

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 15 November 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 30 September 2023;
 - cashflow update and forecast;
 - assessment of risks and actions taken to mitigate these.
-

RECOMMENDATIONS

1. To agree that Appendices 2a and 2b are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
 2. The Pension Fund Committee is recommended to note the update.
-

Wards Affected: None.

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

Financial Impact

None

Legal Implications

None

DETAILED ANALYSIS

LBHF Pension Fund Quarterly Update: Q2 2023/24

1. This report and attached appendices make up the pack for the quarter two (Q2) review ended 30 September 2023. 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:
 - Overall, the investment performance report shows that, over the quarter to 30 September 2023, the market value of the assets decreased by £11.5m to £1,273.9m.
 - The Fund has underperformed its benchmark net of fees by 0.41%, delivering an absolute return of -0.59% over the quarter.
 - The Total Fund delivered a positive return of 3.31% on a net of fees basis over the year to 30 September 2023.
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 June 2024. 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=eyJrljoiYjc2ZTEyZjltODI0Yi00NzY2LWJkNTMtODAwYjNINWNjYTQ5IiwidCI6IjUwZDhjMTE1LWl3N2YtNDM5NS1hM2JhLTNiNDI3Y2FmMGQ4OCIsImMiOiJh9>

Please note that the ESG Dashboard is as at the quarter ended 31 March 2023 while officers are exploring additional data options for this resource.
7. At the meeting of the 19 September 2023, the Committee agreed a 10% (£129m) allocation to Allspring Global. The first £43m of this commitment is due to be drawn by 15 November 2023.

8. At the meeting of the 19 September 2023, Committee agreed a 5% (£64.5m) allocation to LCIV Insight Buy and Maintain Bonds, with a 2.5% allocation to each of the short and long duration sub-funds. The full commitment is due to be drawn by 29 November 2023.
9. Regarding the redemption of all units in the Aviva Infrastructure Income Fund, these monies are due back to the fund by 31 December 2023. A latest update from Aviva confirmed that the sales process is ongoing and that they expect some redemption monies to be paid in December, while some may slip into early 2024.

Risk Management Implications

1. These are included in the risk registers.
2. There have been no new risks identified on the risk register. However, following this quarter's review, the wording has been updated to: '*Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty. Within this consideration is given to Covid-19, Brexit, and the invasion of Ukraine, **current events in the Middle East.***'
3. There have been no changes in the risk scores on the risk register.
4. One risk has a change in trend:
 - i. Risk 10 – Increased scrutiny on environmental, social and governance (ESG) issues. This has changed from trending neutral to trending up. This is because of the publication of the TNFD (Taskforce on Nature Related Financial Disclosures) recommendations that were recently released in September 2023. The Department for Work and Pensions' (DWP) Taskforce on Social Factors (TSF) has also launched an industry consultation on a new guide, which outlines more than 30 recommendations as to how the pensions industry can better incorporate social factors into investment decisions. With two industry wide publications it is likely we will see heightened scrutiny of the Fund's 2030 Net Zero goal. The Fund still awaits draft government regulations reference climate change reporting for the LGPS, due to take effect from 1 April 2024.

LIST OF APPENDICES

Appendix 1:	Scorecard as at 30 September 2023
Appendix 2a:	Isio Quarterly Performance Report for Quarter Ended 30 September 2023 (EXEMPT)
Appendix 2b:	Isio Quarterly Report for Quarter Ended 30 September 2023 (EXEMPT)
Appendix 3:	Cashflow Monitoring Report
Appendix 4:	Pension Fund Risk Register