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Pensions Committee

Date:	**WEDNESDAY, 6 DECEMBER 2017**
Time:	**7.00 PM**
Venue:	**COMMITTEE ROOM 5 - CIVIC CENTRE, HIGH STREET, UXBRIDGE UB8 1UW**
Meeting Details:	Members of the Public and Press are welcome to attend this meeting

Councillors on the Committee

Philip Corthorne, (Chairman)
Michael Markham, (Vice-Chairman)
Peter Davis
Beulah East
Tony Eginton

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Contact: Khalid Ahmed
Tel: 01895 250833
Email: kahmed@hillingdon.gov.uk

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Lloyd White
Head of Democratic Services
London Borough of Hillingdon,
3E/05, Civic Centre, High Street, Uxbridge, UB8 1UW
www.hillingdon.gov.uk

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Pensions Committee Terms of Reference

1. To review and approve all aspects of investment policy relating to the Pensions Fund, including agreeing the strategic asset allocation and authorisation or prohibition of particular investment activities.
2. To review the Investment Strategy Statement and amend it when necessary.
3. To agree benchmarks and performance targets for the investment of the Fund's assets and review periodically.
4. To agree to transfer funds into mandates managed by the London Collective Investment Vehicle (CIV) as soon as appropriate opportunities become available.
5. To receive regular reports from the London CIV and to agree and resultant actions from a review of the investments held with the London CIV.
6. To keep the performance of the investment managers under regular review and extend or terminate their contracts as required. To appoint new managers when necessary.
7. To agree policy guidelines for the exercise of voting rights attached to the Fund's shares.
8. To review the appointment of specialist advisors and service providers and make new appointments as necessary.
9. To consider the overall implications of the Council's policies for employment and benefits issues and their impact on the Pension Fund and agree any strategic changes..
10. To approve the appointment of persons to hear appeals under the Internal Dispute Resolution Procedure.
11. To consider issues concerning the administration of the Fund, including approving responses to consultation papers.
12. To consider and decide whether to approve proposals for discretionary enhanced early retirement packages for officers.
13. The Corporate Director of Finance be authorised to take urgent decisions in relation to the pensions fund and investment strategy on behalf of the Committee, reporting back to the Pensions Committee any exercise of these powers for ratification.

Agenda

Minutes

PENSIONS COMMITTEE

25 September 2017

Meeting held at Committee Room 3 - Civic Centre, High Street, Uxbridge UB8 1UW

	Committee Members Present: Councillors Philip Corthorne (Chairman) Michael Markham (Vice-Chairman) Peter Davis Beulah East Tony Eginton **Pensions Board Members:** Roger Hackett and Venetia Rogers **Also Present**: David O'Hara (Advisor) Adrian Balmer (External Audit) **LBH Officers Present**: Tunde Adekoya Ken Chisholm, Head of Pensions Administration Paul Whaymand Sian Kunert Neil Fraser	
1.	**APOLOGIES FOR ABSENCE** *(Agenda Item 1)* None.	
2.	**DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING** *(Agenda Item 2)* Councillor Philip Corthorne declared a Non-Pecuniary Interest in all agenda items because he was a deferred member of the Local Government Pension Scheme. He remained in the room during discussion on the items. Councillor Tony Eginton declared a Non-Pecuniary Interest in all agenda items as he was a retired member of the Local Government Pension Scheme. He remained in the room during discussion on the items. Councillor Beulah East declared a Non-Pecuniary Interest in all agenda items as she was a retired member of the Local Government Pension Scheme. She remained in the room during discussion on the items.	

3.	**MINUTES OF THE MEETING - 14 JUNE 2017** *(Agenda Item 3)* It was requested that a record of thanks to Nancy Le Roux be recorded. The Chairman confirmed that he had already personally written to Ms Le Roux on behalf of the Committee, thanking her for her hard work over the years. **RESOLVED: That the minutes be agreed as an accurate record.**	
4.	**TO CONFIRM THAT ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THOSE MARKED PART II WILL BE CONSIDERED IN PRIVATE** *(Agenda Item 4)* It was agreed that agenda items 10 and 11 would be considered in private.	
5.	**EXTERNAL AUDITOR REPORT ON THE PENSION FUND ACCOUNTS** *(Agenda Item 5)* A representative from the Council's External Auditors, EY, updated Members on the audit of the 2016/17 Pension Fund Accounts. EY updated Members on their findings; in particular that there were no uncorrected errors on the accounts and that they soon were expected to provide an unqualified opinion. Members of the Committee discussed aspects of the External Auditors report, and requested that a breakdown of the increased costs listed within 'Management Expenses' be passed to the Committee. Members thanked officers for the work involved in producing the Pension Fund accounts. The recommendations were moved, seconded and agreed. The Committee's resolution would enable formal sign-off of the Accounts, after the meeting, under delegated authority. **RESOLVED:** **That the Committee:** **1. Noted the auditor's findings on the audit of the Pension Fund accounts for 2016/17;** **2. Delegated authority to the Pension Committee Chairman to sign the Pension Fund accounts on completion of the audit; and** **3. Approved the Fund Annual Report for publication.**	

6.	**INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE (PART I)** *(Agenda Item 6)* Consideration was given to a report which provided Members with an overview of fund performance as at 30 June 2017, an update on recent investment decisions, and progress on the London CIV. The Committee was informed that the total size of the fund was £965m at 30 June 2017, which was an increase from £956m at the end of the last quarter. This represented an overall investment return over the quarter of 0.94%, which was a relative underperformance of the benchmark by 0.01%. Members were informed that LBH had a portfolio totalling almost £1b in assets. Public equity allocations were managed by three managers - UBS Active UK, LGIM Passive Global, and Newton Active Global. Newton managed a global equity portfolio, and was rated highly by LBH, but had not been selected by the LCIV. The LCIV had appointed Epoch as manager moving forward, who LBH also rated highly, and who was broadly similar to Newton in their focus on income. Performance to targets was also similar to Newton, though Epoch was deemed to be more defensive and less volatile, with a more diverse portfolio. The Committee was informed that they could choose to appoint Epoch as manager. Whilst further investigation regarding costs was still be carried out, Epoch's management fees were felt to be marginally cheaper than Newton. Moving from Newton to Epoch would also incur transactional costs, though it was felt that these would be cleared within three months. Members discussed the matter, and most felt that moving to Epoch was a sound decision in light of their good reputation and performance, and would help LBH to further align to the stated long term strategy to move into the London CIV. Councillor Eginton felt that there was no material difference between Newton and Epoch, and felt that a move should only be agreed if LBH was changing their investment strategy. In Part II of the meeting, the Committee was provided with a report on market climate and the performance of investment vehicles as at August 2017, together with an update on the Fund's current managers and the quarterly update from the LCIV. The recommendations, including the additional recommendation to switch from Newton to Epoch, were moved and seconded. These were agreed, with Councillor Eginton abstaining from voting on the Epoch decision. **RESOLVED:** **That the Committee:** **1. Discussed the Fund performance update and delegated the implementation of any decisions to the Officer and Advisor**	

	- **Investment Strategy Group;** 2. **Noted the follow up activity to previous investment decisions and progress in the development of the London CIV; and** 3. **Approved the replacement of Newton to Epoch, in principle.**	
7.	**IMPLEMENTATION OF THE MARKETS IN FINANCIAL INSTRUMENTS DERIVATIVE (MIFID II)** *(Agenda Item 7)* Consideration was given to a report on the impact of the implementation of the Markets in Financial Instrumental Directive 2014/65 ("MiFID II"), and the risks inherent to becoming a retail client on 3 January 2018. Members discussed the recommendations, and it was felt that the application for professional client status was a requirement to ensure that LBH's investment strategy could continue to function. With this in mind, the recommendations were moved, seconded, and unanimously agreed. **RESOLVED:** **That the Committee:** 1. **Noted the potential impact on investment strategy of becoming a retail client with effect from 3 January 2018;** 2. **Agreed to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy;** 3. **In electing for professional client status acknowledged and agreed to forgo the protections available to retail clients as attached as APPENDIX 1; and** 4. **Agreed to approve delegated responsibility to the Corporate Director of Finance for the purposes of completing the applications and determining the basis of the application as either full or single service.**	
8.	**PENSIONS ADMINISTRATION REPORT** *(Agenda Item 8)* Consideration was given to a report updating the Committee on the administration of the London Borough of Hillingdon Fund of the LGPS, in relation to Surrey and internally at Hillingdon. In addition, consideration was given to the draft Governance Policy and Compliance statement, which was submitted to the Committee for approval prior to its proposed implementation as of 1 October 2017. Members discussed the report and sought clarity on the purpose of the proposed amendments to the list of Authorised Signatories for payment	

	of Death Grants. The Committee was informed that the amendments were proposed to ensure that sufficient signatories could always be found, particularly during holiday periods, thereby expediting the payment of the Death Grants. Members requested that all signatories be given appropriate training to ensure that they were making informed decisions. The Committee was informed that last year, during what was a transitional period, the requirement for Capita Employee Benefits to issue all Annual benefit Statements by 31 August 2016 had not been met. It was discussed that a statement from LBH on this matter would be included on the Council's website. Moving forward, statements for all active members were issued prior to 31 August 2017. Errors in payment details due to reporting issues by Capita had now been picked up and were in the process of being resolved. In future, benefit statements, payslips and P60s would be accessible through self-service online tools. If access to a computer was not available, statements could be issued by hardcopy. External statements were expected to be issued by April, with internal statements issued by May, and hardcopies issued by July 2018. It was requested that a future report include details of when retired members would have access to documents through the self-service online model. The recommendations were moved, seconded, and unanimously agreed. **RESOLVED:** **That the Committee:** **1. Agreed to the amended list of Authorised Signatories for payment of Death Grants; and** **2. Approved the Governance Policy and Compliance Statement for the London Borough of Hillingdon Pension Fund.**	
9.	**LOCAL PENSION BOARD - ANNUAL REPORT** *(Agenda Item 9)* Consideration was given to the Local Pension Board Annual report, provided for information purposes. Members thanked board members for their work in compiling the report, and noted the information contained therein. **RESOLVED:** **That the information be noted.**	

