



# Annual Report

Hammersmith & Fulham Pension Fund **2023/24**





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Preface

# Report from Chair of the Pension Fund Committee

## WELCOME TO THE ANNUAL REPORT OF HAMMERSMITH AND FULHAM PENSION FUND

The Pension Fund Committee is responsible for overseeing the governance and management of the London Borough of Hammersmith and Fulham Pension Fund, including investment management and pension administration responsibilities. As the current Chair of this Committee, I am pleased to introduce the Pension Fund's Annual Report for the year 2023/24.

At the 2022 actuarial valuation the London Borough of Hammersmith and Fulham Pension Fund achieved a funding level of 105%. At 31 March 2024, the indicative funding level has risen by 25% to 130% from the triennial valuation. Returns have continued to exceed the discount rate during the period, primarily as a result of excellent performance across the Fund's asset classes.

Following the actuarial valuation, a review of the strategic asset allocation was undertaken during the year where the Pension Fund Committee elected to invest in several new initiatives, allocating 10% to Allspring Global Investments Climate Transition Global Buy and Maintain Fund, 3.5% to Quinbrook Renewable Infrastructure and 5% to LCIV Buy and Maintain Bonds respectively.

The Fund collaborates closely with its LGPS pool, the London Collective Investment Vehicle (LCIV), to enhance efficiency by pooling Pension Fund assets. This collaboration allows the Fund to benefit from reduced fees that have been negotiated and to

leverage additional services offered by the LGPS asset pool, such as climate-related reporting and asset manager engagement. With nearly 60% of its assets pooled, the London Borough of Hammersmith and Fulham Pension Fund remains a key supporter of the London CIV pool.

At the Local Authority Pension Fund Awards 2023, The Fund was delighted to win the LGPS Fund of the Year (Assets Under £2.5billion) award. This great honour reflects the Fund's strong investment strategy, outstanding oversight and governance practices, and remarkable performance throughout the year.

I would like to thank all those involved in the governance and management of the Pension Fund during the year, especially those who served on the pension Fund Committee during this time.

**Councillor Ross Melton**  
Chair of the Pension Fund Committee



# Introduction

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

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies, and from investment returns on the Fund's investment assets. Contributions rates for employees set in accordance with the Local Government Pension Scheme Regulations 2013. Employer contributions are set based on the triennial actuarial funding valuation. The latest valuation for the fund was carried out as at 31 March 2022, and the new contributions came into effect from 1 April 2023.

The benefits payable from the Fund in respect of service from 1 April 2014 are set out in the Local Government Pension Scheme Regulations 2013, as amended, and in summary consist of:

- Career average revalued earnings (CARE), revalued in line with the Consumer Prices Index.
- Pensionable pay to include non-contractual overtime and additional hours.
- Flexibility for member to pay 50% contributions for 50% of the pension benefit
- Normal pension age to equal the individual member's State Pension Age.
- Option to trade £1 of pension for a £12 tax-free lump sum at retirement.
- Death in service lump sum of three times pensionable pay and survivor benefits
- Early payment of pensions in the event of ill health.

The benefits payable in respect of service prior to 1 April 2014 are based on an employee's final salary and the number of years eligible service. Benefits accrued in the Scheme before 1<sup>st</sup> April 2014 are protected up to that dated based on the scheme member's final year's pay.

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

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

The content and format of this annual report is prescribed by the LGPS Regulations 2013.

Publication of this report gives the Council the opportunity to demonstrate the high standard of governance and financial management applied to the Fund. It brings together several separate reporting strands into one comprehensive document that enables both the public and employees to see how the Fund is managed and how well it is performing.

It is in the interest of both employees and the public that the Fund is well managed and continues to provide high returns and excellent value for money.

## Introduction (continued)

### THIS ANNUAL REPORT COMPRISES THE FOLLOWING SECTIONS:

- **Management and Financial Performance** which explains the governance and management arrangements for the Fund, as well as summarising the financial position and the approach to risk management.
- **Investment Policy and Performance** which details the Fund's investment strategy, arrangements and performance.
- **Scheme Administration** which sets out how the Scheme's benefits and membership are administered.
- **Actuarial Information** which includes the funding position of the Fund with a statement from the Fund's actuary.
- **The Fund's Annual Accounts** for the year ended 31 March 2024.
- **Asset Pools** and their governance structure including costs
- **List of contacts** and a glossary of some of the more technical terms

- **Appendices** setting out the various regulatory policy statements of the Fund:
  - Governance Compliance Statement
  - Statement of Investment Principles
  - Communication Policy
  - Funding Strategy Statement
  - Pension Administration Strategy
  - Report of the Pensions Board

Further information about the Local Government Pension Scheme can be found at:

<https://www.lbhfpensionfund.org/>

This annual report and the statement of accounts within have been prepared taking careful account of relevant Statutory Guidance.



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# Management and Financial Information



# Governance Arrangements

## PENSION FUND COMMITTEE

The London Borough of Hammersmith & Fulham Council has delegated responsibility for pension matters to the Audit, Pensions and Standards Committee.

The Committee is comprised of five elected representatives of the council – four from the administration and one opposition party representative. Members of the admitted bodies and representatives of the Trade Unions may attend the committee meetings but have no voting rights. In order to manage the workload of the committee, it has delegated decisions in relation to all pension matters to the Pension Fund Committee.

The Committee obtains and considers advice from the Tri-Borough Director of Treasury and Pensions, the Section 151 Officer and, as necessary, from the Fund's appointed actuary, advisors and investment managers.

### Terms of reference for the Committee are:

- To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the investment consultant.
- To monitor performance of the Pension Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable.

- To determine the Fund's management arrangements, including the appointment and termination of fund managers, actuary, custodians and fund advisors.
- To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
- To approve the final Statement of Accounts of the Pension Fund and to approve the Annual Report.
- To receive actuarial valuations of the Pension Fund regarding the level of employers' contributions necessary to balance the Pension Fund.
- To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.
- To make and review an admission policy relating to admission agreements generally with any admission body.
- To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.

- To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
- To receive and consider the Auditor's report on the governance of the Pension Fund.
- To determine any other investment or Pension Fund policies that may be required from time to time to comply with Government regulations and to make any decisions in accordance with those policies.

The membership throughout 2023/24 of the Pension Fund Committee is set out below.

Councillor	Committee Attendance 2023/24
Ross Melton (Chair)	5/6
Adrian Pascu-Tulbure (Vice Chair)	5/6
Lauren Janes	6/6
Adam Peter Lang	4/6
Florian Chevoppe-Verdier	6/6

Councillors may be contacted at Hammersmith Town Hall, King Street, London, W6 9JU.

## PENSIONS BOARD

The Council has also established a Pensions Board (the Board) to assist the Pension Fund Committee as required by the Public Services Pensions 2013. The purpose of the Pensions Board is to provide oversight of the Pension Fund Committee.

The Board does not have a decision-making power in relation to management of the Fund but is able to make recommendations to the Pension Fund Committee. It meets at least twice a year.

### Terms of reference for the Pensions Board are:

- To secure compliance with the LGPS Governance regulations and any other legislation relating to the governance and administration of the Fund.
- To secure compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme
- To ensure effective and efficient governance and administration of the Scheme

### The membership of the Board is as follows:

- Two employer representatives nominated by the Council;
- Four scheme member representatives from the Council or an admitted or scheduled body.

The membership of the Pensions Board throughout 2023/24 is set out below.

Board Member	Employer/Employee	Attendance 2023/24
Cllr Ashok Patel (Chair)	Employer	2/2
Cllr Nikos Souslous	Employer	2/2
William O'Connell	Employee	2/2
Patsy Ishmael	Employee	1/2
Bruce Mackway	Employee	1/2
Andy Sharpe	Employee	1/2

## CONFLICTS OF INTEREST

The Pension Fund is governed by elected members acting as trustees and the Code of Conduct for elected members' sets out how any conflicts of interests should be addressed. The Members Code of Conduct is in Part 5 of the Council Constitution which can be found online at [www.lbhf.gov.uk](http://www.lbhf.gov.uk)

The Code includes general provisions on ethics and standards of behaviour which require elected members to treat others with respect and not to bully, intimidate or do anything to compromise the impartiality of those who work for or on behalf of the Council.

The Code also contains rules about "disclosable pecuniary interests" and sets out the action an elected member must take when they have such an interest in Council business, for instance withdrawing from the room or chamber when the matter is discussed and decided in committee, unless dispensation has been obtained from the Council's Monitoring Officer.

## GOVERNANCE COMPLIANCE STATEMENT

The LGPS Regulations 2013 require Pension Funds to prepare, publish and maintain a governance compliance statement; and to measure the governance arrangements in place against a set of best practice principles. This measurement should result in a statement of full, partial or non-compliance with a further explanation provided for any non- or partial-compliance.

The key issues covered by the best practice principles are:

- Formal committee structure;
- Committee membership and representation;
- Selection and role of lay members;
- Voting rights;
- Training, facility time and expenses.

A hyperlink to the Fund's Governance Compliance statement can be found in the Appendices section of this report.

## MEMBER AND OFFICER TRAINING

All Committee and Board members are required to have sufficient knowledge and understanding of pensions matters to undertake their roles. Board members are expected to comply with a separate policy on knowledge and understanding and maintain appropriate records.

The Tri-Borough Treasury and Pensions team host half day training sessions for all members to attend during the year.

Further relevant training is planned by officers for 2024/25 based on the needs of Committee and board members.

Training sessions during the year covered a diverse range of topics, including:

- private markets
- climate reporting
- current economic conditions facing the pensions world
- engagement versus divestment
- an update on the pooling consultation
- an overview of the current state of the economy
- insights into Artificial Intelligence (AI)

## FREEDOM OF INFORMATION REQUESTS

The public have the right to ask to see recorded information held by public authorities, as set out in the Freedom of Information Act 2000. During the year, the Fund received 7 Freedom of Information requests (FOIs), 6 were responded to within the statutory deadline of 20 working days. The remaining requests were responded to shortly after their deadlines, due to a delay in information requested from third parties.co

# Scheme Management and Advisors during 23-24

## EXTERNAL PARTIES

Investment Advisor	Isio		
Investment Managers	<b>Global Equities (Passive)</b>	<b>Absolute Return</b>	<b>Ground Rents</b>
	Legal & General Investment Management	Ruffer	Alpha Real
	Morgan Stanley Investment Management	<b>Fixed Income</b>	<b>Illiquid Alternatives</b>
	<b>Private Multi-Asset Credit</b>	Oakhill Advisors	Darwin
	Partners Group	<b>Long Lease Property</b>	<b>Affordable Housing</b>
	Aberdeen Standard	Aberdeen Standard	Man Group
	<b>Infrastructure</b>	<b>Private Equity</b>	<b>Bonds</b>
Aviva Investors	Unigestion	Allspring Global	
Partners Group		Insight	
Quinbrook			
Custodian	Northern Trust		
Banker	NatWest Bank		
Actuary	Hymans Robertson LLP		
Auditor	Grant Thornton LLP		
Legal adviser	Eversheds Sutherland		
Scheme Administrators	LPPA		
AVC Providers	Scottish Widows Workplace Pensions	Utmost Life and Pensions	

## OFFICERS

Strategic Director of Finance and Governance (S151 Officer)	Sukvinder Kalsi		
Tri-Borough Pensions Team	Phil Triggs	Julia Stevens	Alastair Paton
	Mat Dawson	Billie Emery	Ruby Vuong
	Patrick Rowe	Siân Cogley	Sukdev Singh
Pensions Manager	Eleanor Dennis		

Contact details are provided in Section 7 of this report

# Risk Management

The Fund’s primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay promised benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members’ pensions and other benefits will be fulfilled.

The responsibility for the Fund’s risk management strategy rests with the Pension Fund Committee. In order to manage the risks a Pension Fund Risk Register is maintained, focusing on investment risks and on administration risk. This document is reviewed quarterly. For the key risks which have been identified, appropriate planned actions have been introduced to minimise their impact. The risk register is managed by the Tri-Borough Director of Treasury and Pensions and risks have been assigned to the appropriate “risk owners”.

The key risks identified within the Pension Fund risk register are:

Objective Area at Risk	Risk	Risk Rating	Responsible Officer	Mitigating Actions
Investment	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty, including with Russia and Ukraine and conflicts in the Middle East.	High	Tri-Borough Director of Pensions and Treasury	The Fund’s officers are in regular dialogue with investment managers with regards to their management of political risk.  The Fund holds a well-diversified portfolio and the investment strategy is reviewed regularly.
Administration	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	Medium	Director of Finance	The Fund’s officers continue to monitor the staffing changes, contract and KPIs of third-party provider.

## Risk Management (continued)

Risks arising from financial instruments are outlined in the notes to the Pension Fund Accounts (Note 16).

The Funding Strategy Statement (Link included in the appendices section of this report) sets out the key risks, including demographic, regulatory, governance, to not achieving full funding in line with the strategy. The actuary reports on these risks at each triennial valuation or more frequently as and when required.

Objective Area at Risk	Risk	Risk Rating	Responsible Officer	Mitigating Actions
Funding	There is insufficient cash available to the Fund to meet pension payments due to reduced income generated from underlying investments, leading to investment assets being sold at sub-optimal prices to meet pension obligations.	Medium	Director of Finance	The Fund's officers maintain a regularly monitored cashflow forecast. The Fund's cash position is reported to Committee quarterly. The Fund continually reviews the income it receives from underlying investments
Governance	The asset pool disbands, or the partnership fails to produce proposals/solutions deemed sufficiently ambitious.	Medium	Tri-Borough Director of Pensions and Treasury	The Fund's officers frequently engage with the pool and partner funds Ongoing fund and pool proposals are monitored regularly
Funding	Scheme members live longer than expected leading to higher than expected liabilities.	Medium	Tri-Borough Director of Pensions and Treasury	The scheme's pension liabilities are reviewed on a quarterly basis and revalued every three years.
Investment	Volatility caused by Brexit factors, including ongoing supply chain issues and reduced trade and economic activity, as well as diminished UK financial and investment market activity.	Medium	Tri-Borough Director of Pensions and Treasury	Officers regularly consult and engage with advisors and independent managers.

## Risk Management (continued)

### THIRD PARTY RISKS

The Council has outsourced the following functions of the Fund:

- Investment management;
- Custodianship of assets;
- Pensions administration.

As these functions are outsourced, the Council is exposed to third party risk. A range of investment managers are used to diversify manager risk.

To mitigate the risks regarding investment management and custodianship of assets, the Council obtains independent internal controls assurance reports from the reporting accountants to the relevant service providers. These independent reports are prepared in accordance with international standards. Any weaknesses in internal controls highlighted by the control's assurance reports are reviewed and reported as necessary to the Pension Committee.

The Council's internal audit service undertakes planned programmes of audits of all the Councils' financial systems on a phased basis, all payments and income/contributions are covered by this process as and when the audits take place.

The results of these reviews are summarised below and cover 99.5% of investment holdings at 31 March 2024.

Fund Manager	Type of Assurance	Control Framework	Compliance with Controls	Reporting Accountant
Aberdeen Standard	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Aviva Investors	ISAE 3402	Reasonable assurance	Reasonable assurance	PWC LLP
Legal & General	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Morgan Stanley	ISAE 3402	Reasonable assurance	Reasonable assurance	Deloitte
Oak Hill Advisors	SOC10	Reasonable assurance	Reasonable assurance	RSM US LLP
Partners Group	ISAE 3402	Reasonable assurance	Reasonable assurance	PWC LLP
Ruffer LLP	ISAE 3402	Reasonable assurance	Reasonable assurance	Ernst Young LLP
Unigestion	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP
PIMCO	ISAE 3402	Reasonable assurance	Reasonable assurance	PWC LLP
Darwin	ISAE 3402	Reasonable assurance	Reasonable assurance	BDO Limited
Alpha Real Capital	AAF 01/20	Reasonable assurance	Reasonable assurance	BDO Limited
Man Group	ISAE 3402	Reasonable assurance	Reasonable assurance	Ernst Young LLP
Allspring Global	SOC10	Reasonable assurance	Reasonable assurance	KPMG LLP
Insight	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Quinbrook	ISAE 3402	Reasonable assurance	Reasonable assurance	BDO Limited
<b>Custodian</b>				
Northern Trust	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP

# Financial Performance

The Fund asset value increased by £87m during 2023/24, to £1,378m as at 31 March 2024, this was largely as a result of positive performance within the global equity mandate and fixed income portfolios.

