall, the investment performance report shows that over the quarter to 31 December 2022, the market value of the assets increased by £4.3m to £1,253.4m.
 - The Fund has underperformed its benchmark net of fees by 0.6%, delivering a return of 0.8% over the quarter.
 - Over the year to 31 December 2022, the fund outperformed its benchmark by 1.6%, returning -5.0% overall. A well-diversified portfolio has made a positive impact.
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 2023. An analysis of the differences between the actuals and the forecast for the quarter is also included.
4. Appendix 4 contains the Pension Fund's risk registers.
5. The breaches of the law log has not been included this quarter as there have been no breaches to report.
6. The ESG dashboard can be found at:
<https://app.powerbi.com/view?r=eyJrljoiYjc2ZTEyZjltODI0Yi00NzY2LWJkNTMtODAwYjNINWNjYTQ5IiwidCI6IjUwZDhjMTE1LWl3N2YtNDM5NS1hM2JhLTNiNDM3Y2FmMGQ4OCIsImMiOiJh9>
7. Aviva has calculated an indicative net asset value as of 31 December 2022 for the redemption from the Aviva Investors Infrastructure Income Unit Trust as £25.8m. The actual proceeds payable will however be calculated using the unit price at the quarter end immediately before the date of redemption which is expected to be the quarter ending 31 March 2023 with the payment due after this date in the new financial year.

Risk Management Implications

1. These are included in the risk registers.
2. There have been no new risks identified on the risk register.
3. There have been no changes in the risk scores on the risk register.
4. The below risks have had a change in trend:
 - i. Risk 19 – CPI inflation. This has been amended from trending up to trending neutral. This is because the triennial valuation has now been completed.
 - ii. Risk 28 – liabilities. Now also neutral following the completion of the actuarial valuation.
 - iii. Risk 31 – strain on smaller employers. This has changed from trending up to trending neutral. This is because the actuarial valuation results have resulted in relative stability for most employers.

LIST OF APPENDICES

Appendix 1: Scorecard as at 31 December 2022

Appendix 2a: Deloitte Quarterly Report for Quarter Ended 31 December 2022 (EXEMPT)

Appendix 2b: Deloitte Quarterly Report for Quarter Ended 31 December 2022 (EXEMPT)

Appendix 3: Cashflow Monitoring Report

Appendix 4: Pension Fund Risk Registers