10.	**INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE** *(Agenda Item 10)* *This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule to the Act).* The Committee was provided with a report on market climate and the performance of investment vehicles as at August 2017, together with an update on the Fund's current managers and the quarterly update from the LCIV. **RESOLVED:** **That the information be noted, together with the performance of Fund Managers.**	**Action by**
11.	**PENSION FUND RISK REGISTER** *(Agenda Item 11)* *This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule to the Act).* The report provided details of the main risks to the Pension Fund which enabled the Committee to monitor and review. It was requested the consideration be given to discussing future reports on the Pension Fund Risk Register in Part 1. **RESOLVED:** **That the Committee considered the Risk Register and noted the measures which were being taken to mitigate the indentified risks.**	
	The meeting, which commenced at 6.00 pm, closed at 6.55 pm.	

These are the minutes of the above meeting. For more information on any of the resolutions please contact Neil Fraser on 01895 250692. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE

Contact Officers	Sian Kunert, 01895 556578 Scott Jamieson David O'Hara, KPMG
Papers with this report	Northern Trust Performance Report

SUMMARY

This is the main report which focuses on the investment of the Fund's assets. The report includes an overview of fund performance as at 30 September 2017, an update on recent investment decisions, and progress of the London CIV.

The total size of the fund was £978m at 30 September 2017 an increase £13m from £965m at the end of last quarter, with an overall investment return over the quarter of 1.59%, resulting in a relative under-performance of the benchmark by 0.01%. Included with this report is the Northern Trust performance.

Part II includes an update on each Fund Manager and the detailed current market backdrop. These papers all form background reading to inform Committee and to aid discussion.

RECOMMENDATIONS

It is recommended that Pensions Committee, following consideration of the Part II papers:

1. **Consider and discuss any issues raised in the training item**
2. **Discuss the Fund performance update and agree any required decisions in respect of mandates or Fund Managers;**
3. **Delegate the implementation of any decisions to the Officer and Advisor - Investment Strategy Group;**
4. **Note the follow up activity to previous investment decisions and progress in the development of the London CIV.**

INFORMATION

1. Fund Performance

Over the last quarter to 30 September 2017, the Fund returned 1.59% (0.94% June 2017) just 1 basis point below the fund benchmark of 1.60% (0.95% June 2017). The value of the Fund increased over the quarter by £13m, to bring the fund balance to £978.2m as at 30 September 2017.

Period of measurement	Fund Return %	Benchmark %	Arithmetic Excess
Quarter	1.59	1.60	-0.01
1 Year	9.55	8.75	+0.80
3 Year	9.74	9.00	+0.74
5 Year	10.09	9.21	+0.88
Since Inception (09/1995)	7.18	7.03	+0.15

During the quarter distributions were received from various alternative investment mandates with funds utilised to fund the commitment to Permira. Positive impacts were seen from M&G, AEW and UBS Equities negated by negative performance from Newton and Adams Street.

Relative outperformance over a one year rolling period was 0.74% ahead of the benchmark with the largest contributions from UBS Equities and M&G. Only the Private Equity, UBS Property & Newton portfolios underperformed to their relative benchmarks during this period.

2. Asset Allocation

The current asset allocation, the key strategic tool for the Committee, is outlined in the table below. The assets of the Fund are currently invested across 12 different Fund Managers in a range of passive and active mandates, including a mix of liquid and illiquid allocations to reflect the Fund's long-term horizon.

Current Asset Allocation by Asset Class

	Market Value As at 30 Sept 2017	Actual Asset Allocation	Benchmark Allocation
ASSET CLASS	**£'000**	**%**	**%**
UK Equities	217,427	22.2	47.0
Global Equities	248,147	25.4	
UK Index Linked Gilts	63,616	6.5	12.0
Corporate Bonds (Global)	87,254	8.9	
Property	122,587	12.5	12.0
DGF/Absolute Returns	103,231	10.6	12.0
Private Equity	22,893	2.3	4.0
Infrastructure	27,280	2.8	3.0
Private Credit	61,642	6.3	10.0
Cash & Cash Equivalents	24,107	2.5	0.0
Totals	**978,184**	**100.0**	**100.0**

The underweight in Private Credit is due to a further £30.8 million committed to Permira awaiting drawdown of investment.

Current Asset Allocation by Manager

FUND MANAGER	ASSET CLASS	Market Value As at 30 Sept 2017 £'000	Actual Asset Allocation %
ADAMS STREET	Private Equity	14,646	1.5
LGT	Private Equity	8,206	0.8
AEW	Property	51,618	5.3
JP MORGAN	Corporate Bonds (Global)	56,101	5.7
LCIV RUFFER	DGF/Absolute Returns	103,231	10.6
M&G	Private Credit	17,512	1.8
MACQUARIE	Infrastructure	27,280	2.8
NEWTON	Global Equities	138,263	14.1
PERMIRA	Private Credit	44,130	4.5
LGIM	UK Equities	88,363	9.0
	Global Equities	109,884	11.2
	UK Index Linked Gilts	63,616	6.5
	Corporate Bonds (Global)	31,153	3.2
UBS EQUITIES	UK Equities	129,064	13.2
	Property	22	0
	Private Equity	41	0
	Cash & Cash Equivalents	5,292	0.6
UBS PROPERTY	Property	70,017	7.2
Non Custody	Cash & Cash Equivalents	19,745	2.0
		978,184	**100**

Note: Asset Market Valuation is at BID price, as per accounting requirements, which differs from the attached Northern Trust Performance report which is measured at MID price.

3. Market and Financial climate overview

In the third quarter of 2017, UK equities rose over the period amid a stable global growth outlook. Sterling strengthened against a weak dollar, and noticeably so in September after the Bank of England (BoE) indicated it would normalise base rates relatively soon (Base rate has since been increased by 0.25% to 0.5% in November 2017). The appreciation in the currency negatively weighed on the market and the FTSE All-Share rose 2.1% on a total return basis, a relatively poor performance versus global equities. The S&P 500 recorded a total return of 4.5% over the period. US equities were supported by generally positive macroeconomic data, including news that the economy grew at a healthy 3.1% rate in the second quarter (annualised). A robust quarterly reporting season and further weakness in the dollar were additional tailwinds as US equities recorded new record highs.

European equities performed moderately in the third quarter. The MSCI EMU index returned 4.3%. Eurozone economic data remained robust over the three months. GDP growth was confirmed at 0.6% in the second quarter, up from 0.5% in the first quarter. After a flattish performance in July and August, the Japanese market rose in September to record a gain of 4.7% for the quarter. The market rise was led by oil and mining stocks although a weaker tone for the currency later in the quarter also helped auto stocks to outperform. One persistent feature for much of the period was the underperformance of financial-related and real estate stocks, with all the subsectors declining in absolute terms despite the market's rise. Emerging markets (EM) equities recorded a robust return in Q3 with a backdrop of steady global growth and modest inflation proving supportive. US dollar weakness, continued momentum in the Chinese economy and a pickup in commodity prices were all positive for Emerging Market equities.

Bond yields oscillated over the quarter, with the exception of the UK, which sold-off sharply in September, were ultimately little changed against a largely unchanged global economic backdrop. While the late-June selloff initially continued in July, it came to a halt as growing expectations of a hawkish shift among central banks were reined in. Yields moved lower in August, precipitated by safe haven buying, before reversing course once more in September as risk appetite returned.

4. Investment Decision update

It was agreed in principle at September committee to transition Global Equities mandate to the London CIV pool, transitioning assets from Newton to Epoch. Confirmation was obtained in respect of ongoing management fees which are slightly lower than the previous manager and the move is in line with government objectives to transition all Pension Fund assets into 6 pools for investment purposes. As part of the transition a pre trade analysis was carried out to understand the associated costs involved in the transition. The transition of assets from Newton to the London CIV Epoch sub-fund was completed on 8 November. The transition benefited from a favourable movement in equity prices and transition costs which include taxes, transaction fees commission, and foreign exchanges costs came in below estimates.

As a result of the transition the London Borough of Hillingdon Pension Fund became the first investor in the London CIV "first launch and fund" of the phase 2 of their investment sub-funds, where assets were transitioned without the "lift and shift" through commonality of mandates which the Fund utilised in the movement of assets from Ruffer to the London CIV platform last year.