A triennial revaluation was completed in 2022/23 showing an improvement in the overall funding level to 105% compared to 97% in 2019. However, funding levels for different employers vary significantly. To improve funding levels, the Council's medium-term financial plan already assumes an increase in employer contributions, which in combination with other employers, will improve the overall funding level over the medium term.

The latest triennial revaluation took place in 2022 and set employer contribution rates from 1 April 2023 onwards and shows a further funding level of 105%.

## ANALYTICAL REVIEW – FUND ACCOUNT

	2019/20	2020/21	2021/22	2022/23	2023/24
Fund account	£'000	£'000	£'000	£'000	£'000
Dealings with members					
Contributions	(37,869)	(41,534)	(42,920)	(43,807)	(49,925)
Pensions	52,660	52,088	54,096	54,869	60,845
<b>Net (additions)/withdrawals from dealings with members</b>	<b>14,791</b>	<b>10,554</b>	<b>11,176</b>	<b>11,062</b>	<b>10,920</b>
Management expenses					
Management expenses	5,866	8,903	9,915	8,283	10,857
Investment Income	(14,642)	(12,327)	(11,170)	(24,673)	(19,531)
Change in market value	36,172	(215,444)	(115,585)	39,819	(89,367)
<b>Net (increase)/decrease in the Fund</b>	<b>41,187</b>	<b>(208,337)</b>	<b>(105,690)</b>	<b>34,470</b>	<b>(87,121)</b>

Over the five-year period, pensions paid have exceeded contributions received by £59m in total. This reflects the maturity of the Fund membership in that there are fewer contributors than beneficiaries.

Both officers and the Pension Fund Committee monitor investment performance closely and refer to independent investment advisers as necessary to ensure the Fund's investments are being managed effectively.

Due to greater improvements and uptake in the cost transparency initiative, the Fund was able to better ascertain its transaction costs.



## Financial Performance (continued)

### ANALYTICAL REVIEW – NET ASSET STATEMENT

	2019/20	2020/21	2021/22	2022/23	2023/24
<b>Net Asset Statement</b>	£'000	£'000	£'000	£'000	£'000
Bonds	-	-	-	-	-
Equities	150	150	150	150	150
Pooled investment vehicles	946,792	1,214,810	1,287,378	1,260,241	1,353,274
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Cash deposits	59,524	8	32,104	20,245	7,456
Other	26	13	7	39	18
<b>Total Investment Assets</b>	<b>1,006,492</b>	<b>1,214,981</b>	<b>1,319,639</b>	<b>1,280,675</b>	<b>1,360,898</b>
Current assets	5,572	3,664	4,525	3,911	3,929
Current Liabilities	(1,178)	(1,100)	(2,118)	(1,979)	(2,905)
<b>Net (increase)/decrease in the Fund</b>	<b>1,010,886</b>	<b>1,219,223</b>	<b>1,324,913</b>	<b>1,290,443</b>	<b>1,377,564</b>

The points to note are:

- 43.5% of pooled investment vehicles comprise of global equity shareholdings (45.7% in 22/23), 25.9% within dynamic assets (25.2% in 22/23), 18.8% is invested in secure income (13.4% in 22/23), while the remaining 11.7% is invested in inflation protection (12.1% in 22/23).
- The overall value of pooled investment vehicles increased by £93m (7%) during the year, largely due to positive performance within the equity, and fixed income asset classes.

Further details are given in the Investment Policy and Performance Section.

## Financial Performance (continued)

### ANALYSIS OF DEALINGS WITH SCHEME MEMBERS

	2019/20	2020/21	2021/22	2022/23	2023/24
<b>Contributions Receivable</b>	£'000	£'000	£'000	£'000	£'000
- Members	(7,408)	(8,004)	(8,735)	(9,539)	(10,303)
- Employers	(26,135)	(24,180)	(25,568)	(27,421)	(31,323)
- Transfers in	(4,326)	(9,350)	(8,617)	(6,847)	(8,299)
- Other	-	-	-	-	-
<b>Total Income</b>	<b>(37,869)</b>	<b>(41,534)</b>	<b>(42,920)</b>	<b>(43,807)</b>	<b>(49,925)</b>
	2019/20	2020/21	2021/22	2022/23	2023/24
<b>Benefits Payable</b>	£'000	£'000	£'000	£'000	£'000
- Pensions	34,916	36,363	37,839	40,045	44,317
- Lump sum retirements and death benefits	9,400	8,672	10,368	8,002	9,439
- Transfers out	7,225	7,013	5,737	6,738	6,980
- Refunds	119	40	152	84	109
<b>Total Expenditure</b>	<b>51,660</b>	<b>52,088</b>	<b>54,096</b>	<b>54,869</b>	<b>60,845</b>
<b>Net Dealings with Members</b>	<b>13,791</b>	<b>10,514</b>	<b>11,176</b>	<b>11,062</b>	<b>10,920</b>

The key variances were due to the following:

- Lump sums increased due to more members retiring than in the prior year.
- Transfers in were higher, reflecting more new starters joining the scheme and choosing to transfer in benefits on commencement of employment, than last year.
- Transfers out were marginally higher, reflecting more people leaving the scheme and choosing to transfer out their benefits than the last year.
- Pension payments increased during 2023/24, as a result of the increases in pension payments, which are linked to CPI

## Financial Performance (continued)

### ANALYSIS OF OPERATIONAL EXPENSES

The costs of running the pension fund are shown below. During 2023/24, the administration costs increased by 76% to £973k, largely as a result of an increase in the administration staff recharge, pension administration contract and project costs. The Fund's investment management expenses increased by 24% during the year. There were three main driver of this increase in cost, firstly due to more favourable performance in 2023/24 than 2022/23, more managers hit their threshold for performance related fees. Secondly, fees from managers are calculated from the NAV, a higher NAV results in increased fees, and finally, The fund made four new investments, and topped up an investment in 2023/24: more investments redeemed to fund these new investments resulted in higher transaction fees than in the prior year

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
<b>Administration</b>					
Employees	223	279	230	236	206
Supplies and services	139	254	354	314	765
Other Costs	3	3	2	2	3
<b>Total Administration Costs</b>	<b>365</b>	<b>536</b>	<b>587</b>	<b>552</b>	<b>973</b>
<b>Governance and Oversight</b>					
Employees	447	550	637	409	356
Investment advisory services	81	109	59	97	62
Governance and compliance	134	125	151	126	180
External audit	25	-4	40	45	73
Actuarial fees	79	54	35	40	29
<b>Total Governance and Oversight Costs</b>	<b>766</b>	<b>834</b>	<b>922</b>	<b>717</b>	<b>699</b>
<b>Investment Management</b>					
Management fees	4,250	5,446	6,431	5,428	5,580
Performance fees	36	257	79	107	672
Transaction costs	421	1,764	1,845	1,377	2,864
Custodian fees	28	66	51	102	68
<b>Total Investment Management Fees</b>	<b>4,735</b>	<b>7,553</b>	<b>8,406</b>	<b>7,014</b>	<b>9,184</b>
<b>Total Operational Expenses</b>	<b>5,866</b>	<b>8,903</b>	<b>9,915</b>	<b>8,283</b>	<b>10,857</b>

## Financial Performance (continued)

### EMPLOYER AND EMPLOYEE CONTRIBUTION RATES

Employer contribution rates are set triennially as part of the actuarial valuation, with the most recent valuation taking place on 31 March 2022. Employer contributions need to be set at a level which ensures the Fund has enough money to pay member benefits. Employee contribution rates are based on employee salaries, with rates currently between 5.5% and 12.5% of pensionable pay.

The employer and average employee contribution rates for each active employer as a percentage of pensionable pay, for 2023/24, is shown in the table below.

Administering Authority	Employer Contribution Rate	Employee Contribution Avg, Rate
	%	%
LBHF Council	21.7%	7.5%
Addison Primary School	21.7%	5.9%
All Saints Primary School	21.7%	5.9%
Bayonne Nursery School	21.7%	6.0%
Brackenbury Primary School	21.7%	6.1%
Cambridge School (Special)	21.7%	6.4%
Jack Tizard School (Special)	21.7%	6.1%
James Lee Nursery School	21.7%	6.2%
Larmenier & Sacred Heart Primary School	21.7%	5.9%
Melcombe Primary School	21.7%	5.9%
Normand Croft Community School for Early Years & Primary Education	21.7%	5.9%
Randolph Beresford Early Years Centre Nursery School	21.7%	5.9%
Sir John Lillie Primary School	21.7%	5.9%

Administering Authority	Employer Contribution Rate	Employee Contribution Avg, Rate
St Augustine's Primary School	21.7%	5.9%
St Johns CE Primary School (Walham)	21.7%	6.0%
St Mary's Primary School	21.7%	6.1%
St Peter's Church of England Primary School	21.7%	5.9%
St. Thomas of Canterbury Primary School	21.7%	5.9%
The Good Shepherd Primary School	21.7%	5.9%
Vanessa Nursery School	21.7%	6.1%
William Morris Sixth Form School	21.7%	6.2%
Wood Lane High School	21.7%	6.3%
Wormholt Park Primary School	21.7%	6.4%
Kenmont Primary School	21.7%	6.2%
Flora Gardens Primary School	21.7%	6.3%
Miles Coverdale Primary School	21.7%	6.0%
Old Oak Primary School	21.7%	6.0%
St Paul's Primary School	21.7%	6.1%
Wendell Park School	21.7%	6.3%
St Stephens	21.7%	6.0%
Holy Cross RC Primary School	21.7%	6.1%
Avonmore Primary School	21.7%	5.5%
John Betts Primary School	21.7%	6.0%

## Financial Performance (continued)

### SCHEDULED BODIES

Scheduled bodies are organisations which have a statutory right to be a member of the Local Government Pension Scheme under the regulations e.g. academy schools.

Scheduled Bodies	Employer Contribution Rate	Employee Contribution Avg. Rate
	%	%
Mortlake Crematorium Board	21.9%	6.8%
London Oratory School	15.2%	6.3%
Ark Burlington Danes Academy	13.5%	6.0%
Hammersmith Academy	23.0%	6.8%
Sacred Heart Academy	23.0%	6.7%
Ark Conway Primary Academy	23.0%	5.7%
Knowledge West London Free School	23.0%	7.0%
Ark Bentworth Primary Academy	23.0%	5.6%
Lady Margaret Academy	23.0%	7.3%
Ark Swift Primary Academy (Ark White City Primary Academy from 01/09/2023)	23.0%	5.8%
Fulham College Academy Trust Girls	23.0%	6.5%
Hurlingham & Chelsea Academy	23.0%	6.2%

Scheduled Bodies	Employer Contribution Rate	Employee Contribution Avg. Rate
Fulham Boys Free School	23.0%	6.6%
Fulham College Academy - Boys	23.0%	6.6%
Greenside Academy	23.0%	6.0%
Thomas Academy	23.0%	6.2%
Langford Academy	23.0%	6.9%
Phoenix Academy (from October 2016)	23.0%	6.3%
Ormiston Trust - Bridge AP Academy	23.0%	6.6%
Ormiston Trust - Courtyard AP Academy	23.0%	5.5%
Knowledge Earl's Court Free Primary School	23.0%	5.7%
Brightwells Academy Trust Fulham Primary School	23.0%	5.9%
Brightwells Academy Trust Queens Manor Primary School	23.0%	5.9%
Brightwells Academy Sullivan Primary School	23.0%	6.1%
Queen Charlotte Special Education Trust	23.0%	6.2%
St John XXIII Catholic Primary Academy	23.0%	5.8%

## ADMITTED BODIES

Admitted bodies participate in the pension scheme via an admission agreement made between the Council and the employing organisation.

Admitted Bodies	Employer Contribution Rate	Employee Contribution Avg. Rate
	%	%
Mitie Catering Services Ltd	22.7%	6.2%
FM Conway	20.3%	6.4%
Pinnacle PSG Ltd - Estates Services	30.9%	6.5%
Urban Partnership Group	24.5%	6.6%
Caterlink (Main Contract)	32.6%	5.9%
BT - IT services	21.4%	6.8%
Abelian-UK Ltd - Wormholt Park Primary	35.8%	5.5%
Birkin Clean	35.9%	5.5%
F M Conway (2017)	23.8%	5.5%
Peabody	28.2%	5.5%
Morgan Sindall Group - Contract 1 -	34.3%	6.7%
Morgan Sindall Group - Contract 2 -	29.3%	6.5%
Bee Services - Randolph Beresford -	32.8%	5.5%
Bee Services - Vanessa Nursery -	35.6%	5.5%
Churchill Catering	33.9%	5.5%
The Pantry (UK) Ltd (St John XXIII)	25.2%	5.7%
The Pantry (UK) Ltd (St Marys)	23.1%	5.5%
Morgan Sindall Group - Contract 3 -	26.2%	6.5%
HATS Group Ltd	29.7%	5.5%
Veolia	20.4%	6.5%

## Financial Performance (continued)

### LATE AND OVERDUE CONTRIBUTIONS

As part of the Fund's Pensions Administration Strategy (PAS), officers monitor employer performance including payment of contributions and submission of monthly returns. As part of this monitoring process, the Fund has the ability to charge employers, as per the PAS, a link to which can be found in the appendices section of this report.

The following table details the number of late contribution payments made during the financial year 2023/24. There was a total of 16 late payments during the year, in relation to employer and employee

Month	Number of Late Payments
April	2
May	2
June	2
July	1
August	1
September	-
October	2
November	-
December	2
January	2
February	1
March	1
<b>Total</b>	<b>16</b>

contributions, however the option to levy interest on overdue contributions was not exercised.

### PENSION OVERPAYMENTS, RECOVERIES AND WRITE OFFS

The Fund's administrator, LPPA, monitors pension overpayments throughout the year. Due to time constraints and excess costs in relation to recovery, any pension payments valued at £250 or less are automatically written off. It is broadly estimated that Fund writes off approximately £20,000 - £30,000 in overpaid pension each year.

The Pension Fund does however attempt to pursue those overpayments above the £250 threshold. The LBHF pensions team continues to work with the LPPA and the LBHF debt recovery teams to try and recover further outstanding overpayment fund.

### ACTIONS TAKEN AGAINST FRAUD

Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss due to fraud is minimised. Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).

Officers are not aware of any instances of fraud, credit losses, provisions, contingent liabilities, or impairments during the year.



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# Investment Policy and Performance



# Investment Policy

The Pension Fund Committee has set out a broad statement of the principles it has employed in establishing its investment and funding strategy in the Investment Strategy Statement (ISS).

The ISS sets out responsibilities relating to the overall investment policy of the Fund including:

- asset allocations
- restrictions on investment types
- methods of investment management
- performance monitoring

The ISS also sets out the Fund's approach to responsible investment and corporate governance issues, and how the Fund demonstrates compliance with the "Myners Principles".

These Principles are a set of recommendations relating to the investment of pension funds originally prepared by Lord Myners in 2001 and subsequently endorsed by Government. The current version of the Myners Principles covers the following areas:

- effective decision making
- clear objectives
- risk & liabilities
- performance measurement
- responsible ownership
- transparency and reporting

A link to the Fund's ISS has been included in the appendices section of this report.

The LGPS (Management and Investment of Funds) Regulations 2016, require the Fund to publish an ISS.

