

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 25 June 2025

Subject: Pension Fund Quarterly Update Q1 2025

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Responsible Director: Phil Triggs, Director of Treasury and Pensions

SUMMARY

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

- overall performance for the quarter ended 31 March 2025;
 - cashflow update and forecast;
 - assessment of risks and actions taken to mitigate these.
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RECOMMENDATIONS

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

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

Financial Impact

None.

Legal Implications

None.

DETAILED ANALYSIS

LBHF Pension Fund Quarterly Update: Q4 2024/25

1. This report and attached appendices make up the pack for the quarter ended 31 March 2025. 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 31 March 2025, the market value of the assets decreased by £19m to £1,409m.
 - The Fund has underperformed its benchmark net of fees by 0.05%, delivering an absolute return of -1.27% over the quarter.
 - The total Fund delivered a positive return of 3.73% on a net of fees basis over the year to 31 March 2025.
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 31 December 2025. An analysis of the differences between the actuals and the forecast for the quarter is also included.
4. The breaches of the law log has not been included in this quarter as there have been no breaches to report.

Risk Management Implications

1. These are included in the risk registers.
 - i. Though partially covered by Risk 24 "Changes to LGPS Regulation" and Risk 29 "Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.", Risk 60 "Non-compliance with the Pension Investment Review Outcomes may result in regulatory intervention, reputational damage, and restricted access to pooled investment efficiencies and governance improvements." has been added to the register.
 - ii. The risk has "TREAT mitigation actions":
 - a. Develop and implement a detailed compliance roadmap aligned with the consultation deadlines, including asset transfer plans and governance reforms.
 - b. Engage in regular liaison with the relevant government bodies and the LCIV to stay informed on policy developments and resolve emerging compliance challenges
2. There have been no other changes in the risk scores on the risk register.

Pensions Investment Review (PIR) Update

BACKGROUND

- 1.1 In July 2024, the new Labour government expressed that it was committed to reforming the LGPS in line with the previous government's ambitions, in the form of a Pensions Investment Review (PIR).
- 1.2 As part of PIR, the MHCLG published the [Local Government Pension Scheme \(England and Wales\): Fit for the Future consultation](#) on 14 November 2024. The consultation focused on three key areas: asset pooling, UK and local investment, and governance.
- 1.3 On 15 January 2025, officers submitted the Pension Fund's response to the Fit for the Future consultation.
- 1.4 On 29 May 2025, the [consultation outcome](#) was released, alongside the [final report on the Pensions Investment Review](#), which covers both Defined Contribution (DC) schemes and Defined Benefits (DB). The LGPS falls under the latter.
- 1.5 The final report for the LGPS can be accessed via the links above and are set out in **Appendix 5**.

FIT FOR THE FUTURE CONSULTATION OUTCOMES

- 2.1 Minimum Standards for Asset Pooling.
 - All investment assets must be transferred to pools by 31 March 2026, with limited flexibility for transitions between pools.
 - Pools must be FCA regulated and capable of due diligence on local/regional investments.
 - Investment implementation must be delegated to pools, and principal advice on strategy should be sourced from or through the pool.
- 2.2 Transition Proposals
 - The number of pools has reduced from eight to six: 21 Administering Authorities (AAs) from Access and Brunel are instructed to find new pools.
 - Government will not force further consolidation, but new legislation will allow direction of specific AAs (the 21 from Access and Brunel) to join designated pools.
 - Pool-to-pool collaboration issues under the 2023 Procurement Act will be addressed in the Pensions Bill, published on 5 June 2025.
- 2.3 UK and Local Investments

- AAs must set local investment allocation targets in their Investment Strategy Statements (ISS).
- Collaboration is expected with combined authorities, including the GLA in London.
- AAs must report on the impact of local investments in their Annual Reports.

2.4 Fund and Pool Governance

- AAs must appoint a senior LGPS officer, conduct triennial independent governance reviews, and publish governance, administration, and training strategies.
- Consideration of independent advisors and enhanced Annual Report transparency is encouraged.
- Pooling companies must include AA representatives on boards and report on asset performance and costs.

List of Appendices

Appendix 1:	Scorecard as at 31 March 2025
Appendix 2a:	Isio Quarterly Performance Report for Quarter Ended 31 March 2025 (public)
Appendix 2b:	Isio Investment Performance Report 31 March 2025 (EXEMPT)
Appendix 3:	Cashflow Monitoring Report
Appendix 4:	Pension Fund Risk Register
Appendix 5:	Pensions Investment Review