5. LCIV update

LCIV currently has 9 sub-funds; no new sub-funds we opened in Q3. However Epoch opened with the Hillingdon investment in November and a further 2 sub-funds are expected to be open before the end of the calendar year.

Sub funds available on the platform currently

Fund Name	Manager	Fund Type

Global Equity		
LONDON LGPS CIV GLOBAL EQUITY ALPHA FUND	Allianz	Global equity
LONDON LGPS CIV GLOBAL ALPHA GROWTH FUND	Baillie Gifford	Global equity
LCIV NW GLOBAL EQUITY FUND	Newton	Global equity
LCIV LV GLOBAL EQUITY FUND	Longview	Global equity
UK Equity		
LCIV MJ UK EQUITY FUND	Majedie	UK Equity
Multi assets/Total retrun		
LCIV RF ABSOLUTE RETURN FUND	Ruffer	Diversified growth Fund
LCIV PY GLOBAL TOTAL RETURN FUND	Pyrford	Absolute return
LONDON LGPS CIV DIVERSIFIED GROWTH FUND	Baillie Gifford	Diversified growth Fund
LCIV NW REAL RETURN FUND	Newton	Absolute return

The London CIV is developing its plans to add fixed income options with the liquid products to be available in the new year. For more illiquid products the LCIV are requesting FCA approval for an extension of permissions to be able to support products outside of the current ACS structure, this requires approval from all shareholders and will take approximately 3 months for the FCA process the approval.

Hillingdon Fund Investment with the London CIV

The Hillingdon Pension Fund currently invests in Ruffer on the LCIV platform and LGIM which sits alongside the LCIV Platform accessing the economies of scale created via the LCIV. The Fund has total LCIV holdings of £396m at 30 September 2017 accounting for 41% of total assets, which increases to 55% after transition in November of the global equities mandate.

Voting and Engagement

As part of the Pension Committees role in making investment decisions it is required to take into account factors which are financially material to the performance of an investment and balancing returns against risks. This includes risks to the long-term sustainability of a company’s performance which could arise from a number of factors including poor governance, environmental degradation, or the risks to a company’s reputation arising from the way it treats its customers, suppliers or employees.

During the quarter ended 30 September 2017 the Hillingdon investment managers made the following votes

Fund Manager	Meetings Voted	Resolutions	Votes With Management	Votes Against Management	Abstentions
UBS	1,137	9,921	8,870	1,051	0
Newton	79	221	146	75	0
JP Morgan	171	2,133	12,014	116	3
LGIM	472	5,282	4,740	541	1

Q3 is normally the quietest period in terms of voting volumes and AGM's. UBS were the most active fund manager by attending and voting at 1,137 meetings, with Newton attending 79 shareholder meetings, the least, during the period under review On average, UBS and LGIM opposed about 10% of proposals at meetings attended..

Overall, Newton Asset Management was quite distinct in their opposition of most management resolutions by voting against 34% of such proposals.

FINANCIAL IMPLICATIONS

The financial implications are contained within the body of the report

LEGAL IMPLICATIONS

There are no legal implications in the report.

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London Borough of Hillingdon

Investment Risk & Analytical Services

September 30, 2017

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Client Commentary

Total Scheme Commentary

A decade on from the financial crisis and the launch of the iPhone, the global economy is enjoying “entrenched growth” and c. 2bn people carry a “super computer” (by late 20th Century standards) in their pockets (500m on iOS and 1.4bn on android). Austerity remains and global growth is slower but the banking system as a whole is less leveraged and the current rates of growth, we hope, are sustainable without bust. There are still risk factors to beware; a mounting pile of US sub-prime car-loans, excessive global consumer debt, the expansion of asset managers and Chinese banks – the latter have tripled in size over the last decade. In the fixed income markets, sterling and UK gilt yields were jolted as the Bank of England primed investors for a more hawkish policy stance. The UK 10-year gilt yield climbed 10 basis points to 1.36% whilst the rate-sensitive two-year gilt yield rose 9 basis points to 0.38%. ML Sterling Non-Gilts index closed the quarter 0.15% higher, outperforming the FTSE All-Stock index which fell 0.45%. Despite the uncertainty surrounding Brexit, market action reflected the heightened possibility that the BoE would start unwinding a decade of ultra-loose monetary policy. With the CPI climbing to 2.9% in August, an increase from 2.6% in July, rate-setters agree that some withdrawal of stimulus is likely to help return inflation close to the Bank’s mandated target of 2%. The ONS attributed the rebound to the increasing cost of motor fuel and clothing, supporting the notion of retailers passing on higher import costs following the post-Brexit sterling slump. Meanwhile core inflation also rose, peaking at 2.7%, its highest level since 2011. The broader picture, however, remains one of persistent absence of UK wage growth despite falling unemployment and rising inflation – all of which poses a dilemma for policy makers.

Within this environment the London Borough of Hillingdon returned 1.59% which was broadly in line with the Total Plan benchmark of 1.60%. In monetary terms this is a growth in assets of £15 million and the value of the combined scheme now stands at £978.2 million as at 30th September 2017. Looking further into the analysis the results seen were caused by weights closely in line with the strategic position leading to a neutral allocation impact while minimal selection effects offset each other. Within selection the most notable effects were the positive impacts of M&G, UBS and AEW nullified by the negative impacts in Newton and Ruffer.

Still boosted by the positive results in the last quarter of 2016, the Scheme’s one year return of 9.55% is 0.74% ahead of the benchmark of 8.75%. The largest impact comes from selection, the most significant in UBS UK Equity (+0.98%) coupled with M&G (+0.49%), although these are slightly offset by the negative effect from Newton (-1.09%). While allocation has a negative impact coming through from underweighting LGT (-0.08%), while also overweighting AEW and Premira (both leading to -0.07%).

While over the longer periods, with ten positive quarters over the last 3 years, the Scheme continues to outperform, producing a return of 9.74% over three year versus 9.00%. Then the excess increases to 0.80% for the 5 year period where we see figures of 10.09% versus 9.21% per annum. Then since inception in September 1995, the Fund remains ahead of target by 14 basis points with an annualised return of 7.18% against a target of 7.03%.

Manager Commentary

AEW UK

Over the third quarter AEW UK Property produced a growth of 4.94%, which was 2.48% above the IPD UK PPFI All Balanced Funds index figure of 2.40%. They remain ahead of target over the year so far, and continue to be ahead over the rolling one year returning 14.41% against the benchmark of 9.28%. This translates as a +4.70% relative return. However, with positive absolute returns in all but one period and only four quarters in the red on a relative basis, growth ahead of benchmark is seen since the fund incepted. In those three years since September 2014, the fund return is 11.49%, leading to an outperformance of 1.90% when compared to the IPD figure of 9.41%.

JP Morgan

In the latest quarter JP Morgan produces a growth in assets of 1.45% leading to an outperformance of 0.62% when compared to the 0.82% target for the 3 Month LIBOR + 3% p.a. Then with good results in the five of the last six quarters, the one year return of 4.72% is ahead of the 3.47% target by 1.21%. Then over three and five years they post returns closer to the benchmark with figures of 4.63% vs 3.63% and 3.82% vs 3.59% respectively. Since the mandate funded their return of 4.27% is +60 basis points above the target return of 3.65% on an annualised basis.

Legal & General 1

Over the last three months the Legal & General No. 1 mandate post a return of 1.37% against 1.38% for the custom fixed weight blended benchmark, a slight underperformance of -1 basis points. In the short period since inception in October 2016, they return 7.18%, which is just -4 basis points down on the benchmark return 7.22%. Further analysis demonstrates the passive strategy with all funds neutral when compared to the benchmark weights and in line with their respective benchmark returns.

Legal & General 2

During February 2017 the new Legal & General mandate was funded, now in it’s eighth month of investment they post a return of +1.83% against +1.88% for the third quarter against the custom fixed weight blended benchmark consisting of FTSE Global Equity Hedged and Emerging Markets, FTSE Index Linked 15+ years and iBoxx UK Non-Gilts. In the short period since inception, they return 3.68% against 3.96% for the benchmark. The slight underperformance is due to the Emerging Equity and World Equity Hedged funds posting returns slightly below their benchmarks, while weights are slightly overweight leading to a negative allocation impact.

Client Commentary (cntd)

Manager Commentary

London CIV Ruffer

This quarter assets within the London CIV Ruffer portfolio saw their second consecutive fall in value, meaning the -0.71% return when compared to the LIBOR 3 Month GBP figure of 0.09%, leads to a relative return of -0.80%. This has dampened the good results from 2016 and the one year period exhibits a modest growth of 0.87% against the target of 0.47%. Outperformance remains in the longer periods. This is seen in a three year return of 5.75% versus 0.63%, then similarly for the five years with figures of 6.82% against 0.61%, culminating in since inception (May 2010) figures of 5.85% versus 0.83% per annum, which translates as a relative return of 4.98%.