The ISS addresses each of the objectives included in the 2016 Regulations, namely:

- The administering requirement to invest fund money in a wide range of instruments.
- The administering authority's assessment of the suitability of particular investments and types of investment.
- The administering authority's approach to risk, including the ways in which risks are to be measured and managed.
- The administering authority's approach to pooling investments, including the use of collective investment vehicles.
- The administering authority's policy on how environmental, social and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

Any queries relating to the Fund's investment policy should be addressed to:

Tri-Borough Pensions Team  
16<sup>th</sup> Floor  
64 Victoria Street  
London  
SW1E 6QP

Email: [pensionfund@lbhf.gov.uk](mailto:pensionfund@lbhf.gov.uk)

# Asset Allocation

The strategic asset allocation is agreed by the Pension Fund Committee and the Fund’s advisers. The allocation during the year ended 31 March 2024 was as follows:

Asset Class	Actual Allocation	Target Allocation
Global Equities	43.5 %	40.0%
Dynamic Asset Allocation	25.9%	25.0%
Secure Income	18.8%	20.0%
Total Inflation Protection	11.8%	15.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

The Pension Fund Committee holds Fund Managers accountable for decisions on asset allocation within the Fund mandate that they operate under. To follow the Myners’ Committee recommendation, Fund Managers are challenged deliberately and formally about asset allocation decisions.

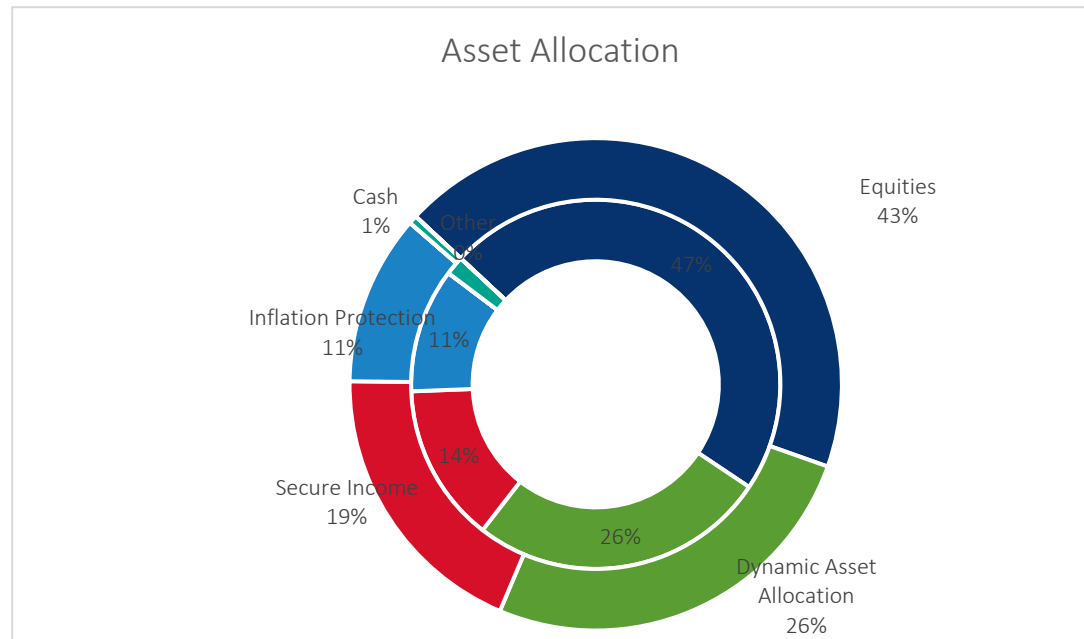
Investment portfolios are reviewed at each Committee meeting in discussion with the Investment Adviser and Officers, and Fund Managers are called to a committee meeting if there are issues that need to be addressed. Officers meet Fund Managers regularly and advice is taken from the Investment Advisor on matters relating to fund manager arrangement and performance.

Fund managers provide a rationale for asset allocation decisions based upon their research resource to ensure that they are not simply tracking the peer group or relevant benchmark index. The Fund’s asset allocation strategy can be found in the ISS.

The asset allocation of the Pension Fund at the start and end of the financial year are set out below.

These figures are based on market value and reflect the relative performance of investment markets and the impact of tactical asset allocation decisions made by the Pension Fund Committee.

At 31 March 2024, the fund had an overweight allocation to cash. This cash is intended to be allocated to secure income in 2024/25.

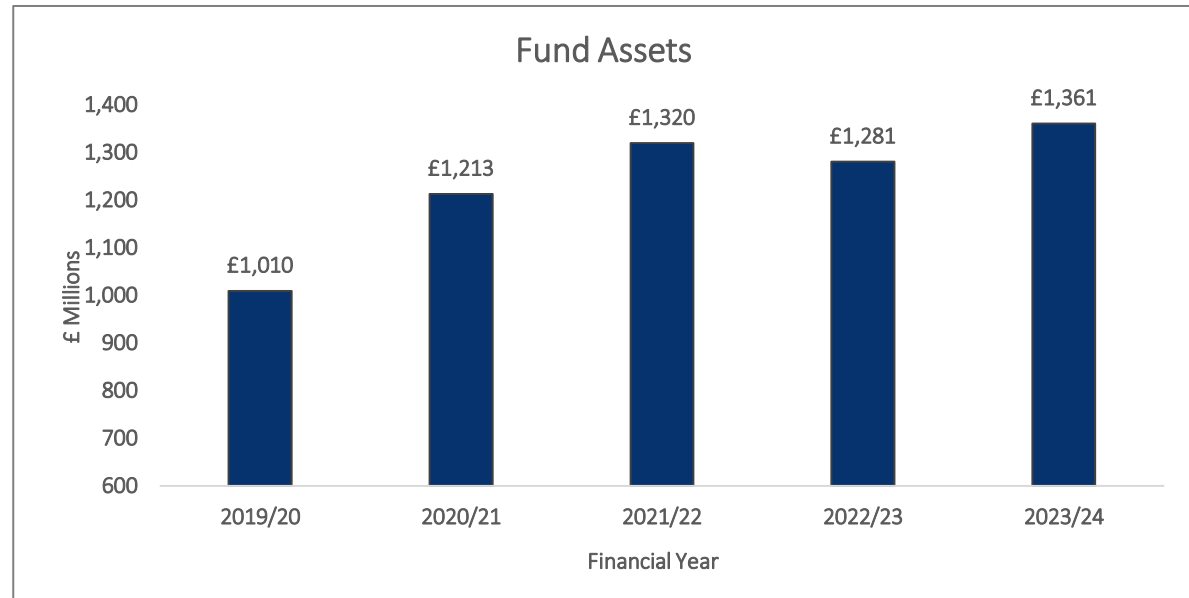


## Asset Allocation (continued)

### FUND VALUE

The net asset value of the Fund has almost doubled over the past ten years with 35% of this growth occurring over the last five years.

In 2023/24, the fund's net asset value increased by 6% to £1.36bn. The Fund is invested to meet liabilities over the medium to long-term and therefore its performance should be judged over a corresponding period. Annual returns can be volatile and do not necessarily indicate the underlying health of the Fund.

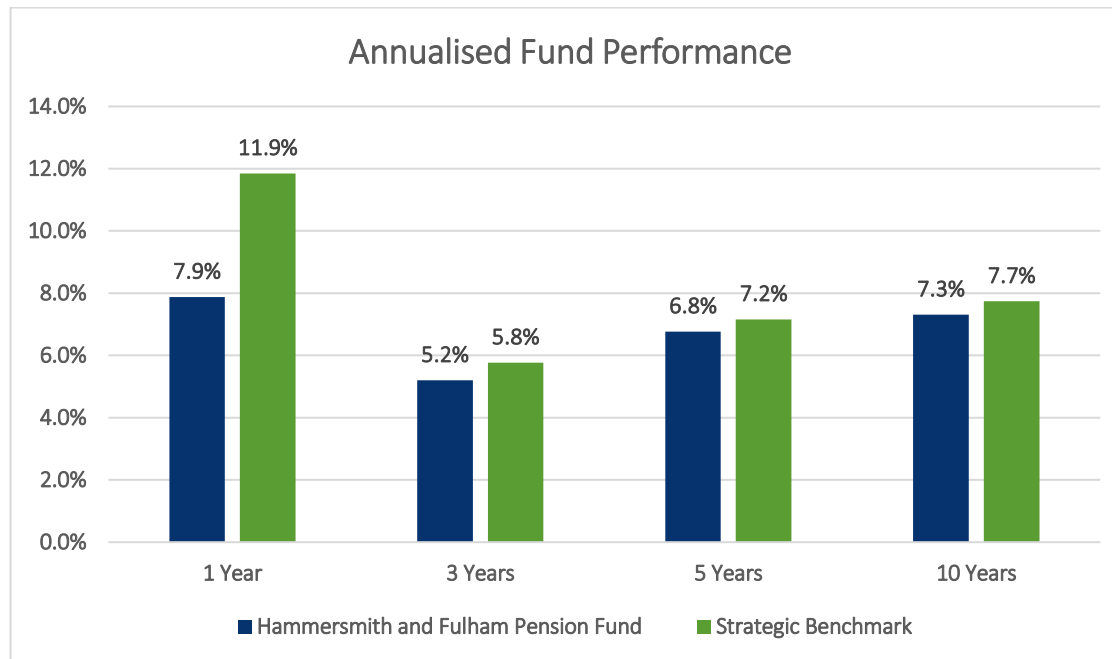


# Investment Performance

In 2023/24, the Fund's investment performance was 7.9% (-1.7% in 2022/23) to £1.36bn. This was below the average LGPS return by -3.97%.

Performance of the Fund is measured against an overall strategic benchmark. Each fund manager is assigned individual performance targets which are linked to index returns for the assets they manage, e.g. FTSE All Share for UK equities. Details of these targets can be found in the Statement of Investment Principles.

The chart below shows the annualised fund performance over different time periods. Overall, the Fund has underperformed its strategic benchmark across the 10-year period with an underperformance of 0.4% in 2023/24.



Performance of fund managers is reviewed quarterly by the Pension Fund Committee, which is supported by the Fund's independent investment advisor.

## Investment Performance (continued)

Active	Passive
<b>London LGPS CIV Ltd</b> LCIV Absolute Return Fund (Ruffer) LCIV Buy and Maintain Bonds (Insight) LCIV Global Core (MSIM)	<b>Legal &amp; General Investment Management</b> MSCI Low Carbon Tracker Fund
<b>Partners Group</b> Private Multi Asset Credit Infrastructure	
<b>Aviva Investors</b> Infrastructure	
<b>Oak Hill Advisors</b> Multi Asset Credit	
<b>abrdn</b> Long Lease Property Fund Multi-sector Private Credit	
<b>Man Group</b> Affordable Housing	
<b>Darwin Alternatives</b> Illiquid Alternatives	
<b>Quinbrook</b> Renewable Infrastructure	
<b>Allspring Global Investors</b> Buy and Maintain Bonds	
<b>Alpha Real Capital</b> Ground Rents	

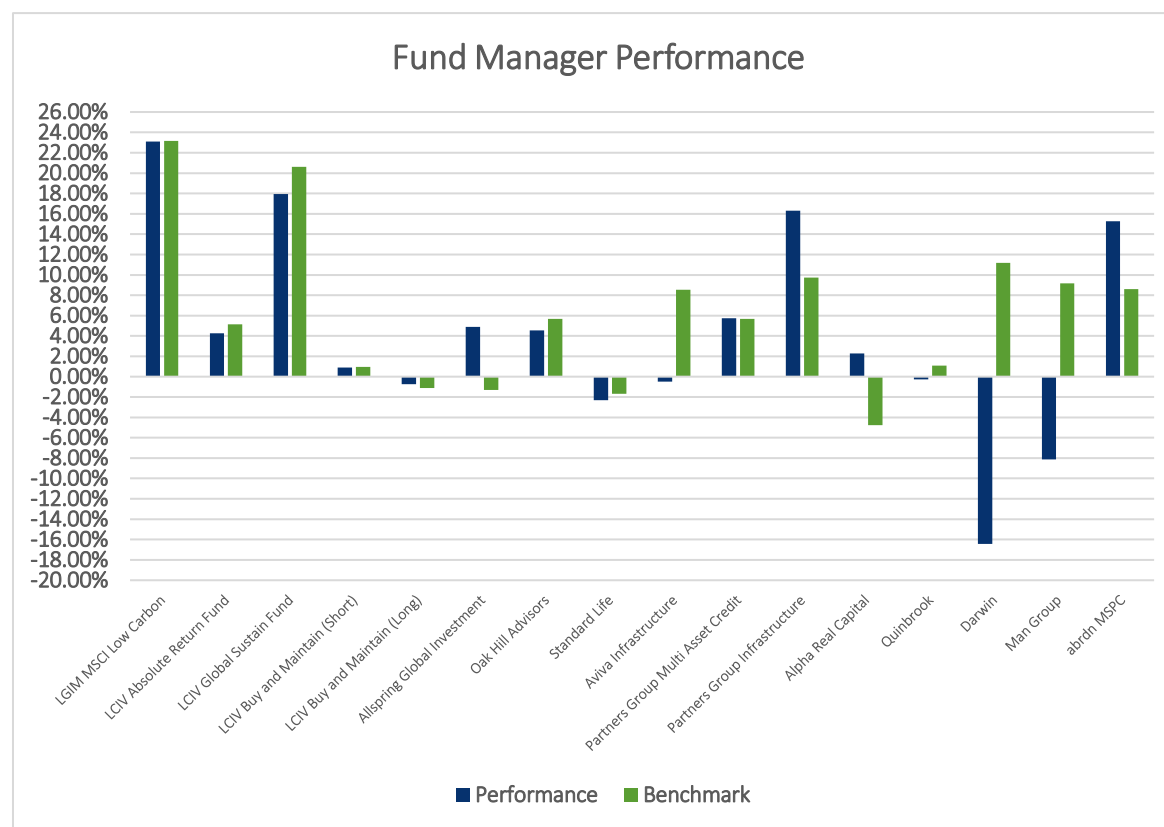
The overall performance of each manager is measured over rolling three-year or five-year periods as there will inevitably there be short-term fluctuations in performance.

The Fund entered into new strategies during the year. These have been measured on their performance since inception.

The portfolio is a mixture of active and passively managed asset classes:

- Targets for active fund mandates are set to outperform the benchmark by a set percentage through active stock selection and asset allocation.
- Targets for passive funds are set to achieve the benchmark through investment in a stable portfolio.

The table below shows the portfolio mixture of the fund:



# Corporate Governance

## RESPONSIBLE INVESTMENT POLICY

The Council has a paramount fiduciary duty to obtain the best possible financial return on Fund investments without exposing assets to unnecessary risk. It believes that following the best practice in terms of environmental, social and ethical issues has a positive effect on the long-term financial performance of a company and will improve investment returns to its shareholders.

The Fund investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of environmental, social and ethical issues on the performance of a company when undertaking the acquisition, retention or realisation of investments for the Fund.

In 2019/20 the Fund drafted its first Responsible Investment Statement which was approved later in 2020. This has since been updated and approved by Committee in June 2022. A link to the current responsible investment strategy can be found in the appendices section of this report.

The Fund's investment managers have adopted socially responsible investment policies which are subject to regular review both by officers and by the Council's Pension Fund Committee.

## PROFESSIONAL BODIES

The Council is a member of the CIPFA Pensions Network which provides a central coordination point for all LGPS funds and local authority members.

CIPFA staff and the network more generally can advise subscribers on all aspects of pensions and related legislation. Relevant training and seminars are also available to officers and members of participating funds.

While the Fund is a member of the Pensions Lifetime and Savings Association (formerly the National Association of Pension Funds), it does not subscribe to nor is it a member of the Local Authority Pension Fund Forum, UK Sustainable Investment & Finance Association or the Institutional Investors Group on Climate change or any other bodies.

## VOTING

Fund Managers have the delegated authority to vote at shareholder meetings in accordance with their own guidelines, which have been discussed and agreed with the Pension Fund Committee. The Committee keeps under close review the various voting reports that it receives from Fund managers.

## COLLABORATIVE VENTURES

The Fund has been working closely with other London LGPS funds in the London Collective Investment Vehicle set up to enable greater buying power, reduced fees and enhanced governance arrangements.

The Hammersmith and Fulham Pension Fund is a shareholder in London LGPS CIV Limited and had 59.5% of assets invested with the pool as at 31 March 2024.

## Corporate Governance (continued)

### SEPARATION OF RESPONSIBILITIES

The Fund has appointed Northern Trust as its global custodian, which is independent to the investment managers and responsible for the safekeeping of all the Fund's investments. Northern Trust are also responsible for the settlement of all investment transactions and the collection of income.

