

# LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 26 November 2024

**Subject:** Pension Fund Quarterly Update Q3 2024

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**Responsible Director:** Phil Triggs, Director of Treasury and Pensions

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## SUMMARY

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

- overall performance for the quarter ended 30 September 2024;
  - cashflow update and forecast;
  - assessment of risks and actions taken to mitigate these.
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## RECOMMENDATIONS

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

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

## Financial Impact

None

## Legal Implications

None

## DETAILED ANALYSIS

### LBHF Pension Fund Quarterly Update: Q2 2024/25

1. This report and attached appendices make up the pack for the quarter one (Q2) review ended 30 September 2024. An overview of the Pension Fund's performance is provided in Appendix 1. This includes administrative, investment, and cash management performance for the quarter.
2. Appendix 2 provides information regarding the Pension Fund's investments and performance. The highlights from the quarter are shown below:
  - Overall, the investment performance report shows that, over the quarter to 30 September 2024, the market value of the assets increased by £3m to £1,374m.
  - The Fund has underperformed its benchmark net of fees by 0.4%, delivering an absolute return of 1.23% over the quarter.
  - The total Fund delivered a positive return of 10.29% on a net of fees basis over the year to 30 September 2024.
3. The Pension Fund's cashflow monitor is provided in Appendix 3. This shows both the current account and invested cash movements for the last quarter, as well as cashflow forecasts to 30 June 2025. An analysis of the differences between the actuals and the forecast for the quarter is also included.
4. At the Committee meeting of the 23 July 2024, Cllr Chevoppe-Verdier requested that the Pension Fund risk register is more aligned with the format of the Audit Committee risk register. To this end, officers have broken out the impact and likelihood scoring, shown the score for the previous quarter against the current quarter and added a lead director column. The lead director column is completed provisionally, subject to a second review. Appendix 4 contains the Pension Fund's risk registers.
5. The breaches of the law log has not been included in this quarter as there have been no breaches to report.
6. At the Committee meeting of the 10 September 2024, adviser Marian George requested an update to the Responsible Investment Statement. This is currently being produced for the meeting of the 5 February 2025.
7. Officers and Isio believe it will be beneficial to conduct a further online ESG Training session with the Isio Sustainable Investment team in December 2024.
8. Regarding the redemption of all units in the Aviva Infrastructure Income portfolio, these monies were due back to the LBHF Fund by September 2024.
  - The first tranche of redemption payments (£5.2m) was paid in late January 2024.

- The second and the final redemption payments totalling £13.9m were made in September 2024.
- This is circa £3.4m or 15% lower than the estimated figure of £22.7m (excluding redemption charge) if the full redemption had been received on time at the intended date of 31 December 2023.
- As well as the redemption payments, £773k has been paid in distributions since 31 December 2023 which acts as a slight offset to the overall loss.
- Aviva's representatives will attend the Pension Fund Committee at its meeting on 26 November 2024.

## **Risk Management Implications**

1. These are included in the risk registers.
2. There have been no new risks identified on the risk register.
3. There have been no changes in the risk scores on the risk register.
4. One risk has been removed from the register in quarter:

*Risk 44 - The Pension Fund is recruiting for a brand-new retained HR and Pensions administration team, with finding candidates for all positions likely to be a challenge.*

5. One risk has had a change in trend:
  - Risk 5 – *Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.* This has been amended from trending neutral to trending up. This change is to acknowledge the possibility of a change market sentiments following the results of the US General Election.

## **List of Appendices**

Appendix 1:	Scorecard as at 30 September 2024
Appendix 2a:	Isio Quarterly Performance Report for Quarter Ended 30 September 2024 (public)
Appendix 2b:	Isio Fee Benchmarking Report 30 September 2024 (EXEMPT)
Appendix 3:	Cashflow Monitoring Report
Appendix 4:	Pension Fund Risk Register