M&G Investments

For the second consecutive period M&G posted gains in Q3 by producing a return of 5.18% against the 3 Month LIBOR +4% p.a. target of 1.07%, demonstrating an outperformance of 4.07%. Coupled with the previous good results, the full year return leads the benchmark by 15.04%, coming from figures of 20.19% against 4.47%. Over the three and five year the account registers figures of 10.87% vs 4.62% and 9.31% vs 4.59% respectively; since inception (May 2010) return falls slightly to 7.78% pa whilst the benchmark is 4.69% pa. Although the since inception Internal Rate of Return moves further ahead of target with a figure of 8.87% opposed to the comparator of 4.69%.

Macquarie

Over the last three months, Macquarie produced a growth of 1.11%, against the 0.82% for the 3 Month LIBOR +3% p.a. this translates as an outperformance of 0.29%. With twelve consecutive quarters of positive absolute and relative returns, outperformance is seen in all longer periods. Over the rolling year a growth of 11.43% beats the target of 3.47% by 7.70%, similarly the three year result of 18.59% versus 3.62% exhibits the best relative return at 14.45%. The annualised return over 5 years falls to 12.36%, but still ahead of the 3.59% seen for the benchmark; then since inception (September 2010) the 4.47% is just ahead of the target of 3.68%. Although the since inception Internal Rate of Return for this portfolio jumps to 12.60%, which is ahead of the benchmark figure of 3.68%.

Newton

In the third quarter of 2017 Newton produced a return of -0.72%, which was well below the 2.35%% seen for the FTSE World Index +2%. This negative relative is the third period of underperformance for the year, and they still fall -7.34% short of the benchmark generated from figures of 8.85% versus 17.48%. Then with only four other quarters in the black over the last twelve the three year return falls just short with figures of 15.87% versus 17.17%; then since inception in January 2013, the fund return of 13.62% falls short of the yardstick of 15.95% by -2.01% on an annualised basis.

Manager Commentary

Premira Credit

The Premira Credit Fund saw a growth of 2.36% over the third quarter of 2017, this compares favourably with the 3 Month LIBOR +4% p.a. target of 1.07%. All four quarter's over the last year are still ahead of target, leading to an outperformance of 4.47%, created from figures of 9.13% against 4.47%. Then since the start of December 2014 when the fund incepted, the fund posts a return of 9.62% against the benchmark of 4.57%, leading to a relative position of 4.83%.

UBS

During Q3 the UBS UK Equity investments returned of 3.82%, well ahead of the 2.14% for the FTSE All Share. Looking into the attribution analysis this outperformance was achieved through Allocation effects, with the most significant being overweight in Basic Materials (+44 bps) as well as an underweighting in Consumer Goods (+43 bps) and being overweight Oil & Gas (+36 bps). Selection decisions were also notable, the most significant being the effects in Basic Materials (+46 bps) and Consumer Goods (+26 bps), while the largest negative impact comes from Industrials (-23 bps). With the previous good run of results they remain ahead over the one year, figures of 20.66% vs 11.94% translates as a relative return of 7.79%. This is attributable to both allocation and selection, the biggest impacts come from both overweighting Basic Materials (1.13%) and selection in the sector (1.75%), combined with the selection effect in Financials (1.71%); while the largest negative impact was once again the drag from the 3% cash exposure. This feeds into the longer time periods, with three and five years ahead of the index, culminating in a since inception (January 1989) return of 10.32% versus 8.91% on an annualised basis.

UBS Property

In contrast to the previous period, in the latest quarter the UBS Property posted an outperformance with +0.59%, generated from a return of 3.00% against the IPD UK PPFI All Balanced Funds index of 2.4%. Over the one year a deficit is recorded, with a full year return of 7.56% falling -1.58% behind the IPD target of 9.28%. However, the previous good run of results prior to the last year leads to high absolute returns staying ahead of the IPD target over the longer periods, peaking over the three year with a return of 9.93% against 8.90%. Then since inception, in March 2006, the fund return falls to 3.73% per annum which manages to stay just ahead of the benchmark figure of 3.67%.

Private Equity

The private equity assets saw a 1.32% rise in value for LGT. Adam Street saw a fall of 0.31%. Over the longer periods, the outlook over which private equity investments should be measured, returns remain positive. LGT maintain a run of over 3 years of growth with a figures of 17.38%, 20.91% and 16.17% for the one, three and five year periods respectively, while Adam Street posted 6.86%, 15.17% and 15.68% over the same periods; both exhibit some of the highest returns seen. Although they fall short of the proxy benchmark of MSCI AC World +4% p.a. which shows 19.41%, 19.15% and 18.11%. One exception being LGT over the 3 year period where they have outperformed by 1.47%. Then since their respective inceptions in January 2005 and May 2004, Adam Street drops to

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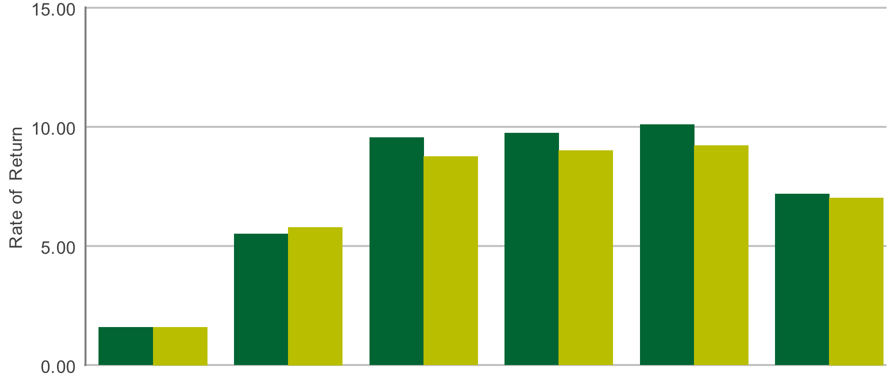
Executive Summary

LONDON BOROUGH OF HILLINGDON TOTAL FUND GROSS OF FEES



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Fund	1.59	5.50	9.55	9.74	10.09	7.18
Index	1.60	5.79	8.75	9.00	9.21	7.03

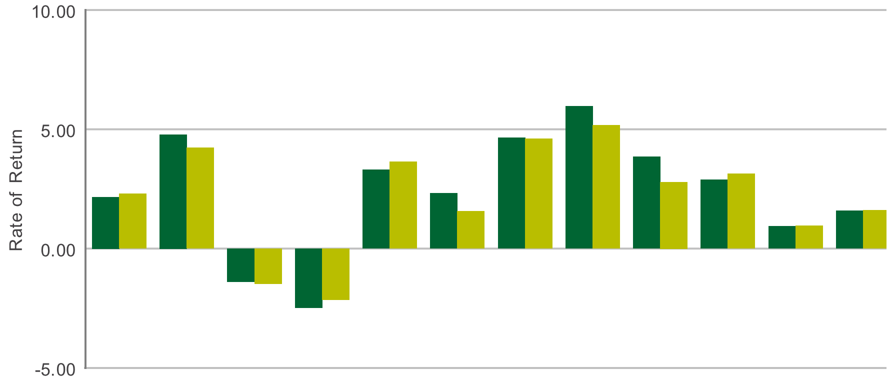
Index: Total Plan Benchmark

RISK STATISTICS

RISK STATISTICS	1 Yr	3 Yrs	5 Yrs
Return	9.55	9.74	10.09
Index Return	8.75	9.00	9.21
Relative Excess Return	0.74	0.68	0.80
Standard Deviation	4.50	5.13	5.13
Index Standard Deviation	3.90	4.77	4.80
Tracking Error	0.96	1.15	1.08
Information Ratio	0.84	0.64	0.81
Sharpe Ratio	2.02	1.78	1.85
Index Sharpe Ratio	2.12	1.76	1.79
Sortino Ratio	-	-	3.61
Treynor Ratio	8.02	8.68	9.06
Jensen's Alpha	-0.30	0.29	0.43
Relative Volatility (Beta)	1.13	1.05	1.05
R Squared	0.97	0.95	0.96

Index: Total Plan Benchmark. Risk Free Index: JP Morgan 3 month Cash (GBP)
Category: Total Fund Gross of Fees. Calculation Frequency: Monthly

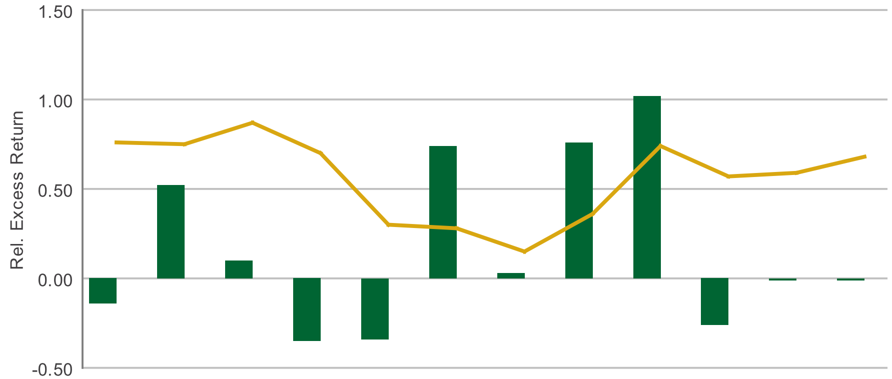
LONDON BOROUGH OF HILLINGDON ROLLING QUARTERS TOTAL FUND GROSS OF FEES



	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17
Fund	2.16	4.78	-1.39	-2.48	3.30	2.32	4.64	5.96	3.85	2.88	0.94	1.59
Index	2.30	4.23	-1.48	-2.14	3.64	1.57	4.61	5.17	2.79	3.14	0.95	1.60