The Fund's bank account is held with NatWest Bank. This is used for the operation functions of the Fund which include receiving contributions from employers and paying out benefits to members.

The actuary is responsible for assessing the long-term financial position of the pension fund and issues a Rates and Adjustments statement following their triennial valuation of the Pension Fund, which sets out the minimum contributions which each employer in the Scheme is obliged to pay over the following three years.

### STEWARDSHIP CODE

The Pension Fund Committee believes that investor stewardship is a key component of good governance and is committed to exercising this responsibility with the support of its investment managers. In line with this approach, all the Fund's equity investment managers are signatories to the UK Stewardship Code.

The Pension Fund Committee believes that companies should be accountable to shareholders and should be structured with appropriate checks and balances so as to safeguard shareholders' interests and deliver long-term returns.

The Pension Fund Committee encourages Fund Managers to consider a range of factors before making investment decisions, such as the company's historical financial performance, governance structures, risk management approach, the degree to which strategic objectives have been met and environmental and social issues. Such considerations may also be linked to voting choices at company AGMs.

The Pension Fund Committee's role is not to micro-manage companies but provide perspective and share with boards and management our priorities for investment and approach to corporate governance. The aim is to work with management, shareholders and stakeholders to bring about changes that enhance long-term performance.

### FUNDING STRATEGY STATEMENT

The Funding Strategy Statement (link in appendices section of this report) sets out the aims and purpose of the pension fund and the responsibilities of the administering authority regarding funding the scheme.

Its purpose is:

- To establish a clear and transparent fund-specific strategy to identify how employers' pension liabilities are best met going forward;
- To support the regulatory requirement to maintain as nearly constant employer contribution rates as possible;
- To take a prudent longer-term view of funding those liabilities.

# Asset Pool Background and Governance

## BACKGROUND

During 2015 the Department for Levelling Up, Housing and Communities (DLUHC) issued guidance on LGPS asset pooling (LGPS: Investment Reform Criteria and Guidance), which sets out how the government expected funds to establish asset pooling arrangements. In January 2019, the DLUHC issued a consultation and draft guidance on asset pooling within the LGPS, setting out changes to the pooling framework. This guidance will set out the requirements on administering authorities, replacing previous guidance, and build on previous ministerial communications and guidance on investment strategies.

The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing a pooling solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost.

The pension funds across England and Wales have come together to form eight asset pools. The Fund joined the London Collective Investment Vehicle (LCIV) in December 2015, the pool comprises of the 32 local authorities within London and has c.£31.6bn under management, with 24 funds launched as of 2023/24.

The Fund has transitioned assets into the London CIV with a value of £0.809bn or 60% as at the 31 March 2024. Going forward the Fund will look to transition further assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

## GOVERNANCE

There are a number of governance issues to be considered under pooling arrangements such as the relationship between the pension fund and asset pool, governance structure of the pool and the role of administering authorities.

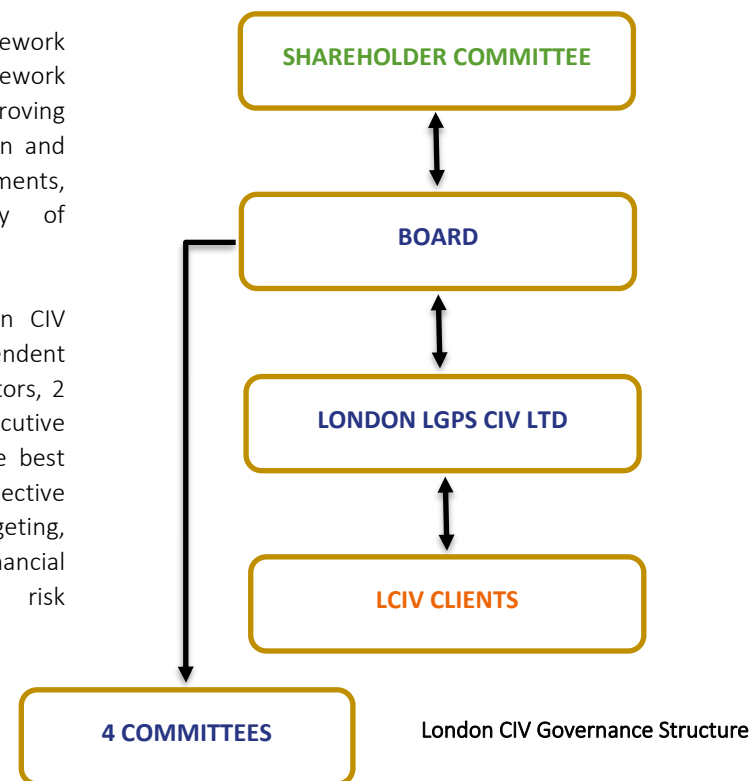
The London CIV Shareholder Committee is responsible for scrutinising the actions of the LCIV Company Board, reporting and transparency, consultation on the strategy, responsible investment and emerging issues. The Committee comprises of 12 members including Councillors and Treasurers from the LLAs.

The Corporate Governance and Controls framework was updated during September 2018. This framework details the governance arrangements for approving the London CIV's annual budget, business plan and objectives, governance structures and appointments, shareholder agreement and transparency of information and reporting.

Following a review during 2023, the London CIV Company Board comprises of an independent Chairman, 3 Independent Non-Executive Directors, 2 Shareholder nominated NEDs, and 2 Executive Directors. The Board has a duty to act in the best interests of the shareholders and has collective responsibility for; strategy oversight, budgeting, performance review, major decision making, financial reporting and controls, compliance and risk management, key policies and governance.

The London CIV has four Committees, responsible for investment oversight, audit and risk, remuneration and nominations and day to day operations of the company. These comprise of executive and non-executive members.

External independent oversight and assurance of the pool company is provided by the FCA, depository, external auditors and the DLUHC. The London CIV hosts an AGM on a semi-annual basis, to which all 32 members are invited. This allows members the opportunity to exercise shareholder power, approve the annual budget and hold the Board to account.





# Pool Set Up Costs

## POOL SET UP AND TRANSITION COSTS

The set up and transition costs incurred by the Fund in relation to pooling are detailed in the following table.

	2023/24			
	Direct	Indirect	Total	Cumulative
	£'000	£'000	£'000	£'000
<b>Set up costs</b>				
Other costs	27	76	103	857
<b>Total set up costs</b>	<b>27</b>	<b>76</b>	<b>103</b>	<b>857</b>
<b>Transition costs</b>				
Taxation	-	-	-	-
Other transition costs	74		74	776
<b>Total transition costs</b>	<b>74</b>		<b>74</b>	<b>776</b>

## TOTAL EXPECTED COSTS AND SAVINGS

The Pension Fund has five mandates held with the London CIV pool company; Morgan Stanley Global Quality Equities, LGIM MSCI Low Carbon Equities, Ruffer Absolute Return, Insight Buy and Maintain Bonds (Short Duration) and Insight Buy and Maintain Bonds (Long Duration). The following table details actual costs and savings to 2023/24 by pooling these funds.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Set up costs	(5)	(93)	(65)	(138)	(259)	(400)	(331)	(103)	(5)
Transition costs	(29)	(84)	(90)	(95)	(118)	(135)	(131)	(74)	(29)
Fee savings/(costs)	56	328	465	766	936	1,437	1,436	1,197	56
<b>Net savings/(costs) realised</b>	<b>22</b>	<b>151</b>	<b>309</b>	<b>533</b>	<b>559</b>	<b>902</b>	<b>974</b>	<b>1,020</b>	<b>22</b>

# Other Investment Management Costs

The table below splits investment management costs between pooled and non-pooled.

	Asset Pool			Non-asset pool			Fund Total
	Direct	Indirect	Total	Direct	Indirect	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Management fees	2,773	-	2,773	2,723	756	3,479	6,252
Asset pool shared costs	-	-	-	-	-	-	-
Transaction costs	-	2,070	2,070	-	794	794	2,864
Custody	-	-	-	68	-	68	68
<b>Total</b>	<b>2,773</b>	<b>2,070</b>	<b>4,843</b>	<b>2,791</b>	<b>1,550</b>	<b>4,341</b>	<b>9,184</b>

An analysis of operational expenses including variances to prior years can be found within section 2 of this report.

# Asset Allocations

Asset values as at 31 March 2024	Pooled	Under pool management	Not Pooled	Total
	£'000	£'000	£'000	£'000
Equities	179,216	412,468	-	<b>591,684</b>
Bonds	66,564	-	135,290	<b>201,854</b>
Property	-	-	49,613	<b>49,613</b>
Hedge funds	-	-	-	-
Diversified Growth Funds	-	-	-	-
Private equity	150	-	30	<b>180</b>
Private debt	-	-	-	-
Infrastructure	-	-	96,005	<b>96,005</b>
Derivatives	-	-	-	-
Cash and net current assets	-	-	7,474	<b>7,474</b>
Other	151,199	-	262,889	<b>414,088</b>
<b>Total</b>	<b>397,129</b>	<b>412,468</b>	<b>551,301</b>	<b>1,360,898</b>

\*£150k relates to the share capital of the London CIV

See section 3 of this report for more information regarding Fund performance and asset management.

The following table splits out the Fund's assets by UK investment. This data covers some but not all of the assets included in the asset classes in the net asset statement, and it is not expected that it sums to 100% of assets.

Asset values as at 31 March 2024	Pooled	Under pool management	Not Pooled	Total
	£'000	£'000	£'000	£'000
UK Listed Equities	21,394	14,849	0	<b>36,243</b>
UK Government Bonds	29,386	0	43,969	<b>73,356</b>
UK Infrastructure	-	0	156,728	<b>156,728</b>
UK Private Equity	0	0	0	-

# Levelling Up

As part of the government’s Levelling up plans, funds are required to publish plans for increasing investment in line with an ambition of up to 5% of assets to be invested in projects which support levelling up. Levelling up refers to assets which make a measurable contribution to one of the missions set out in the Government’s Statement of Levelling Up Missions 11 (which is made under Section 1 of the Levelling Up and Regeneration Act 2023) and support any local area within the United Kingdom. The following table details the amount and type of UK levelling up investments that have been made through the Fund’s LGPS pool, London CIV, and outside the pool. Levelling up assets outside the pool include infrastructure and affordable housing assets, given the illiquid nature of these asset classes it would not be beneficial for the Fund to transition these into the pool.

Asset values as at 31 March 2024	Pooled	Under pool management	Not Pooled	Total
	£'000	£'000	£'000	£'000
Additional memorandum: UK Levelling up	-	-	71,276	71,276

As shown in the following table, the Fund has 5.2% of investments within the strategic asset allocation allocated to UK levelling up initiatives, including affordable housing (1.7%) and renewable infrastructure (3.5%). As at 31 March 2024, the Fund had 5.2% of assets physically invested within levelling up assets, up from 1.9% in 2022/23, with the Fund on track to be fully drawn in the coming years.

	Assets committed	Previous Year Actual Allocation	Current Year Actual Allocation
	%	%	%
UK Levelling up	6.0%	1.9%	5.2%

A photograph of the Hammersmith Bridge in London, featuring a large stone sculpture of a figure in a long, flowing dress. Below the sculpture is a stone wall with a plaque that reads "HAMMERSMITH BRIDGE". The background shows the bridge's suspension cables and a building with a spire.

**HAMMERSMITH  
BRIDGE**

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## Scheme Administration

# Administration Management Performance

The administration of the Fund is managed by Hammersmith and Fulham Council but undertaken by LPPA under a not-for-profit contractual arrangement which has been operational since 26 January 2022. Officers monitor the contract via monthly meetings with the LPPA and monitoring of KPIs and membership data statistics, which are reported to the Pension Fund Committee on a quarterly basis. Our administrators, LPPA use a mortality tracing firm to help identify deaths of UK pensioners both abroad and in the UK.

## PERFORMANCE INDICATORS

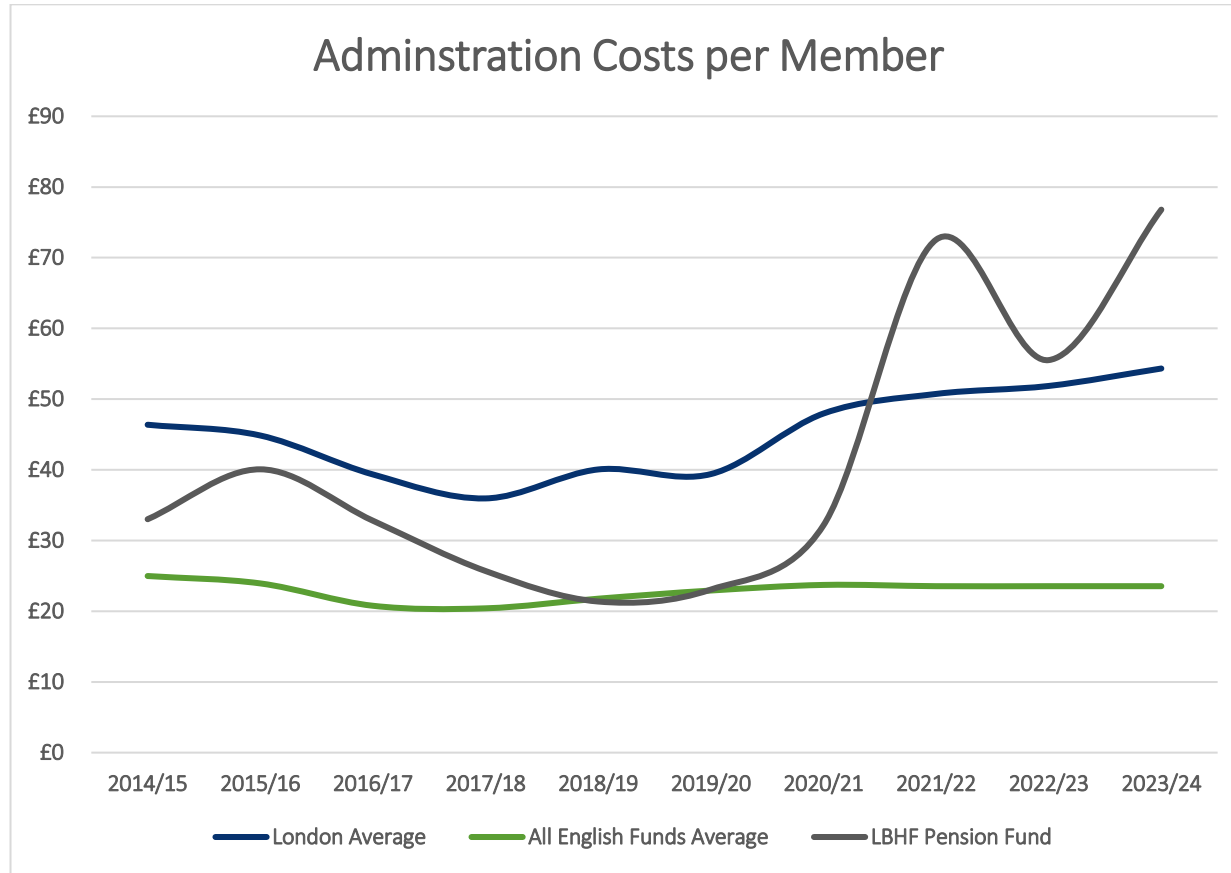
The contract with LPPA includes several performance indicators included to ensure that service to members of the pension fund is effective. The key targets are set out below, along with actual performance. Business as usual work of pension administration is well managed by LPPA and standard pension processes including retirements, refunds and death cases are handled sensitively and within the agreed timescales.

Performance Indicators (LPPA)	Target	2020/21 Performance	2021/22 Performance	2022/23 Performance	2023/24 Performance
Letter to new members	10 days	74%	100%	99%	99%
Calculate transfer in calculations	10 days	90%	91%	90%	98%
Calculate and pay transfer out calculations	10 days	79%	84%	93%	98%
Calculate deferred benefit entitlement	15 days	73%	77%	96%	97%
Calculate and pay retirement benefits	5 days	77%	58%	69%	90%
Process refunds on contributions	5 days	75%	75%	91%	96%
Letter acknowledging death of member and letter to next of kin	5 days	87%	83%	73%	99%

## VALUE FOR MONEY STATEMENT

Benchmarking is undertaken through our membership of the CIPFA club for administering authorities. Our administration costs are competitive, with the annual administration cost per member being £55.52. This is slightly above the London average of £51.46. The LBHF Head of Pensions regularly meets with colleagues from other local authority funds to share ideas and best practice.