Index: Total Plan Benchmark

LONDON BOROUGH OF HILLINGDON ROLLING QUARTERS TOTAL FUND GROSS OF FEES



	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17
3M R.Excess	-0.14	0.52	0.10	-0.35	-0.34	0.74	0.03	0.76	1.02	-0.26	-0.01	-0.01
3Y R.Excess	0.76	0.75	0.87	0.70	0.30	0.28	0.15	0.36	0.74	0.57	0.59	0.68

Index: Total Plan Benchmark

Investment Hierarchy

Account/Group -% Rate of Return	Ending Market Value GBP	Ending Weight	Three Months Port	Three Months Index	Three Months Relative Excess	Year to Date Port	Year to Date Index	Year to Date Relative Excess	One Year Port	One Year Index	One Year Relative Excess
London Borough of Hillingdon	978,183,943	100.00	1.59	1.60	-0.01	5.50	5.79	-0.28	9.55	8.75	0.74
Total Plan Benchmark											
AEW UK	51,617,689	5.28	4.94	2.40	2.48	10.46	6.82	3.41	14.41	9.28	4.70
LBH22 AEW Benchmark											
JP Morgan	56,101,422	5.74	1.45	0.82	0.62	5.07	2.57	2.44	4.72	3.47	1.21
LBH15 JPM LIBOR +3%pa											
Legal & General 1	228,525,168	23.36	1.37	1.38	-0.01	6.27	6.29	-0.01	-	-	-
LBH26 L&G Benchmark											
Legal & General 2	64,490,865	6.59	1.83	1.88	-0.06	-	-	-	-	-	-
LBH27 L&G Benchmark											
London CIV Ruffer	103,241,381	10.55	-0.71	0.09	-0.80	-1.16	0.32	-1.47	0.87	0.47	0.40
LBH11 Ruffer BM LIBOR											
M&G Investments	21,665,559	2.21	5.18	1.07	4.07	5.82	3.31	2.43	20.19	4.47	15.04
LBH10 3 Month LIBOR +4%pa											
Macquarie	27,732,610	2.84	1.11	0.82	0.29	7.88	2.57	5.18	11.43	3.47	7.70
LBH14 Macquarie LIBOR +3%pa											
Newton	138,262,523	14.13	-0.72	2.35	-3.01	4.95	9.81	-4.43	8.85	17.48	-7.34
LBH19 FTSE World Index +2%											
Premira Credit	52,562,776	5.37	2.36	1.07	1.28	6.41	3.31	3.00	9.13	4.47	4.47
LBH24 Premira LIBOR +4%pa											
UBS	134,419,461	13.74	3.82	2.14	1.65	8.26	7.75	0.48	20.66	11.94	7.79
LBH04 UBS Benchmark											
UBS Property	70,016,024	7.16	3.00	2.40	0.59	5.78	6.82	-0.98	7.56	9.28	-1.58
LBH06 UBS Property Benchmark											
Adam Street	14,645,949	1.50	-0.31	2.85	-3.07	-1.93	11.43	-11.99	6.86	19.41	-10.51
Adam Street PE Bmark											
LGT	8,206,945	0.84	1.32	2.85	-1.49	12.90	11.43	1.31	17.38	19.41	-1.70
LGT PE Bmark											

Investment Hierarchy(2)

	Three Years			Five Years			Inception to Date			
Account/Group -% Rate of Return	Port	Index	Relative Excess	Port	Index	Relative Excess	Port	Index	Relative Excess	Inception Date
London Borough of Hillingdon	9.74	9.00	0.68	10.09	9.21	0.80	7.18	7.03	0.14	30/09/1995
Total Plan Benchmark										
AEW UK	11.49	9.41	1.90	-	-	-	11.98	9.98	1.82	30/06/2014
LBH22 AEW Benchmark										
JP Morgan	4.63	3.63	0.96	3.82	3.59	0.22	4.27	3.65	0.60	08/11/2011
LBH15 JPM LIBOR +3%pa										
Legal & General 1	-	-	-	-	-	-	7.18	7.22	-0.04	31/10/2016
LBH26 L&G Benchmark										
Legal & General 2	-	-	-	-	-	-	3.68	3.96	-0.28	22/02/2017
LBH27 L&G Benchmark										
London CIV Ruffer	5.75	0.63	5.09	6.82	0.61	6.17	5.85	0.83	4.98	28/05/2010
LBH11 Ruffer BM LIBOR										
M&G Investments	10.87	4.62	5.98	9.31	4.59	4.52	7.78	4.69	2.96	31/05/2010
LBH10 3 Month LIBOR +4%pa										
Macquarie	18.59	3.62	14.45	12.36	3.59	8.47	4.47	3.68	0.77	30/09/2010
LBH14 Macquarie LIBOR +3%pa										
Newton	15.87	17.17	-1.11	-	-	-	13.62	15.95	-2.01	24/01/2013
LBH19 FTSE World Index +2%										
Premira Credit	-	-	-	-	-	-	9.62	4.57	4.83	30/11/2014
LBH24 Premira LIBOR +4%pa										
UBS	11.13	8.51	2.41	13.62	10.02	3.27	10.32	8.91	1.30	31/12/1988
LBH04 UBS Benchmark										
UBS Property	9.93	8.90	0.95	10.08	9.47	0.55	3.73	3.67	0.07	31/03/2006
LBH06 UBS Property Benchmark										
Adam Street	15.17	19.15	-3.34	15.68	18.11	-2.06	6.29	-	-	31/01/2005
Adam Street PE Bmark										
LGT	20.91	19.15	1.47	16.17	18.11	-1.64	10.93	-	-	31/05/2004
LGT PE Bmark										

Category: **Total Fund Gross of Fees**

Market Value Summary - Three Months

Account/Group	30/06/2017 Market Value	30/06/2017 Weight	Net Contribution*	Income	Fees	Appreciation	30/09/2017 Market Value	30/09/2017 Weight	Change in Weight
London Borough of Hillingdon	**965,479,423**	**100.00**	**-2,638,131**	**4,526,276**	**1,638,131**	**10,816,376**	**978,183,943**	**100.00**	**0.00**
AEW UK	49,186,231	5.09	0	520,530	0	1,910,928	51,617,689	5.28	0.18
JP Morgan	55,302,276	5.73	0	0	0	799,146	56,101,422	5.74	0.01
Legal & General 1	225,450,456	23.35	-4,244	0	4,244	3,078,956	228,525,168	23.36	0.01
Legal & General 2	63,333,307	6.56	0	0	0	1,157,558	64,490,865	6.59	0.03
London CIV Ruffer	103,981,030	10.77	0	572,614	0	-1,312,263	103,241,381	10.55	-0.22
M&G Investments	20,598,047	2.13	0	374	0	1,067,139	21,665,559	2.21	0.08
Macquarie	27,417,942	2.84	9,177	12,439	0	293,052	27,732,610	2.84	-0.00
Newton	139,271,739	14.43	0	0	0	-1,009,216	138,262,523	14.13	-0.29
Premira Credit	51,348,609	5.32	0	1,509,391	0	-295,224	52,562,776	5.37	0.06
UBS	129,475,421	13.41	0	1,237,494	0	3,706,546	134,419,461	13.74	0.33
UBS Property	69,581,120	7.21	-1,633,800	662,012	1,633,800	1,406,692	70,016,024	7.16	-0.05
Adam Street	16,591,599	1.72	-1,898,626	8,609	0	-55,634	14,645,949	1.50	-0.22
LGT	9,024,522	0.93	-942,962	5	0	125,380	8,206,945	0.84	-0.10
Cash & Other Assets	4,917,124	0.51	1,832,324	2,808	87	-56,682	6,695,573	0.68	0.18

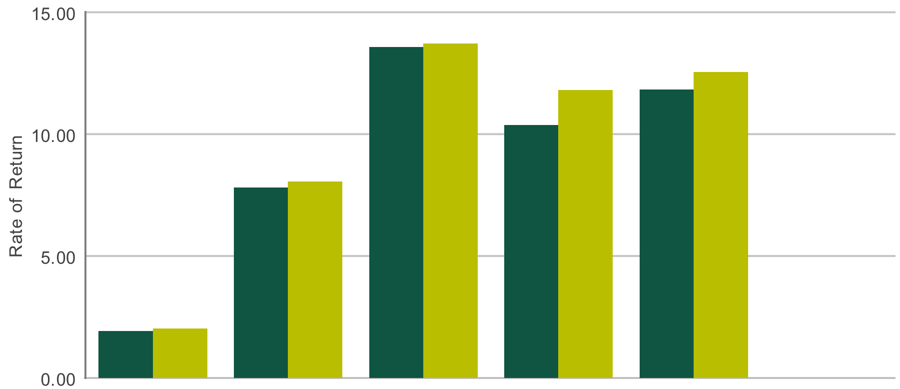
Min -0.29 0.33 Max

**Net Contributions include Cash Contributions/Distributions, Security Deliveries/Receipts, Fees/Fee Rebates, Inter Account transfers for Consolidations & Benefits Payments.*
Copied History or Backloaded Data may not display the correct Contributions/Withdrawals creating misrepresentation.