## Administration Management Performance (continued)



## STAFFING INDICATORS

As shown in the chart, the Pension Fund's cost of administration per member costs has remained higher than the average London Borough Pension Fund since 2021-22, which is primarily due to changing administrative platform providers and bringing the admin team back in-house which resulted in several one-off costs during the year.

The administration of the Fund comprises of:

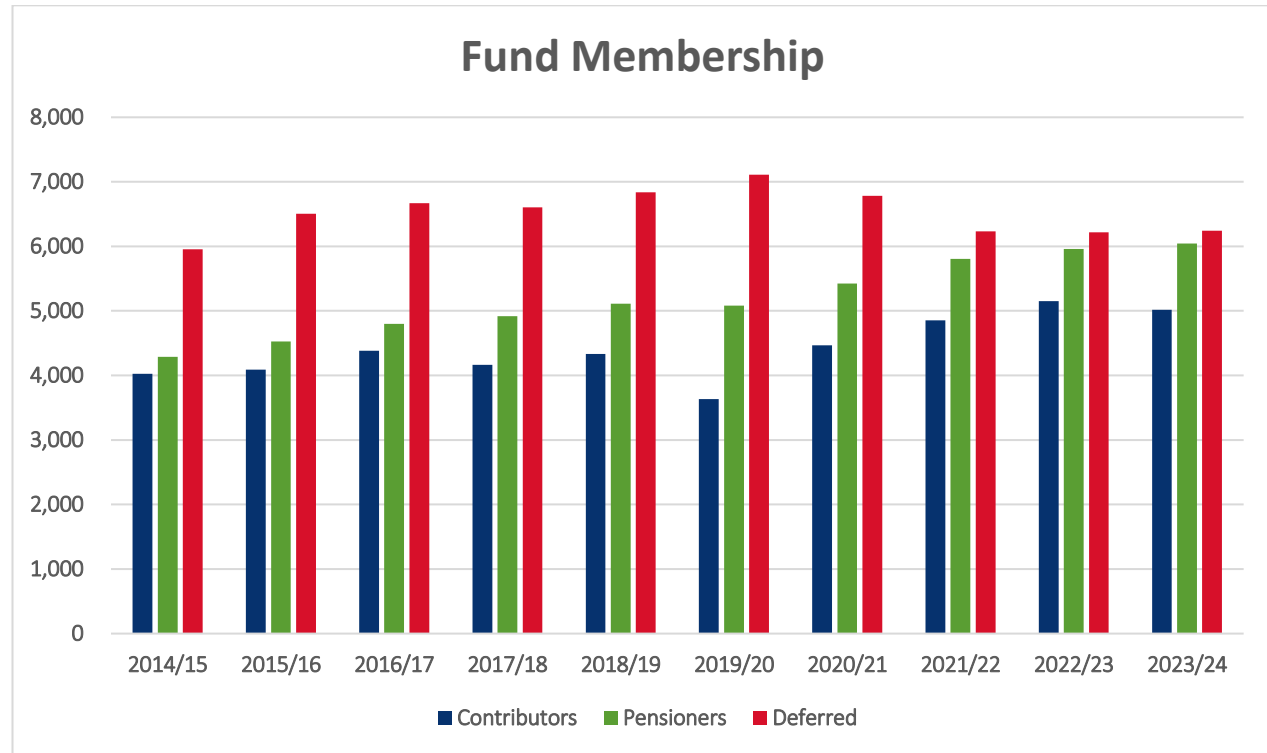
- 6 FTE Hammersmith and Fulham HR staff to oversee administration, operations, fund employers and compliance.
- 1.93 FTE Westminster Finance staff assigned to the oversight and governance of the Pension Fund.

## Administration Management Performance (continued)

### MEMBERSHIP NUMBERS AND TRENDS

Overall membership has increased by approximately 9% over the past 5 years from 15,828 to 17,305.

The introduction of auto-enrolment in 2013 and the increase in admitted employers has led to an increase in members contributing towards the Scheme. Nonetheless, the number of pensioners has been stable over the last several years in common with other local government pension funds, reflecting the maturity of the Fund.



### ENHANCED BENEFITS

The total number of pensioners in receipt of enhanced benefits due to ill health or early retirement on the grounds of redundancy or efficiency of the service is given in the table across as at each year on 31 March.

Reason for leaving	2019/20	2020/21	2021/22	2022/23	2023/24
Ill health retirement	3	6	9	7	11
Early retirement	21	29	37	10	13
	<b>24</b>	<b>35</b>	<b>46</b>	<b>17</b>	<b>24</b>



## Administration Management Performance (continued)

### CONTRIBUTING EMPLOYERS AND CONTRIBUTIONS RECEIVED

The list below contains a list of the current active contributing employers and the contributions received in 2023/24. The employer's contributions figures include early retirement and deficit funding contributions.

Administering Authority Employer	Employees Contributions £000	Employers Contributions <sup>1</sup> £000	Total Contributions £000
London Borough of Hammersmith & Fulham	7,692	22,169	29,861
Addison Primary School	23	85	108
All Saints Primary School	12	45	58
Avonmore Primary School	28	112	141
Bayonne Nursery School	18	66	84
Brackenbury Primary School	28	99	127
Cambridge School (Special)	71	242	313
Flora Gardens Primary School	24	82	106
Holy Cross RC Primary School	51	183	234
Jack Tizard School (Special)	69	246	315
James Lee Nursery School	13	47	60
John Betts Primary School	15	56	71
Kenmont Primary School	18	63	82
Larmenier & Sacred Heart Primary	30	121	151
Melcombe Primary School	26	95	121
Miles Coverdale Primary School	38	137	175
Normand Croft Community School	31	108	139
Old Oak Primary School	27	99	126
Queensmill School	-	-	-
Randolph Beresford Early Years	46	147	192

<sup>1</sup> Includes early retirement and deficit contributions

Administering Authority Employer	Employees Contributions £000	Employers Contributions <sup>1</sup> £000	Total Contributions £000
Sir John Lillie Primary School	28	99	127
St Augustine's Primary School	21	79	101
St John XXIII Catholic Primary	-	-	-
St Johns CE Primary School	29	104	133
St Mary's Primary School	31	111	141
St Paul's Primary School	25	94	119
St Peter's Church of England Primary School	23	84	107
St Stephens CoE Primary School	49	179	228
St. Thomas of Canterbury Primary	10	34	44
The Good Shepherd Primary School	24	91	116
Vanessa Nursery School	18	65	83
Wendall Park Primary School	24	83	107
William Morris Sixth Form School	65	226	292
Wood Lane High School	35	119	154
<b>Total Contributions from Administering Authority</b>	<b>8,694</b>	<b>25,729</b>	<b>34,423</b>

## Administration Management Performance (continued)

### SCHEDULED BODIES

The Fund provides pensions not only for employees of Hammersmith and Fulham Council, but also for the employees of several scheduled and admitted bodies.

Scheduled bodies are organisations which have a statutory right to be a member of the Local Government Pension Scheme under the regulations e.g., academy schools.

Scheduled Body	Employees Contributions £000	Employers Contributions <sup>2</sup> £000	Total Contributions £000
Mortlake Crematorium Board	26	82	108
London Oratory School	75	182	257
Ark Burlington Danes Academy	65	145	210
Hammersmith Academy	69	236	305
Sacred Heart Academy	68	234	302
Ark Conway Primary Academy	21	83	104
Knowledge West London Free School	138	414	552
Ark Bentworth Primary Academy	12	49	61
Lady Margaret Academy	67	210	277
Ark Swift Primary Academy	21	86	107
Fulham College Academy Trust (Girls)	43	154	197
Hurlingham and Chelsea Academy	52	184	236
Fulham Boys Free School	57	198	255
Fulham College Academy Trust (Boys)	66	230	296
Greenside Academy	15	53	69
Thomas' Academy	30	112	142
Langford Academy	17	56	73
Futures (Phoenix) Academy	40	143	184
Ormiston Trust - Courtyard AP Academy	34	120	154

<sup>2</sup> Includes early retirement and deficit contributions

Scheduled Body	Employees Contributions £000	Employers Contributions <sup>2</sup> £000	Total Contributions £000
Knowledge Earl's Court Free Primary School	6	25	31
Brightwells Academy Trust Fulham Primary School	24	96	121
Brightwells Academy Trust Queens Manor Primary School	22	86	108
Brightwells Academy Sullivan Primary School	19	71	90
Queen Charlotte Special Education Trust	212	781	993
Westside Academy Trust (no active members at present)	0	0	0
St John XXIII Catholic Primary Academy	33	132	165
Mortlake Crematorium Board	26	82	108
<b>Total Contributions from Scheduled Bodies</b>	<b>1,232</b>	<b>4,163</b>	<b>5,395</b>

## Administration Management Performance (continued)

### ADMITTED BODIES

Admitted bodies participate in the pension scheme via an admission agreement made between the Council and the employing organisation. Examples of admitted bodies are not-for-profit organisations linked to the Council and contractors who have taken on delivery of services with Council staff also transferred to third parties.

Admitted Body	Employees Contributions £000	Employers Contributions <sup>3</sup> £000	Total Contributions £000
Disabilities Trust	0	-21	-21
Interserve (Eden Foods Ltd) / Mitie	7	27	34
FM Conway	4	14	18
Pinnacle PSG Ltd - Estates Services	55	260	315
Pinnacle PSG Ltd - Housing Management	5	23	27
Urban Partnership Group	5	20	25
Caterlink (Main Contract)	5	28	33
Caterlink (Hurlingham & Chelsea Academy)	0	1	1
BT - IT services	3	10	14
Abelian UK (Wormholt Primary)	0	2	2
Birkin Clean	2	15	17
FM Conway (2012)	4	12	15
London Hire Community Services	0	-19	-19
Peabody Trust	7	36	43
Morgan Sindall Group - Contract 1 - wef 1st August 2020	5	27	32
DW Contractors Ltd - wef 1st August 2020	0	-19	-19
Morgan Sindall Group - Contract 2 - wef 1st August 2020	5	22	27
Bee Services - Randolph Beresford - 1st November 2020	1	8	9

Admitted Body	Employees Contributions £000	Employers Contributions <sup>3</sup> £000	Total Contributions £000
Bee Services - Vanessa Nursery - 1st November 2020	0	1	1
Churchill Catering - (Brackebury Primary)	0	3	3
Churchill Catering - (Thomas's Academy)	1	6	7
Idverde 2022 Lot 1	47	219	266
Idverde 2022 Lot 2	22	93	114
The Pantry (UK) Ltd (St John XXIII)	1	6	8
The Pantry (UK) Ltd (St Marys)	1	4	5
Morgan Sindall Property Services (Lot 3)	3	10	13
HATS Group Ltd	10	62	71
Veolia	173	538	711
Alliance in Partnership Ltd	3	11	13
Stir Food Ltd (Addison)	2	8	10
Stir Food Ltd (Flora Gardens)	0	2	2
Stir Food Ltd (Wormholt Park)	1	6	7
The Pantry (UK) Ltd (Old Oak)	1	4	5
The Pantry (UK) Ltd (St Thomas of Canterbury)	1	3	4
The Pantry (UK) Ltd (All Saints)	1	5	6
The Pantry (UK) Ltd (James Lee)	0	1	1
The Pantry (UK) Ltd (Sir John Lillie)	0	0	1
The Pantry (UK) Ltd (St Pauls)	1	2	3
The Pantry (UK) Ltd (St Johns Walham)	0	2	2
<b>Total Contributions from Admitted Bodies</b>	<b>377</b>	<b>1,430</b>	<b>1,806</b>

<sup>3</sup> Includes early retirement and deficit contributions

## Administration Management Performance (continued)

### EMPLOYER ANALYSIS

The following table summarises the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

	Active	Ceased	Total
Administering Authority	1	-	1
Scheduled Bodies	25	1	26
Admitted Bodies	25	48	73
<b>Total number of bodies</b>	<b>51</b>	<b>49</b>	<b>100</b>

# Service Delivery

## PENSIONPOINT

The PensionPoint on-line pension system is a secure portal which enables members to:

- Update personal details
- Check membership records and calculate pension projections
- View payslips and P60s
- Nominate beneficiaries

Scheme employers can use the system to:

- Submit starter and leaver details and other changes online
- View and update employee details
- Run benefit calculations e.g. early retirements

## INTERNAL DISPUTE RESOLUTION PROCEDURE

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved. To facilitate this process, an Internal Disputes Resolution Procedure (IDRP) has been established. While any complaint is progressing, fund members are entitled to contact The Pensions Advisory Service (TPAS), who can provide free advice.

**IDRP Stage 1** involves making a formal complaint in writing. This would normally be considered by the body that made the decision in question. In the event that the fund member is not satisfied with actions taken at Stage 1 the complaint will progress to Stage 2.

**IDRP Stage 2** involves a referral to the administering authority, London Borough of Hammersmith and Fulham to take an independent view.

**IDRP Stage 3** is a referral of the complaint to the Pension Ombudsman.

Both TPAS and the Pensions Ombudsman can be contacted at:

10 South Colonnade  
Canary Wharf  
E14 4PU

Tel: 0800 917 4487

## MEMBER SATISFACTION

The different types of member are consulted from time to time. Each member group receives a questionnaire, in order to express satisfaction levels with our service, to make suggestions for improvement and any other comments.

36 LBHF members completed a retirement satisfaction survey (both active to retired and deferred to retired).

The following are for the period July 23 to June 24 (taken from the Q1 2425 operational performance report):

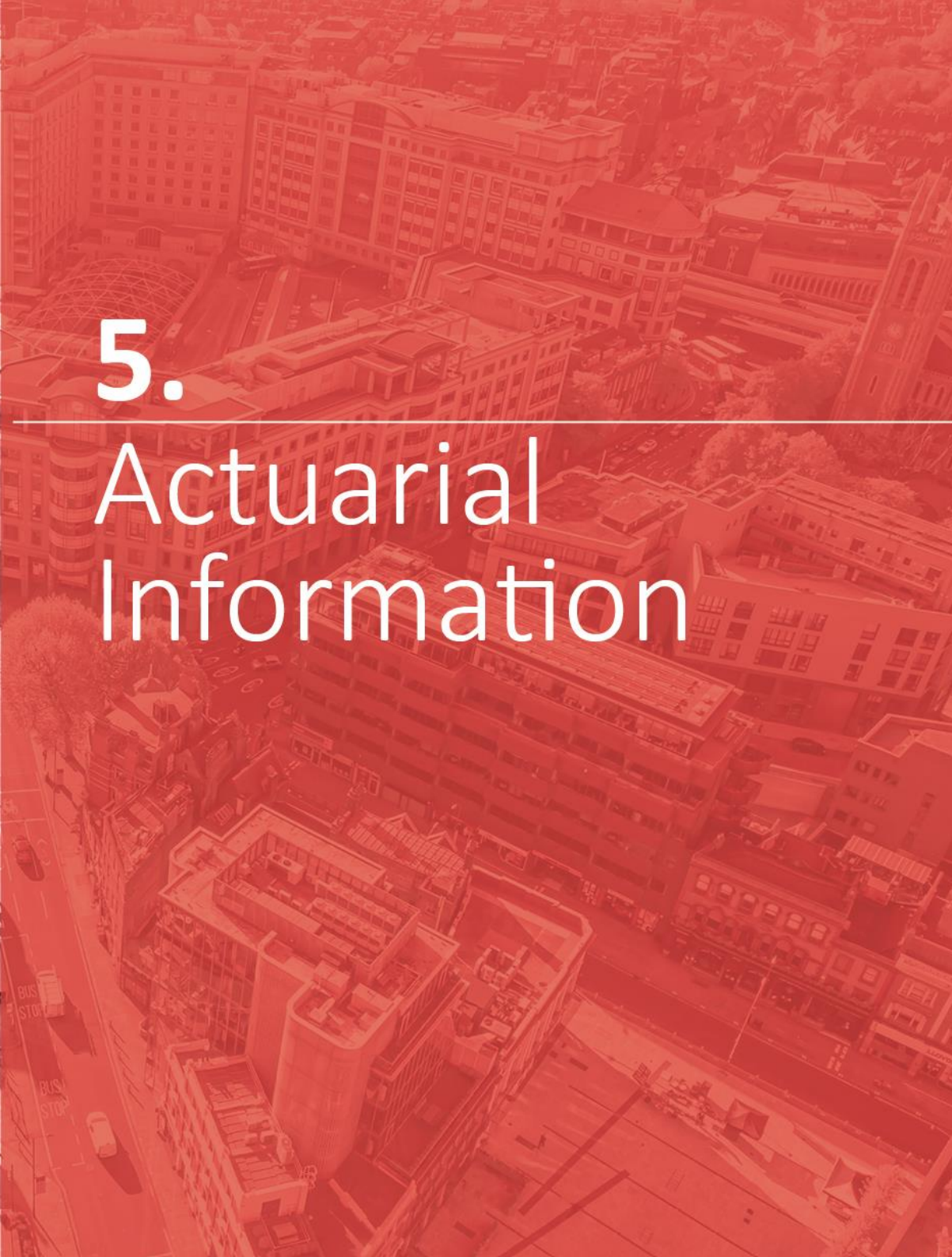
335 LBHF members responded to the Contact Centre question “In connection with the adviser you have just spoken to, how satisfied are you with the service they provided”.