Category: **Total Fund Gross of Fees** • Currency: **GBP**

Historical Performance

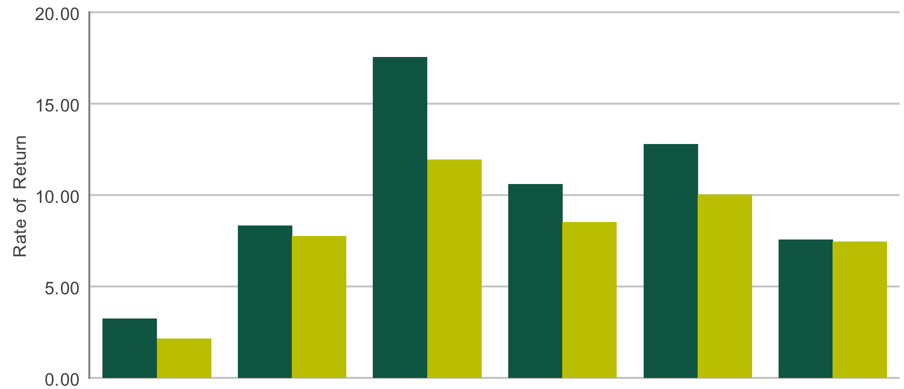
EQUITY



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	1.91	7.80	13.57	10.36	11.83	-
Index	2.02	8.06	13.72	11.81	12.54	-

Index: Total Equity Benchmark

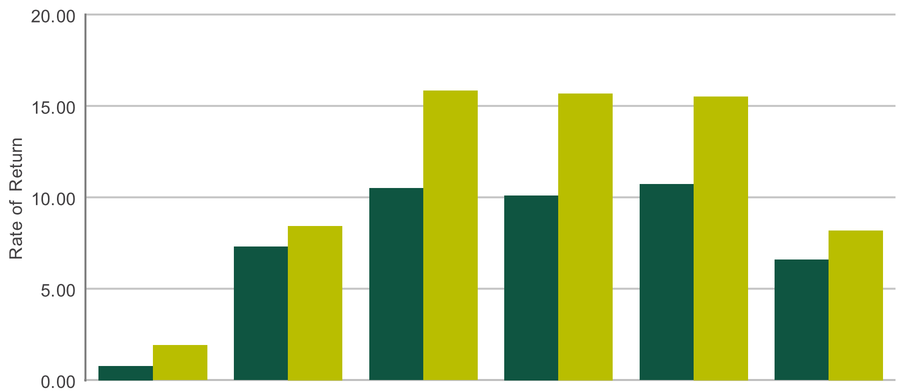
UNITED KINGDOM



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	3.23	8.32	17.56	10.60	12.80	7.56
Index	2.14	7.75	11.94	8.51	10.02	7.45

Index: FTSE All Share UK Equity

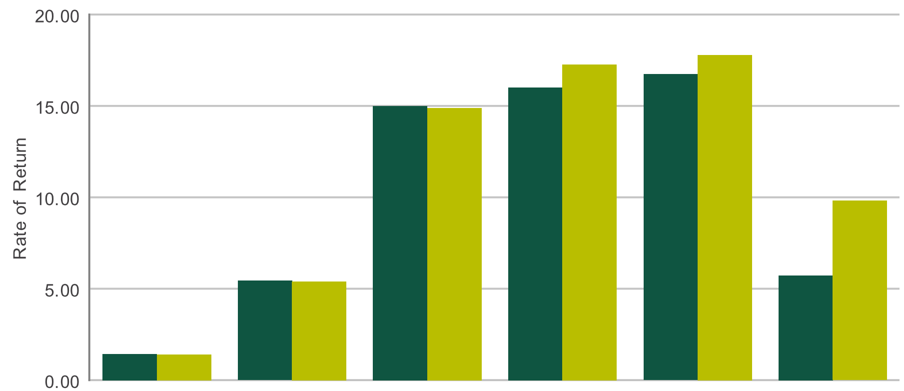
OVERSEAS EQUITIES



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	0.77	7.29	10.49	10.10	10.71	6.59
Index	1.91	8.43	15.83	15.68	15.51	8.19

Index: Total O'seas Equity Benchmark

NORTH AMERICA

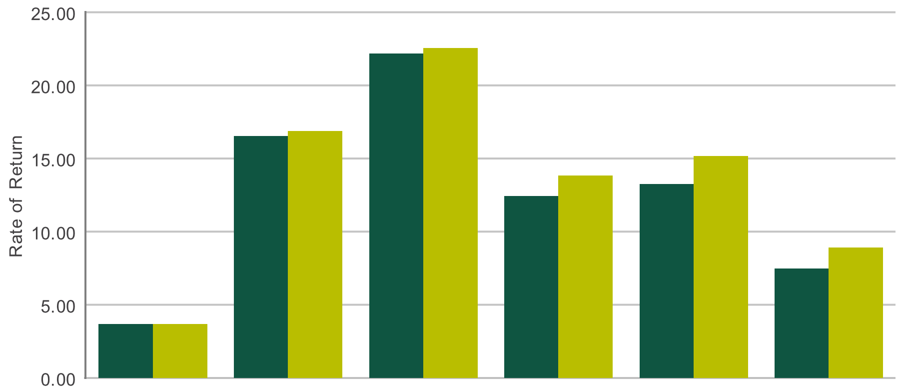


	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	1.43	5.43	14.99	16.01	16.73	5.72
Index	1.40	5.39	14.89	17.26	17.78	9.81

Index: FTSE North America

Historical Performance

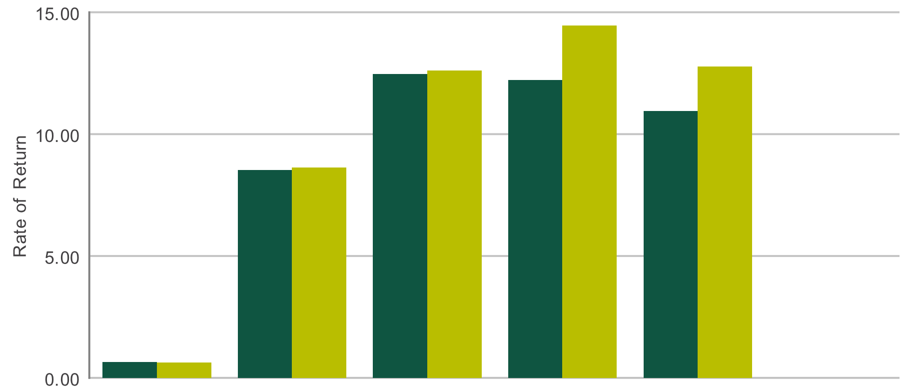
EUROPE EX UK



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	3.68	16.54	22.17	12.42	13.25	7.48
Index	3.68	16.88	22.54	13.82	15.17	8.90

Index: FTSE AW Dev Europe ex UK

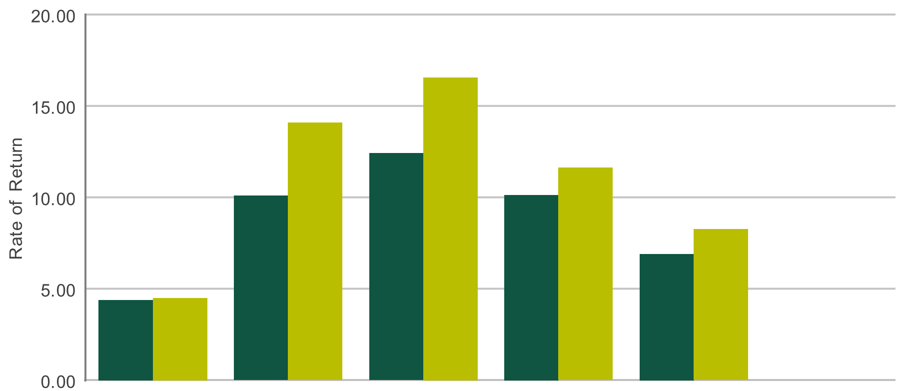
ASIA PACIFIC INC JAPAN



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	0.64	8.52	12.47	12.22	10.95	-
Index	0.62	8.63	12.60	14.45	12.76	-

Index: FTSE AW Dev Asia Pacific

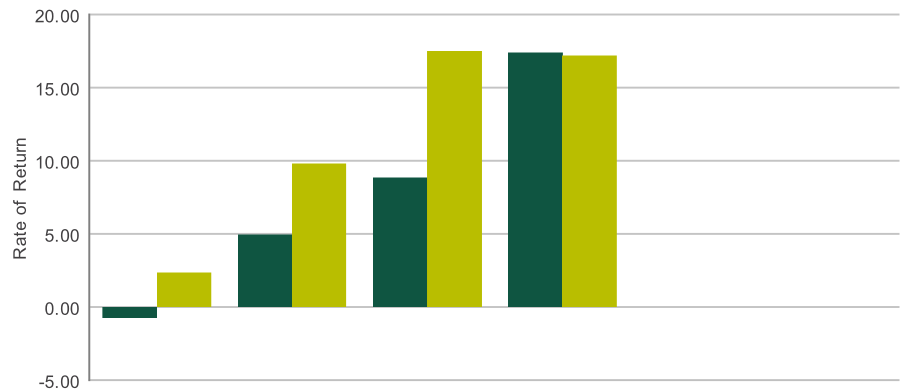
EMERGING MARKETS



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	4.38	10.09	12.41	10.12	6.90	-
Index	4.49	14.08	16.55	11.62	8.26	-

Index: LBH Emerging Markets

GLOBAL - NEWTON

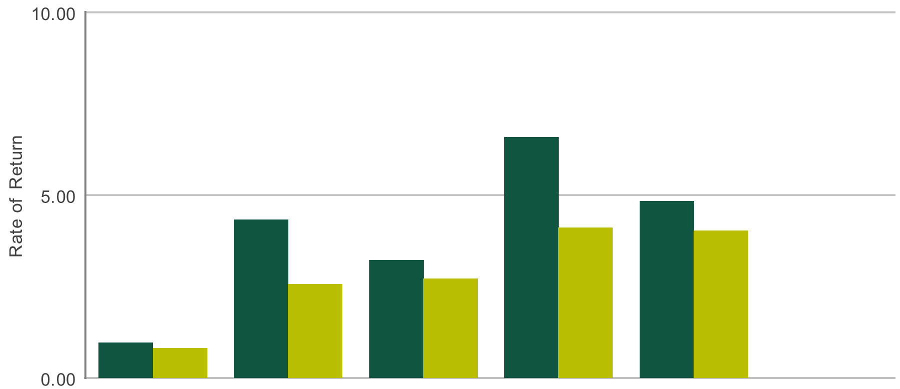


	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	-0.72	4.95	8.85	17.39	-	-
Index	2.35	9.81	17.48	17.17	-	-

Index: FTSE World Index +2%

Historical Performance

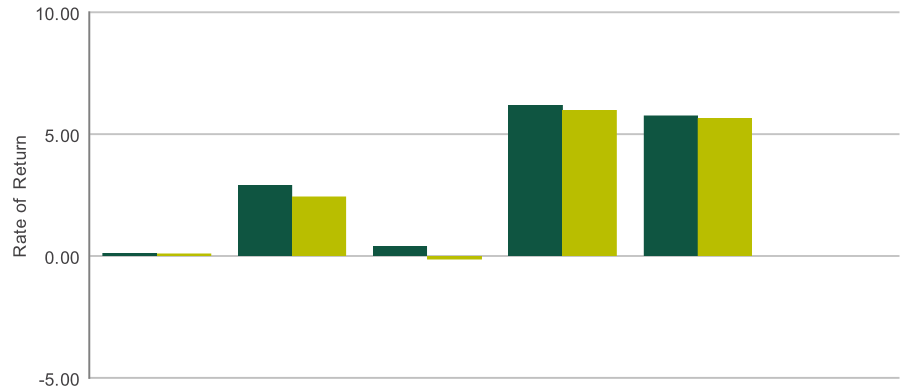
FIXED INCOME



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	0.97	4.33	3.22	6.59	4.84	-
Index	0.82	2.57	2.71	4.11	4.03	-

Index: LBH Fixed Income Benchmark

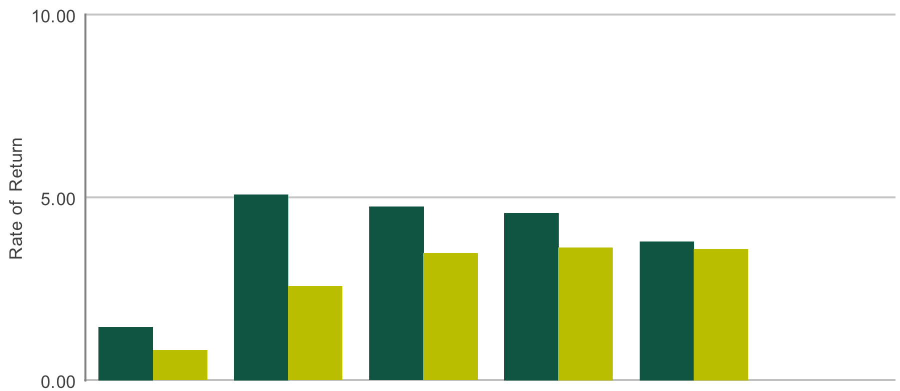
UK CORPORATE BONDS



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	0.12	2.91	0.40	6.19	5.76	-
Index	0.10	2.44	-0.13	5.98	5.66	-

Index: LBH Non-Gilts Benchmark

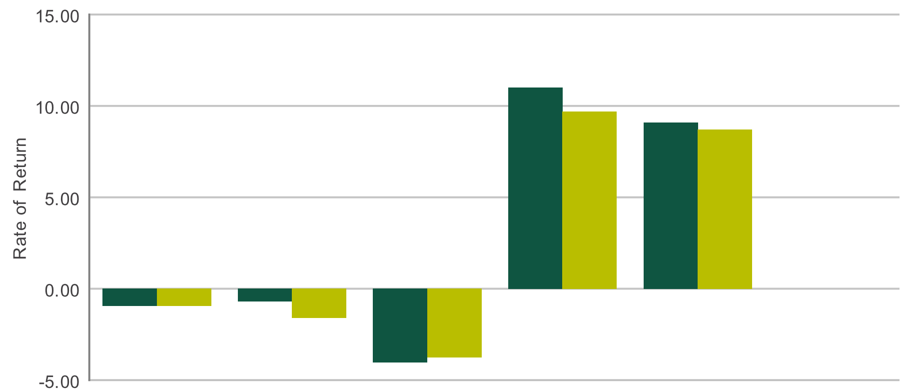
GLOBAL CORPORATE BONDS



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	1.45	5.08	4.74	4.57	3.79	-
Index	0.82	2.57	3.47	3.63	3.59	-

Index: LIBOR GBP 3 Month +3% pa

INDEX LINKED GILTS

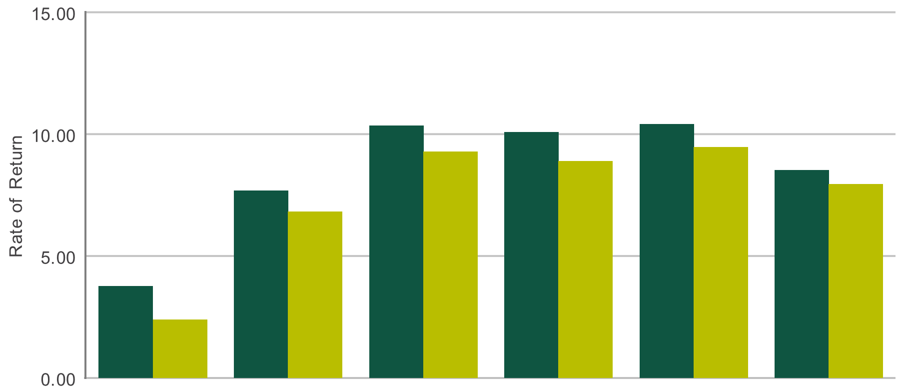


	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	-0.95	-0.70	-4.03	11.01	9.10	-
Index	-0.94	-1.61	-3.76	9.69	8.71	-

Index: LBH Index Linked Benchmark

Historical Performance

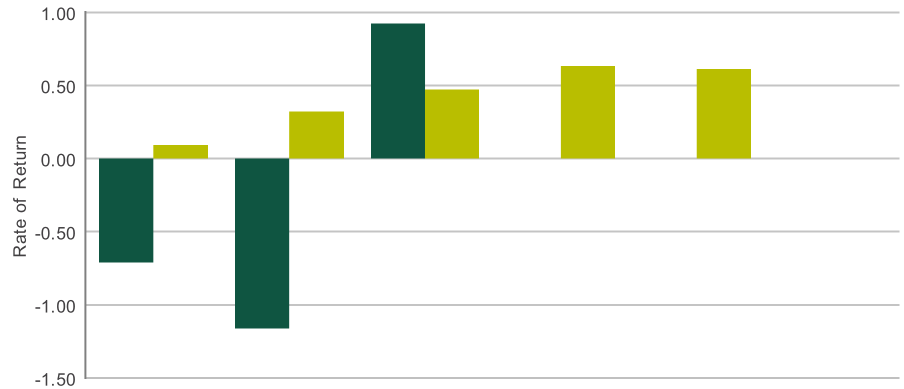
REAL ESTATES



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	3.77	7.69	10.35	10.08	10.41	8.52
Index	2.40	6.82	9.28	8.90	9.47	7.94