300 LBHF members responded to the Contact Centre question “How satisfied are you with the overall service you have received from LPPA?”.

## COMPLAINTS RECEIVED

The pension administrators occasionally deal with members of the Fund who dispute an aspect of their pension benefits. These cases are dealt with by the Internal Dispute Resolution Procedure (IDRP).

There was one other level 1 IDRP case relating to 2022/23, which progressed to level 2 during the year. All cases were closed as at 31 March 2024. There were no Pension Ombudsman cases during 23/24.



5.

# Actuarial Information

# Report by Actuary

## INTRODUCTION

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

## DESCRIPTION OF FUNDING POLICY

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- 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 dependants
- 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 FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant

was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 67% likelihood that the Fund will achieve the funding target over 20 years.

## FUNDING POSITION AS AT THE LAST FORMAL FUNDING VALUATION

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £1,325 million, were sufficient to meet 105% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £58 million. Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

## PRINCIPAL ACTUARIAL ASSUMPTIONS AND METHOD USED TO VALUE THE LIABILITIES

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

### METHOD

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

### ASSUMPTIONS

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The key financial assumptions adopted for the 2022 valuation were as follows:

Financial Assumptions	31 March 2022
Discount Rate	4.4% pa
Salary Increase Assumption	3.7% pa
Benefit increase assumption CPI	2.7% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of

1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.7 years
Future Pensioners*	23.2 years	26.1 years

\*Aged 45 at the 2022 Valuation. Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

## EXPERIENCE OVER THE PERIOD SINCE 31 MARCH 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher-than-expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022. The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time



Barry Dodds FFA

16 May 2024

For and on behalf of Hymans Robertson LLP





6.

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# Pension Fund Accounts

# Statement of Responsibilities

**Responsibility for the Financial Statements, which form part of this Annual Report, is set out in the following declaration.**

## THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In line with statute, this is the Director of Finance;
- manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

## RESPONSIBILITIES OF THE DIRECTOR OF FINANCE

The Director of Finance is responsible for the preparation of the Pension Fund Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC 2023/24 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing these Statements of Accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting.

The Director of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on assumption that the functions of the authority will continue in operational existence for the foreseeable future;
- Maintained such internal control as they determine as necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

## CERTIFICATE OF THE STRATEGIC DIRECTOR OF FINANCE

I certify that the Statement of Accounts (set out below) present a true and fair view of the financial position of the London Borough of Hammersmith and Fulham Pension Fund as at 31 March 2024 and income and expenditure for the year for the financial year 2023/24.

Sukvinder Kalsi  
Director of Finance  
Section 151 Officer

Date:

# Independent Auditors Report

Independent auditor's report to the members of the London Borough of Hammersmith and Fulham on the consistency of the pension fund financial statements of Hammersmith and Fulham Pension Fund included in the Pension Fund Annual Report

## OPINION

## RESPECTIVE RESPONSIBILITIES OF THE DIRECTOR OF FINANCE AND THE AUDITOR

## USE OF THIS AUDITOR'S STATEMENT

XX XX 2024

# Pension Fund Accounts and Explanatory Notes

## FUND ACCOUNT

2022/23		Notes	2023/24
£'000			£'000
<b>Dealings with members, employers and other directly involved in the fund</b>			
(27,421)	From Employers	7	(31,323)
(9,539)	From Members	7	(10,303)
(6,847)	Individual Transfers in from Other Pension Funds		(8,299)
-	Other income		-
<b>(43,807)</b>	<b>Total</b>		<b>(49,925)</b>
<b>Benefits</b>			
40,045	Pensions	8	44,317
7,792	Commutation, Lump Sum Retirement and Death Benefits	8	8,966
210	Payment in respect of tax		473
<b>Payments to and on account of leavers</b>			
6,738	Individual Transfers Out to Other Pension Funds		6,980
84	Refunds to Members Leaving Service		109
<b>54,869</b>	<b>Total</b>		<b>60,845</b>
<b>11,062</b>	<b>Net (Additions) Withdrawals from dealings with members</b>		<b>10,920</b>

## Pension Fund Accounts and Explanatory Notes (continued)

### FUND ACCOUNT

2022/23		Notes	2023/24
8,283	Management expenses	9	10,857
	<b>Returns on Investment</b>		
(24,673)	Investment Income	10	(19,531)
(21)	Other Income	10	-
39,819	(Profit) and losses disposal of investments and changes in value of investments	12	(89,367)
<b>15,125</b>	<b>Net Return on Investments</b>		<b>108,898</b>
34,470	Net (Increase)/Decrease in the net assets available for benefits during the year		(87,121)
<b>(1,324,913)</b>	<b>Opening Net Assets of the Scheme</b>		<b>(1,290,443)</b>
<b>(1,290,443)</b>	<b>Closing Net Assets of the Scheme</b>		<b>(1,377,564)</b>

## Pension Fund Accounts and Explanatory Notes (continued)<sup>4</sup>

### NET ASSETS STATEMENT

2022/23		Notes	2023/24
<b>Investment Assets</b>			
150	Equities	11	150
78,572	Pooled Property Vehicles	11	73,256
1,118,138	Pooled Investment Vehicles	11	1,183,893
63,531	Private Equity/Infrastructure	11	96,035
20,245	Cash Deposits	11	7,456
<b>Other Investment Balances</b>			
39	Investment income due	11	18
<b>1,280,675</b>	<b>Net Investment Assets</b>		<b>1,360,898</b>
3,911	<b>Current Assets</b>	19	3,929
(1,979)	<b>Current Liabilities</b>	20	(2,905)
7,836	<b>Cash Balances</b> (held directly by Fund)		15,642
<b>1,290,443</b>	<b>Net assets of the Fund available to fund benefits at the period end</b>		<b>1,377,564</b>

<sup>4</sup> The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Note 18a.

# Note 1 Description of Hammersmith and Fulham Pension Fund

## A. GENERAL

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

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

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

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

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from investment returns on the Fund's investment assets. Contributions from employees are made in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employer contributions are set based on the triennial actuarial funding valuation, as detailed in Note 18.

## B. PENSION FUND COMMITTEE

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

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

## C. PENSIONS BOARD

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

## Note 1 Description of Hammersmith and Fulham Pension Fund (continued)

### D. INVESTMENT PRINCIPLES

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

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

### E. MEMBERSHIP

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

Organisations participating in the Hammersmith & Fulham Pension Fund include:

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

The Deferred member numbers include 791 undecided leavers, who are no longer paying contributions or in receipt of benefits.

31 March 2023		31 March 2024
48	<b>Number of active employers</b>	51
5,150	Contributing employees	5,016
5,960	Pensioners receiving benefit	6,046
6,218	Deferred pensioners	6,243
<b>17,328</b>	<b>Total members</b>	<b>17,305</b>

Details of the scheduled and admitted bodies are in Section 2 of this report.



## Note 2 Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2023/24 and its position at year end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

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

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

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

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

# Note 3 Summary of Significant Accounting Policies

## FUND ACCOUNT – REVENUE RECOGNITION

### A. CONTRIBUTION INCOME

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

### B. TRANSFERS TO AND FROM OTHER SCHEMES

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

### C. INVESTMENT INCOME

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

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

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

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

## Note 3 Summary of significant accounting policies (continued)

### FUND ACCOUNT – EXPENSE ITEMS

#### D. BENEFITS PAYABLE

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

#### E. TAXATION

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

#### F. VOLUNTARY SCHEME PAYS, MANDATORY SCHEME PAYS AND LIFE TIME ALLOWANCE

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

#### G. MANAGEMENT EXPENSES

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

- **Administrative expenses** – All staff costs of the pension administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
- **Oversight and governance** – All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.
- **Investment management expenses** – The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage, and/or a fee based on performance.

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

## Note 3 Summary of significant accounting policies (continued)

### NET ASSET STATEMENT

#### H. FINANCIAL ASSETS

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

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

#### I. DERIVATIVES

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

#### J. FOREIGN CURRENCY TRANSACTIONS

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

#### K. CASH AND CASH EQUIVALENTS

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

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

#### L. FINANCIAL LIABILITIES

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

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

#### M. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

#### N. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

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

#### O. RECHARGES FROM THE GENERAL FUND

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

# Note 4 Critical Judgements in Applying Accounting Policies

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

# Note 5 Assumptions Made About the Future and Other Major Sources of Uncertainty

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

Description of asset	Uncertainties	Basis of valuation
<b>Actuarial present value of promised retirement benefits (Note 18a)</b>	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. Hymans Robertson are engaged to provide the fund with expert advice about the assumptions to be applied.	<p>For instance:</p> <ul style="list-style-type: none"> <li>• 0.1% decrease in the discount rate assumption would result in an increase in promised retirement benefits of £22m</li> <li>• 0.1% increase in assumed earnings would increase the value of the liabilities by approximately £1m</li> <li>• 0.1% increase in pension increases would increase the liability by approximately £22m</li> <li>• A one-year increase in life expectancy would increase the liability by approximately £54m</li> </ul>

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

## A. PENSION FUND LIABILITY

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

## B. PRIVATE DEBT/INFRASTRUCTURE INVESTMENTS/OTHER ILLIQUID INVESTMENTS

The fair value of the Partners Group Multi Asset Credit fund and Infrastructure fund is also subject to some valuation uncertainty. Several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. As at 31 March 2024, the assets invested with Partners Group were valued at £39.7m (£45.6m in 2022/23).

The same applies to the Aviva Infrastructure which has a quarterly valuation cycle. As at 31 March 2024, the value of the investment was £15.2m (£26.0m in 2022/23). The same applies to the Quinbrook Infrastructure investment which is new for the 2023-24 financial year. As at 31 March 2024, the value of the investment was £47.6m. The impact of the uncertainty surrounding these investments has also been included in the sensitivity analysis in Note 14d

The fair value of several illiquid assets in the portfolio are also subject to some valuation uncertainty as their carrying value is dependent on the latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required. As at the 31 March 2024, these assets and their values are Darwin Alternatives (£29m), Alpha Real Capital (£79m), Man Group (£24m) and Abrdn Multi-Sector Private Credit (£51m). Regarding Darwin Alternatives, Alpha Real Capital and Man Group assets, the values for these assets are not based on recently observed market prices. For Abrdn Multi-Sector Private Credit, several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. The impact of the uncertainty surrounding these investments has also been included in the sensitivity analysis in Note 14d.

## Note 6 Events After the Balance Sheet Date

There are no events after the balance sheet date.



# Note 7 Contributions Receivable

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

The tables on the right show a breakdown of the total amount of contributions by authority and by type.

## BY AUTHORITY

2022/23 £000		2023/24 £000
(30,672)	Administering authority	(34,424)
(4,937)	Scheduled bodies	(5,395)
(1,351)	Admitted bodies	(1,807)
<b>(36,960)</b>	<b>Total Contributions Receivable</b>	<b>(41,626)</b>

## BY TYPE

2022/23 £000		2023/24 £000
(9,539)	Employees' normal contributions	(10,303)
	<b>Employer's contributions:</b>	
(23,568)	Normal contributions	(30,221)
(3,853)	Deficit recovery contributions	(1,102)
<b>(36,960)</b>	<b>Total Contributions Receivable</b>	<b>(41,626)</b>

# Note 8 Benefits Payable

The tables on the right below show a breakdown of the total amount of benefits payable.

## BY AUTHORITY

2022/23		2023/24
£000		£000
42,803	Administering authority	47,010
1,418	Scheduled bodies	1,460
3,616	Admitted bodies	4,813
<b>47,837</b>	<b>Total Benefits Payable</b>	<b>53,283</b>

## BY TYPE

2022/23		2023/24
£000		£000
40,045	Pensions	44,317
6,719	Commutation and lump sum retirement benefits	7,481
1,073	Lump sum death benefits	1,485
<b>47,837</b>	<b>Total Benefits Payable</b>	<b>53,283</b>

# Note 9 Management Expenses

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

## MANAGEMENT EXPENSES

2022/23		2023/24
£000		£000
962	Administrative costs	1,329
7,014	Investment management expenses	9,184
307	Oversight and governance costs	344
<b>8,283</b>	<b>Total Management Expenses</b>	<b>10,857</b>

The table on the right provides a breakdown of the Investment Management Expenses.

The fund transitioned assets between managers in year which resulted in increased transaction costs. Additionally, due to new requirements related to the cost transparency initiative, the Fund was able to ascertain its transaction costs more accurately.

## INVESTMENT MANAGEMENT EXPENSES

2022/23		2023/24
£000		£000
5,428	Management fees	5,580
107	Performance fees	672
1,377	Transaction costs	2,864
102	Custody fees	68
<b>7,014</b>	<b>Total Investment Management Expenses</b>	<b>9,184</b>

# Note 10 Investment Income

The table below shows a breakdown of investment income.

2022/23		2023/24
£000		£000
(22,386)	Pooled investments – unit trusts and other managed funds	(16,626)
(1,982)	Income from Alternative Investments	(2,139)
(305)	Interest on Cash Deposits	(766)
(21)	Other Investment Income	-
<b>(24,694)</b>	<b>Total Investment Income</b>	<b>(19,531)</b>

# Note 11 Investment Strategy

During 2023/24 the Fund's investment strategy had the following developments:

- In February 2023, the Pension Fund committee agreed a top up of 2.5% (£37m) into the Alpha Real Capital (Commercial Ground Rents) fund. This was funded in May 2023.
- In July 2023, The Pension Fund Committee agreed a 3.5% (£45m) allocation to Quinbrook Renewable Infrastructure. At 31 March 2024, £3.1m of this commitment remains undrawn.
- In September 2023, the Committee agreed a 10% (£129m) allocation to Allspring Global. This commitment was funded in full in December 2023.
- In September 2023, the 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. This commitment was funded in full in December 2023.
- In order to fund the new investments, the Fund fully divested from LCIV PIMCO – Global Bond Fund and made partial redemptions from LGIM – MSCI Low Carbon, LCIV Morgan Stanley – Global Equity Quality Fund, and LCIV Ruffer – Absolute Return Funds.

In August 2015, the Fund made a commitment to the Partners Group Direct Infrastructure fund. As at 31 March 2024 €8.3m (£7.1m) still remained unfunded.

As shareholders of London LGPS CIV Ltd, (the organisation set up to run pooled LGPS investments in London) the Fund has funded £150,000 of regulatory capital. This is in the form of unlisted UK equity shares. The Fund has been active in the transfer of assets under management to the London Collective Investment Vehicle (LCIV) to gain efficiencies and fee reductions. As at 31 March 2024, the Fund had £809m invested with the London CIV, which accounts for 59.5% of the fund's total assets.

The market value and proportion of investments managed by each fund manager at 31 March 2024 was as follows:

31 March 2023 £000	%	Fund Manager	Mandate	31 March 2024 £000	%
<b>Investment managed by the London CIV asset pool:</b>					
399,782	31.3%	LGIM – MSCI Low Carbon	Global Equity (Passive)	412,468	30.3%
232,271	18.1%	LCIV – Ruffer	Absolute Return (Active)	151,199	11.1%
90,078	7.0%	LCIV – PIMCO	Global Bonds (Active)	-	0.0%
185,900	14.5%	LCIV – Morgan Stanley	Global Sustain Fund	179,216	13.2%
-	-	LCIV – Insight	Buy and Maintain (Short Duration)	33,056	2.4%
-	-	LCIV – Insight	Buy and Maintain (Long Duration)	33,508	2.5%
<b>908,031</b>	<b>70.9%</b>	<b>Total assets managed by the London CIV asset pool</b>		<b>809,447</b>	<b>59.5%</b>

<b>Investment managed outside of the London CIV asset pool:</b>					
34,694	2.7%	Darwin Alternatives	Leisure Fund	28,995	2.1%
55,930	4.4%	Alpha Real Capital	Commercial Ground Rents	78,962	5.8%
24,027	1.9%	Man Group	Affordable Housing	23,643	1.7%
65,179	5.1%	Oak Hill Advisors	Secured Income (Active)	73,581	5.4%
54,545	4.3%	Aberdeen Standard	Long Lease Property	49,613	3.6%
25,965	2.0%	Aviva Investors	Infrastructure	15,209	1.1%
37,536	2.9%	Partners Group	Infrastructure	33,163	2.4%
8,094	0.6%	Partners Group	Multi Asset Private Credit	6,487	0.5%
-	0.0%	Invesco	Private Equity	-	0.0%
30	0.0%	Unigestion	Private Equity	30	0.0%
20,284	1.6%	Inhouse Cash	Cash	7,474	0.5%
150	0.0%	London CIV Ltd	UK Equity	150	0.0%
1	0.0%	NT Ultra Short Bond Fund	UK Equity	-	0.0%
0.0%	0.0%	Allspring Global – Buy and Maintain Bonds	Bonds	135,290	9.9%
0.0%	0.0%	Quinbrook Renewable Infrastructure	Infrastructure	47,633	3.6%
46,209	3.6%	Aberdeen MSPC	Private Credit	51,221	3.9%
372,644	<b>29.1%</b>	<b>Total assets managed outside of the London CIV asset pool</b>		<b>551,451</b>	<b>40.5%</b>
<b>1,280,675</b>	<b>100.0%</b>	<b>Total investments</b>		<b>1,360,898</b>	<b>100.0%</b>

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

31 March 2023	%	Fund Manager	Mandate	31 March 2024	%
£000				£000	
399,782	31.2%	LGIM – MSCI Low Carbon	Global Equity (Passive)	412,468	30.3%
232,271	18.1%	LCIV – Ruffer	Absolute Return (Active)	151,199	11.1%
90,078	7.0%	LCIV – PIMCO	Global Bonds (Active)	0.0%	0.0%
65,179	5.1%	Oak Hill Advisors	Secured Income (Active)	73,581	5.4%
0.0%	0.0%	Allspring Global – Buy and Maintain Bonds	Bonds	135,290	9.9%
0.0%	0.0%	Alpha Real Capital	Commercial Ground Rents	78,962	5.8%
185,900	14.5%	Morgan Stanley	Global Sustain Fund	179,216	13.2%

# Note 12 Reconciliation of Movement in Investments

The table below shows a reconciliation of the movement in the total investment assets of the Fund by asset class during 2023/24

Fund Manager	Value at 1 April 2023 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Value at 31 March 2024 £000
Equities	150	-	-	-	150
Pooled equity Investments	1,118,138	232,617	(267,154)	100,382	1,183,983
Pooled property investments	78,572	1,881	171	(7,368)	73,256
Private equity/infrastructure	63,531	50,304	(14,197)	(3,603)	96,035
<b>Total</b>	<b>1,260,391</b>	<b>284,802</b>	<b>(281,180)</b>	<b>89,411</b>	<b>1,353,424</b>
Cash deposits	20,245	-	-	(31)	7,456
Investment income due	39	-	-	-	18
Spot FX contracts	-	-	-	(13)	-
<b>Net investment assets</b>	<b>1,280,675</b>	<b>284,802</b>	<b>(281,180)</b>	<b>89,367</b>	<b>1,360,898</b>



## Note 12 Reconciliation of Movement in Investments (continued)

The equivalent analysis for 2022/23 is provided below:

Fund Manager	Value at 1 April 2022 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Value at 31 March 2023 £000
Equities	150	-	-	-	150
Pooled equity Investments	1,127,189	67,000	(74,963)	(1,088)	1,118,138
Pooled property investments	87,987	6,999	(1,998)	(14,416)	78,572
Private equity/infrastructure	72,202	28,261	(12,580)	(24,352)	63,531
<b>Total</b>	<b>1,287,528</b>	<b>102,260</b>	<b>(89,541)</b>	<b>(39,856)</b>	<b>1,260,391</b>
Cash deposits	32,104			152	20,245
Investment income due	7			-	39
Spot FX contracts	-			(115)	-
<b>Net investment assets</b>	<b>1,319,639</b>	<b>102,260</b>	<b>(89,541)</b>	<b>(39,819)</b>	<b>1,280,675</b>

# Note 13 Fair Value Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year.

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Investment Manager	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments – Equity Funds UK and Overseas Managed Funds	LGIM – MSCI Low Carbon	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets	Evaluated price feeds	Not required
	Ruffer – Absolute Return Fund				
	Morgan Stanley – Global Sustain Fund				
Unquoted Bonds and Unit Trusts	Oak Hill Advisors	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services	Evaluated price feeds	Not required
	Allspring Global Bonds				
	LCIV Insight Buy and Maintain Bonds (Short Duration)				
	LCIV Insight Buy and Maintain Bonds (Long Duration)				

Description of asset	Investment Manager	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Pooled Long Lease Property Fund</b>	Abrdn – Long Lease Property	Level 2	The Aberdeen Standard Long Lease Property Fund is priced on a Single Swinging Price	In house evaluation of market data	Not required
<b>Private Equity</b>	Unigestion	Level 3	Comparable valuation of similar companies in accordance with International Private and Venture Capital Valuation Guidelines 2012	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple Revenue multiple	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts
<b>Infrastructure funds</b>	Partners Group – Infrastructure  Aviva Infrastructure  Quinbrook Renewable Infrastructure	Level 3	Valued by Fund Managers at the lower of cost and fair value	Managers use their judgement having regard to the Equity and Venture Capital Valuation Guidelines 2012 guidelines noted above	Upward valuations are only considered where there is validation of the investment objectives and such progress can be demonstrated  Downward valuations are enacted where the manager considers there is an impairment to the underlying investment
<b>Illiquid Alternatives</b>	Darwin Alternatives  Man Group  Alpha Real  Abrdn – MSPC  Partners - MSPC	Level 3	Valued by Fund Managers at the lower of cost and fair value.	In house evaluation of market data	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts

## Aviva Infrastructure

One of the LBHF Pension Fund's infrastructure investment managers, Aviva, were facing legal challenge from a former construction contractor relating to a contractual dispute on one of their biomass infrastructure projects.

Within the manager's financial statements at 31 December 2019, 31 December 2020, 31 December 2021, and 31 December 2022, fund management were unable to quantify the financial impact of the challenge, thus placing a degree of uncertainty on the value of the portfolio overall. As such the underlying accounts were qualified by the auditors.

The full and final value of the legal dispute has now been settled and with an additional amount of associated costs the total impact for the investment will be c.£46.7m.

On the 20th of June 2022, the committee voted to disinvest from the Aviva fund with the redemption documents being submitted prior to the 30th of June 2022 deadline for redemptions. The disinvested monies should have been returned to the fund by 31 December 2023. There were prolonged delays to the receipt of the redeemed monies, with the first tranche of redemption monies paid in January 2024 and the final redemption payment made on the 30 September 2024. The carrying value of the total infrastructure portfolio in the LBHF Pension Fund at the 31 March 2024 was £15m.

Having carefully considered this fund's financial statements, audit opinion and LBHF Pension Fund's holding in the fund being under redemption procedure, officers do not consider that this could result in any material uncertainty in the context of LBHF's total pension fund value. This is because the maximum value of the claims lodged are approximately 3% of the total portfolio value of the underlying Aviva fund and officers do not consider that there will be any further legal challenge/ claims that could result in a material uncertainty both in terms of containment within this particular investment and disclosures in the wider financial statements.

## Cash Classification

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

# Note 14a Valuation of Financial Instruments Carried at Fair Value

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

## LEVEL 1

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

## LEVEL 2

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

## LEVEL 3

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

The values of the private equity investments are based on valuations provided by the General Partners to the private equity funds. The Partners Group multi asset credit and the infrastructure funds are closed ended and therefore not tradable.

The valuation is based on market prices where available for some underlying assets and on estimates of prices in secondary markets for others.

Quoted Market Price	31 March 2023			Quoted Market Price	31 March 2024	
	Using Observable Inputs	With Significant Unobservable Inputs			Using Observable Inputs	With Significant Unobservable Inputs
	Level 2	Level 3			Level 2	Level 3
Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
£000	£000	£000		£000	£000	£000
<b>Financial Assets</b>						
-	1,027,756	232,635	Designated at fair value through profit and loss	-	1,067,931	285,493
-	<b>1,027,756</b>	<b>232,635</b>	<b>Net Financial Assets</b>	-	<b>1,067,931</b>	<b>285,493</b>
		<b>1,260,391</b>				<b>1,353,424</b>

## Note 14b Transfers Between Levels 1 and 2

In 2023/24, the Fund's operational activity resulted in no transfers between Levels 1 and 2.

## Note 14c Reconciliation of Fair Value Measurements Within Level 3

	Market Value as at 31 March 2023 £000	Transfers in/out of level 3	Purchases £000	Sales £000	Unrealised Gains/(losses) £000	Realised Gains/(losses) £000	Market Value as at 31 March 2024 £000
Overseas venture capital	37,566	-	-	(1,212)	(3,176)	14	33,192
UK Infrastructure	25,965	-	50,882	(11,536)	204	(2,673)	62,843
UK Venture Capital	88,051	-	38,850	(1,475)	(16,334)	-	109,092
London LGPS CIV	150	-	-	-	-	-	150
Private Credit Funds	46,209	-	-	(1,901)	6,914	-	51,221
UK Equity Funds	34,694	-	-	-	(5,699)	-	28,995
<b>Total</b>	<b>232,635</b>	<b>-</b>	<b>89,732</b>	<b>(16,124)</b>	<b>(18,091)</b>	<b>(2,659)</b>	<b>285,493</b>

## Note 14d Sensitivity of Assets Valued at Level 3

The Pension Fund has analysed historical data and current trends in consultation with independent investment advisors to determine the accuracy of the valuations of its Level 3 investments. The potential impact on the reported valuations as at 31 March 2024 has been estimated to be accurate within the following ranges:

	Assessed Valuation Range (+)	Assessed Valuation Range (-)	Valuation at 31 March 2024	Valuation on increase	Valuation on decrease
Aviva - Private Infrastructure	6.90%	7.70%	15,209	16,259	14,038
Partners Group - Infrastructure	6.60%	7.75%	33,163	35,352	30,593
Partners Group - Multi Asset Private Credit	9.73%	9.73%	6,487	7,118	5,856
Darwin Alternatives - Leisure Fund	7.40%	6.50%	28,995	31,141	27,110
Abrdn MSPC	2.77%	2.77%	51,221	52,637	49,805
Alpha Real Capital - Ground Rents	7.30%	6.40%	78,962	84,726	73,908
Quinbrook - UK Renewable Infrastructure	16.60%	13.80%	47,633	55,540	41,060
Man Group - Affordable Housing	9.40%	8.70%	23,643	25,865	21,586
<b>Total</b>			<b>285,313</b>	<b>308,638</b>	<b>263,956</b>

\*Three assets (totalling £0.180m) have been excluded from this note due to immateriality.

# Note 15a Classification of Financial Instruments

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

Designated at fair value through profit & loss	31 March 2023		Designated at fair value through profit & loss	31 March 2024	
	Financial assets at amortised cost	Financial liabilities at amortised cost		Financial assets at amortised cost	Financial liabilities at amortised cost
£000	£000	£000	£000	£000	£000
<b>Financial Assets</b>					
<i>Pooled Investment Vehicles:</i>					
817,953			742,883		
144,382			259,562		
113,266			102,251		
81,895			141,804		
65,179			73,581		
37,536			33,163		
30			30		
150			150		
	39			19	
	20,245			7,455	
	3,911			3,929	
	7,836			15,642	
<b>1,260,391</b>	<b>32,031</b>		<b>1,353,424</b>	<b>27,045</b>	
<b>Financial Liabilities</b>					
		(1,979)			(2,905)
		<b>(1,979)</b>			<b>(2,905)</b>
		<b>1,290,443</b>			<b>1,377,564</b>



# Note 15b Net Gains and Losses on Financial Statements

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

31 March 2023		31 March 2024
<b>Financial Assets</b>		
(39,856)	Fair value through profit and loss	89,410
152	Loans and receivables	-
<b>Financial Liabilities</b>		
(115)	Fair value through profit and loss	(43)
<b>(39,819)</b>	<b>Net Gains /(losses) on Financial Instruments</b>	<b>89,367</b>

# Note 16 Nature and Extent of Risks Arising from Financial Instruments

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

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

## A. MARKET RISK

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

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

On 24 February 2022, Russia invaded Ukraine, a severe escalation in the conflict which had been ongoing since 2014. Subsequently, numerous global powers implemented sanctions against major Russian banks and financial institutions, including freezing of overseas assets and removing access to SWIFT international payments. The Pension Fund can report that as at 31 March 2024, the value of investments in Russia or Ukraine is immaterial.

## B. PRICE RISK

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

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

All assets except for cash, forward foreign exchange contracts, other investment balances, debtors and creditors are exposed to price risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would

have been if prices had been 8.4% higher or 8.4% lower.

Assets exposed to price risk	Value £000	+% £000	-% £000
At 31 March 2023	1,288,511	1,407,552	1,169,170
At 31 March 2024	1,376,540	1,492,107	1,260,673

## C. INTEREST RATE RISK

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed Interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. Fixed income investments, cash and some elements of the pooled investment vehicles are exposed to interest rate risk. The table below shows the value of these assets at 31 March 2024 and what the value would have been if interest rates had been 1% higher or 1% lower.

Assets exposed to interest rate risk	Value £000	+1% £000	-1% £000
At 31 March 2023	328,483	318,649	344,299
<b>At 31 March 2024</b>	<b>428,565</b>	<b>410,599</b>	<b>453,104</b>

## Note 16 Nature and Extent of Risks Arising from Financial Instruments (continued)

### D. CURRENCY RISK

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

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

In order to mitigate the risk, one of the Fund's investment managers enters into forward foreign exchange contracts (accounted for as derivatives) to hedge the currency risk which arises from undertaking non-sterling transactions. In addition, several of the pooled investment vehicles partially or fully hedge the currency back into sterling. These actions reduce the overall currency risk the Fund is exposed to. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 7.4% higher or lower for 2023/24 (7.2% in (2022/23)).

Assets exposed to currency risk	Value £000	+% £000	-% £000
At 31 March 2023	676,661	725,540	627,782
<b>At 31 March 2024</b>	<b>590,357</b>	<b>633,778</b>	<b>546,936</b>

### E. CREDIT RISK

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

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

### F. LIQUIDITY RISK

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

The only assets in the Fund which cannot be liquidated within a month are detailed in the table below. These amounted to 19.7% of the Fund's Net Assets at 31 March 2024 (16.8% at 31 March 2023). The remaining assets can all be liquidated within days.

Manager	Portfolio	31 March 2023	31 March 2024
Aberdeen Standard	Property	54,545	49,613
Partners Group	Infrastructure	37,536	33,163
Partners Group	Multi Asset Credit	8,094	6,487
Unigestion	Private Equity	30	30
Darwin Alternatives	Illiquid Alternatives	34,694	28,995
Alpha Capital	Real Commercial Ground Rents	55,930	78,962
Quinbrook	Infrastructure	-	47,633
Man Group	Property	24,027	23,643
<b>Total</b>		<b>214,856</b>	<b>268,526</b>

# Note 17 Contingent Liabilities and Contractual Commitments

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

	31 March 2023	31 March 2024
	£000	£000
Quinbrook - Renewable Infrastructure		3,155
Alpha Real Capital – Commercial Ground Rents	37,000	-
Man Group – Affordable Housing	8,013	6,189
Partners Group Direct Infrastructure Fund 2015	7,320	7,103
	<b>52,333</b>	<b>16,447</b>

# Note 18 Funding Arrangements

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

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

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

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

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

Financial Assumptions	31 March 2019 £000	31 March 2022 £000
Consumer Price Index (CPI) increases	2.60%	2.70%
Salary Increases	3.60%	3.70%
Pensions Increases	2.40%	2.70%
Discount Rate	5.00%	4.40%

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

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

assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

# Note 18a Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2024. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

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

31 March 2023		31 March 2024
£000		£000
(1,339)	Present value of promised retirement benefits	(1,355)
1,290	Fair value of scheme assets (bid value)	1,378
<b>(49)</b>	<b>Net Liability</b>	<b>23</b>

The assumptions applied by the actuary are set out below:

## FINANCIAL ASSUMPTIONS

	31 March 2023	31 March 2024
Salary increases	4.00%	3.80%
Pension increases	3.00%	2.80%
Discount rate	4.75%	4.80%

## DEMOGRAPHIC ASSUMPTIONS

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a

25% weighting of 2022 data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

		31 March 2023	31 March 2024
Retiring today	Males	21.8	21.6
	Females	24.5	24.3
Retiring in 20 years	Males	22.8	22.6
	Females	25.8	25.6

# Note 19 Current Assets

## DEBTORS

31 March 2023		31 March 2024
£000		£000
1,627	Contributions due – employers	2,153
678	Contributions due – employees	743
50	London Borough of Hammersmith & Fulham	47
1,556	Sundry Debtors	986
<b>3,911</b>	<b>Total Current Assets</b>	<b>3,929</b>

## ANALYSIS OF DEBTORS

31 March 2023		31 March 2024
£000		£000
50	Local authorities	47
3,393	Other entities and individuals	3,791
468	Central Government	91
<b>3,911</b>	<b>Total Current Assets</b>	<b>3,929</b>

# Note 20 Current Liabilities

## CREDITORS

31 March 2023		31 March 2024
£000		£000
(659)	Unpaid benefits	(719)
(901)	Management expenses	(1,278)
(419)	Sundry creditors	(908)
<b>(1,979)</b>	<b>Total Current Liabilities</b>	<b>(2,905)</b>

## ANALYSIS OF CREDITORS

31 March 2023		31 March 2024
£000		£000
(1,979)	Other entities and individuals	(2,905)
<b>(1,979)</b>	<b>Total Current Liabilities</b>	<b>(2,905)</b>



# Note 21 Additional Voluntary Contributions (AVCS)

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

31 March 2023		31 March 2024	
£000		£000	
857	Scottish Widows Workplace Savings	848	
(60)	Scottish Widows Contributions in Year	7	
154	Utmost Life and Savings	152	
<b>1,011</b>	<b>Total Additional Voluntary contributions</b>		

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

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

# Note 22 Related Party Transactions

## LONDON BOROUGH OF HAMMERSMITH AND FULHAM

The Pension Fund is administered by the London Borough of Hammersmith and Fulham. The Council incurred costs of £1.1m in 2023/24 (£0.777m in 2022/23) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Council made £24.6m of contributions in year (£18.7m in 2022/23).

The Pension Fund's accounting and governance management is carried out through a shared service with Westminster City Council. Westminster City Council incurred costs of £0.206m in 2023/24 (£0.183m in 2022/23) in relation to the accounting and governance of the Fund and were reimbursed for the expense.

## KEY MANAGEMENT PERSONNEL

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

	31 March 2023	31 March 2024
Short-term benefits	30	33
Post-employment benefits	(179)	20
<b>Total</b>	<b>(149)</b>	<b>53</b>

## Note 23 External Audit Costs

The external audit fee payable to Fund's external auditors, Grant Thornton LLP, was £86,884 (£36,556 in 2022/23).



# 7.

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# Glossary and Contacts

# Glossary of Terms

## ACCOUNTING POLICIES

The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

## ACCRUALS

Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

## ACTIVE MANAGEMENT

Active management or active fund management is where the fund manager makes specific investments with the aim of outperforming an investment benchmark.

## ACTIVE MEMBER

Current employee who is contributing to a pension scheme.

## ACTUARIAL GAINS AND LOSSES

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

## ACTUARY

An independent professional who advises the Council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

## ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

## ADMITTED BODY

An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

## ASSET ALLOCATION

The apportionment of a Fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

## BENCHMARK

A measure against which the investment policy or performance of an investment manager can be compared.

## BONDS

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

## CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTING)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code.

## CREDITORS

Amounts owed by the Council for goods and services received but not paid for as at 31 March.

## DEBTORS

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.

## DEFERRED MEMBERS

Scheme members, who have left employment or ceased to be active members of the scheme whilst remaining in employment but retain an entitlement to a pension from the scheme.

## DEFINED BENEFIT SCHEME

A type of pension scheme, where the pension that will ultimately be paid to the employee is fixed in advance, and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.

## Glossary of Terms (continued)

### DERIVATIVE

A derivative is a financial instrument which derives its value from the change in price (e.g. foreign exchange rate, commodity price or interest rate) of an underlying investment (e.g. equities, bonds, commodities, interest rates, exchange rates and stock market indices), which no net initial investment or minimal initial investment and is settled at a future date

### EMPLOYER CONTRIBUTION RATES

The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

### EQUITIES

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

### EXCHANGE TRADED

This describes a financial contract which is traded on a recognised exchange such as the London Stock Exchange or the London International Financial Futures Exchange.

### FINANCIAL ASSETS

Financial assets are cash, equity instruments within another entity (e.g. shares) or a contractual right to receive cash or another asset from another entity (e.g. debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (e.g. derivatives).

### FINANCIAL INSTRUMENT

Any contract giving rise to a financial asset in one entity and a financial liability or equity in another entity.

### FINANCIAL LIABILITIES

Financial assets are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives).

### FORWARD FOREIGN EXCHANGE DERIVATIVE

Forward foreign exchange derivatives are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

### INDEX

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

### OVER THE COUNTER

This describes a financial contract which is potentially unique as they are not usually traded on a recognised exchange

### PASSIVE MANAGEMENT

Passive management is where the investments mirror a market index.

### POOLED INVESTMENT VEHICLES

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

### PROJECTED UNIT METHOD – PENSION FUND VALUATION

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

## Glossary of Terms (continued)

### RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the authority and its pension fund.

### RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; and
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

### RETURN

The total gain from holding an investment over a given period, including income and increase or decrease in market value.

### SCHEDULED BODY

An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

### THE CODE

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

### UNREALISED GAINS/LOSSES

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

NOTE: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

# Contact Information

## FOR FURTHER DETAILS CONTACT:

### FINANCE ENQUIRIES

Tri-Borough Pensions Team  
16<sup>th</sup> Floor  
64 Victoria Street  
London  
SW1E 6QP  
[pensionfund@lbhf.gov.uk](mailto:pensionfund@lbhf.gov.uk)

### PENSION FUND MANAGEMENT ENQUIRIES

Pensions Manager  
Hammersmith & Fulham Council  
The Town Hall  
King Street  
London  
W6 9JU  
[pensions@lbhf.gov.uk](mailto:pensions@lbhf.gov.uk)

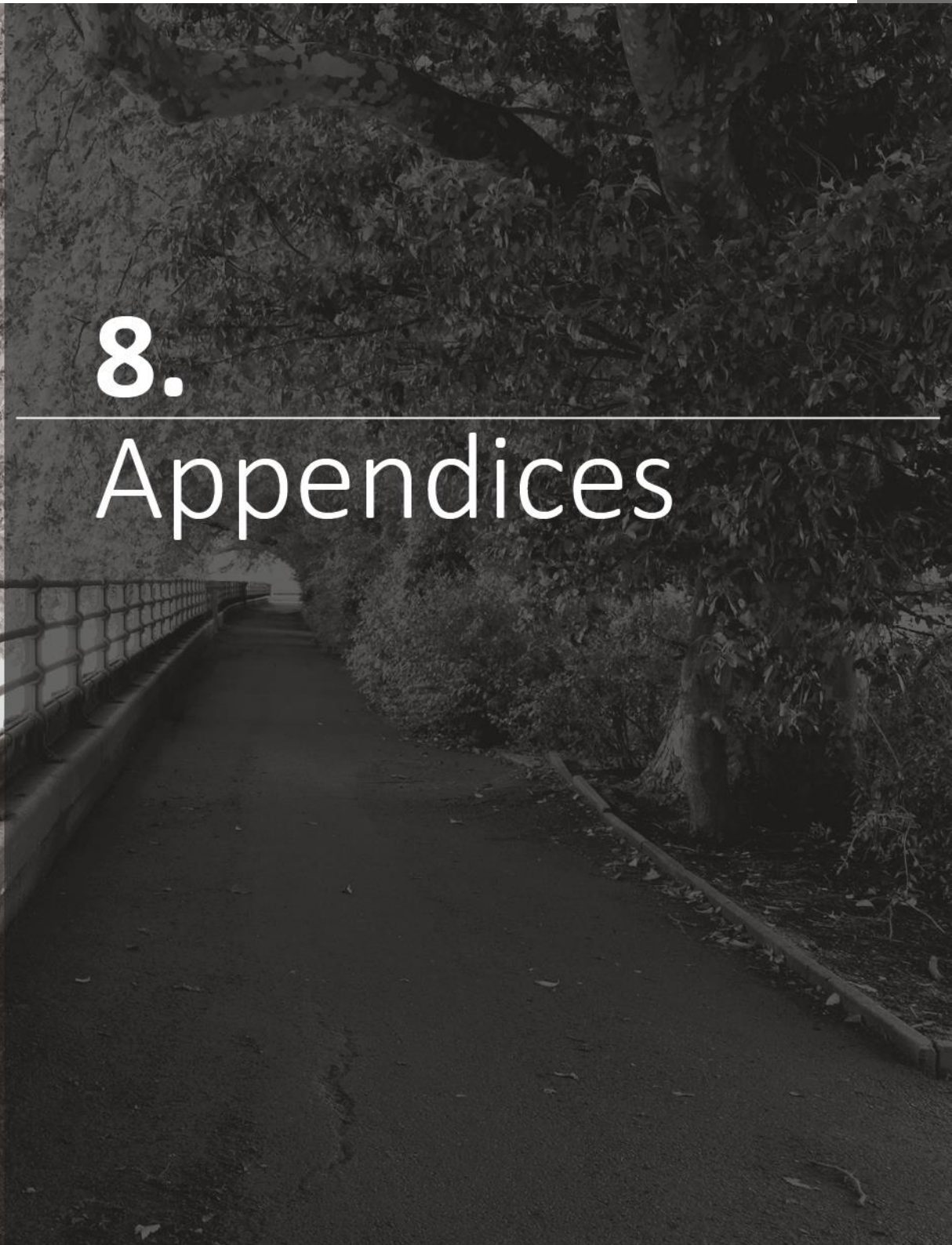
### ADMINISTRATIVE ENQUIRIES

Local Pensions Partnership Administration (Scheme Administrators)

Contact  
form: <https://www.lppapensions.co.uk/contact/contact-lppa/>

Phone: 0300 323 0260





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# Appendices

# Appendices

Full Text Versions of the following documents can be found by following the hyperlinks provided below:

- 1. THE FUNDING STRATEGY STATEMENT** [London Borough of Hammersmith and Fulham Pension Fund Funding Strategy Statement \(lbhf.gov.uk\)](https://www.lbhf.gov.uk/~/media/2023/04/LBHF-Funding-Strategy-Statement-2023-24.pdf)
- 2. THE INVESTMENT STRATEGY STATEMENT** [Pension Fund Investment Strategy Statement 2023 to 24 \(lbhf.gov.uk\)](https://www.lbhf.gov.uk/~/media/2023/04/LBHF-Investment-Strategy-Statement-2023-24.pdf)
- 3. THE GOVERNANCE COMPLIANCE STATEMENT** [governance-compliance-statement.pdf \(lbhfpensionfund.org\)](https://www.lbhf.gov.uk/~/media/2023/04/LBHF-Governance-Compliance-Statement-2023-24.pdf)
- 4. THE COMMUNICATIONS POLICY** [hfpf-communications-policy-final.pdf \(lbhfpensionfund.org\)](https://www.lbhf.gov.uk/~/media/2023/04/LBHF-Communications-Policy-Final-2023-24.pdf)
- 5. PENSIONS ADMINISTRATION STRATEGY** [pension-administration-strategy-2022-final.pdf \(lbhfpensionfund.org\)](https://www.lbhf.gov.uk/~/media/2023/04/LBHF-Pension-Administration-Strategy-2022-Final.pdf)
- 6. RESPONSIBLE INVESTMENT STATEMENT** [H&F Pension Fund Responsible Investment Statement 2022 \(lbhf.gov.uk\)](https://www.lbhf.gov.uk/~/media/2023/04/LBHF-Responsible-Investment-Statement-2022.pdf)

# Appendix 7. Annual Report of the Pensions Board

The role of the Pensions Board is to assist the scheme manager (the administering authority) in securing compliance with:

- The LGPS scheme regulations
- Other governance and administration legislation
- The requirements of the Pensions Regulator (tPR)
- Additional matters, if specified by scheme regulations

The Pensions Board is required to have an equal number of representatives from employers and scheme members. They may also have other types of members, such as independent experts, but such members will not have a vote.

The law requires Pensions Board members to have knowledge and understanding of relevant pension laws, and to have a working knowledge of the LGPS, its governance and documentation. Whereas the role of the Pension Fund Committee usually involves carrying out a decision-making function, members of the Pensions Board should focus on the processes involved in the governance of the Fund. For example, are policies and procedures up-to-date, are the requirements of the Pensions Regulator being met and is the Fund following recognised best practice?

At a national level, the LGPS Scheme Advisory Board (SAB) consists of representatives from a broad spectrum of LGPS stakeholders. Its purpose is to encourage best practice, increase transparency and coordinate technical and standards issues by being reactive and proactive. Separate SABs exist for the schemes in England and Wales, Scotland and Northern Ireland.

## Elected Members

- Councillor Nikos Ashok Patel (Chair)
- Councillor Nikos Souslous

## Appointees

- William O'Connell
- Bruce Mackay
- Andy Sharpe
- Patsy Ishmael

**During the year 2023/24 the Pensions Board met twice:**

- 7 June 2023
- 27 February 2024

**During the year, the Pensions Board had a varied and extensive work programme covering the following areas:**

- The monitoring of quarterly fund investment performance
- Reports detailing the Fund's financial management, including cash flow and scrutiny of the fund risk register
- Pensions administration key performance indicators

**The Board also reviewed the following work during the year:**

- The ongoing performance of the new pensions administration provider and the associated ongoing project work related to the transition across.
- The new investments made by Pension Fund Committee into Buy and Maintain Bonds and Renewable Infrastructure.

## Annual Report of the Pensions Board (continued)

The Board underwent the following training in the year:

The Board attended a half-day bespoke training events that took place in September 2023 and covered the following topics:

- ESG, Divestment vs. Engagement and a Just Transition
- Pooling in the LGPS
- UK Economy and Public Finances
- Macroeconomic Outlook
- Demystifying AI by AQR Capital Management

**Councillor Ashok Patel**

**Chair, LBHF Pensions Board**

**August 2024**