Index: IPD UK PPFI All Bal Funds Index

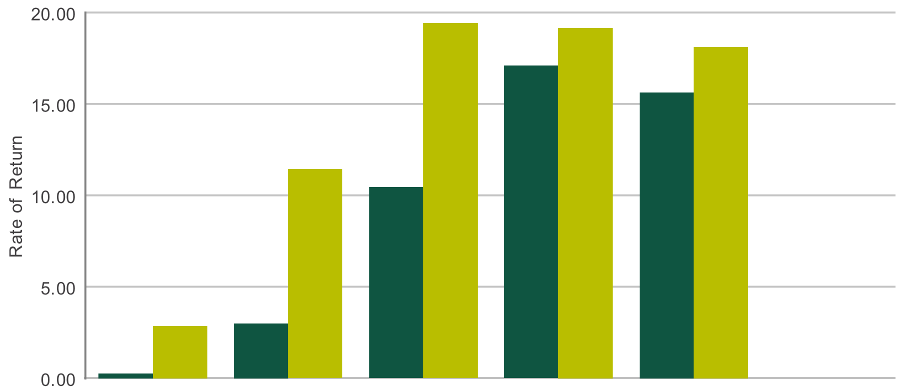
DGF/ABSOLUTE RETURN



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	-0.71	-1.16	0.92	-	-	-
Index	0.09	0.32	0.47	0.63	0.61	-

Index: LIBOR GBP 3 Month

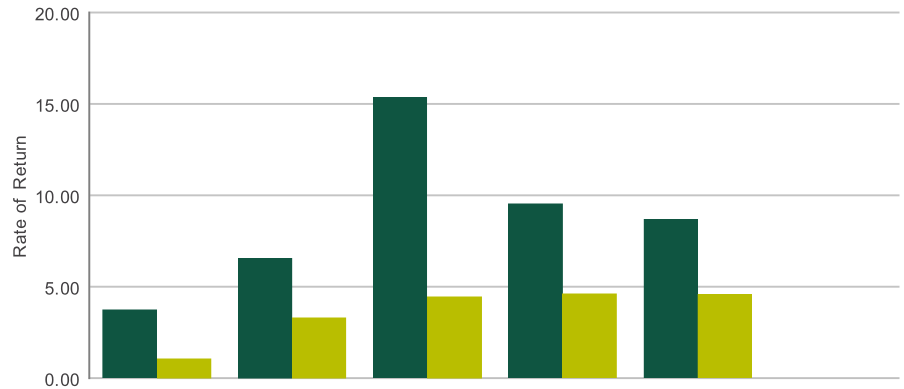
PRIVATE EQUITY



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	0.25	2.99	10.44	17.09	15.63	-
Index	2.85	11.43	19.41	19.15	18.11	-

Index: MSCI ACWI +4% pa

PRIVATE CREDIT



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	3.74	6.57	15.37	9.54	8.69	-
Index	1.07	3.31	4.47	4.62	4.59	-

Index: LIBOR GBP 3 Month +4% pa

Total Plan Benchmark

2.96	MSCI All Countries World Index + 4%
1.37	FT Japan
2.46	FT North America
0.96	FTSE Developed Asia Pacific ex Japan
2.32	FTSE Developed Europe ex UK
1.63	FTSE Developed GBP Hedged
22.63	FTSE All Share
1.80	FTSE Index Linked Gilts
4.81	FTSE Index Linked Gilts15+ Years
2.31	FTSE Emerging Markets
12.09	IPD UK PPFI All Balanced Funds Index
6.39	3 Month LIBOR +4%pa
11.03	3 Month LIBOR
7.55	3 Month LIBOR +3%pa
14.41	FTSE World Index +2%
2.03	LIBID 7 Day
3.25	iBoxx Sterling Non-Gilts

Portfolio Benchmarks

AEW UK
100.00 IPD UK PPFI All Balanced Funds Index

JP Morgan
7.55 3 Month LIBOR +3%pa

Legal & General
5.88 FT Japan
10.53 FT North America
4.10 FTSE Developed Asia Pacific ex Japan
9.92 FTSE Developed Europe ex UK
38.75 FTSE All Share
7.72 FTSE Index Linked Gilts
13.34 FTSE Index Linked Gilts15+ Years
2.94 FTSE Emerging Markets
6.82 iBoxx Sterling Non-Gilts

Legal & General
25.67 FTSE Index Linked Gilts15+ Years
24.52 FTSE Emerging Markets
25.09 iBoxx Sterling Non-Gilts
24.72 FTSE Developed GBP Hedged

London CIV Ruffer
100.00 3 Month LIBOR

M&G Investments
100.00 3 Month LIBOR +4%pa

Macquarie
100.00 3 Month LIBOR +3%pa

Newton
100.00 FTSE World Index +2%
Premira Credit
100.00 3 Month LIBOR +4%pa

UBS
100.00 FTSE All Share
UBS Property
100.00 IPD UK PPFI All Balanced Funds Index

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ENVIRONMENTAL SOCIAL AND CORPORATE GOVERNANCE (ESG)

Contact Officers	Sian Kunert, 01895 556578
Papers with this report	None.

SUMMARY

This report supplements the training item from KMPG to discuss financial risks associated with Environmental, Social & Corporate Governance (ESG).

The report outlines the requirement for funds to have an ESG policy, the funds approach to ESG and the fund's investment manager's approaches to ESG including climate change.

RECOMMENDATIONS

It is recommended that Pensions Committee:

1. **Note fund managers current ESG policies**
2. **Note the fund is signed up to "The UK Stewardship Code"**
3. **Request Investment managers to advise whether they have signed up to UN Principles for Responsible Investment (PRI)**
4. **Request Investment managers to confirm that they have signed up to "The UK Stewardship Code"**

INFORMATION

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require the Pension Fund Investment Strategy Statement (ISS) to include a policy on how social, environmental or corporate governance considerations are taken into account; in the selection, non-selection, retention and realisation of investments. The first version of the ISS was taken to Pensions Committee for approval in March 2017 and was discussed at Local Pensions Board in April 2017.

The Fund is required to make the pursuit of a financial return its predominant concern, as the fund has a fiduciary duty to its members to pay pension benefits. This principle is the leading focus of the fund's investment strategy. The Fund may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme. This is only where the fund has good reason to think that scheme members would support their decision. The Fund took the decision not to invest in tobacco in any segregated mandates as a result of this principle; the fund has not taken this approach on any other issue.

There has been a swing in recent years in the understanding of the ESG setting process, as a number of issues that were previously considered to be purely on a social agenda can have financial risk to investments. This can be from a number of routes, such as physical changes in the climate could create a risk to sectors such as food and beverages industry with increased costs of production or loss to farm land; natural disasters can increase the cost to insurance companies or costs to companies that are effected by loss revenue from down-time in production; there are also reputational damages which could result from poor governance and bad decision making. Climate change issues, unlike most other ESG issues, such as ethics or corporate governance, have much wider risk consequences as the impact is widespread across a range of sectors and can affect the fund's portfolio in wide reaching ways.

As part of the ISS the Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promote corporate responsibility in the underlying companies in which it invests. This ultimately protects the financial interests of the Fund and its beneficiaries. The Fund has a commitment to actively exercise the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it invests.

There is a requirement for all investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. Managers are expected to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the companies and markets to which the Fund is exposed. The Fund expects its managers to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund such as corporate governance and environmental factors.

As a result all the managers in which the Hillingdon Pension Fund invest have Responsible Investing and ESG policies which enable them to promote long-term shareholder value and protect the interest of shareholders by only investing in well governed companies.

There are two sets of principles which are widely accepted within investment circles as appropriate bases for the consideration of ESG issues as follows:

- The UN Principles for Responsible Investment (PRI)
- The Institutional Shareholders' Committee Code on the Responsibilities of Institutional Investors ("The UK Stewardship Code")

The Hillingdon Pension fund is signed up to the "The UK Stewardship Code" and expects its fund managers to have also signed up; it is recommended that they all be asked to confirm. Whilst the Fund may not expect all investment managers to have signed up to the PRI yet, it is likely a number of them have, as a result is recommended they all be asked to confirm.

Evolution of Practical Investor Strategies

There are a number of investor strategies to deal with ESG issues including Climate change and these have evolved over time and can overlap in their adoption.

- Divestment can be considered to exclude a whole sector or company on specific grounds;
- Risk management actioned through the investment decision such as the asset allocation strategy and manager selection to carry out strategies;
- Investment in solutions so making positive investments for example investing in renewable energy sources;
- Active ownership to engage with companies and managers investing on the funds behalf.

Divestment can be a difficult strategy for funds such as Hillingdon where investments are made within pooled and passive funds due to scale and cost. Pooled and passive funds are less concentrated, with passive funds holding a slice of all companies within an index allowing them to track the market and be significantly diversified, whereas active managers have conviction in the performance of a specific company and their actions. Divestment by an individual fund would likely result in neutral investors taking advantage of a temporary depression in market sentiment, so would require a whole scale disinvestment of markets to have a required impact. Divestment also removes the ability to engage within an industry to promote better standards and progression towards alternative fuel sources such as renewables, as you take away the ability to influence the decisions and actions of that company. Where divestment can be a good tool is in enabling investors to exclude individual companies and industries from their portfolios in the case where organisations fail to meet a minimum standard or fail to progress toward a lower carbon economy in line with the 2015 Paris agreement.

The Fund currently approach management of ESG within its strategy through engagement, asset allocation and manager selection or allocation to specific managers through sub funds within the London CIV pool.

Hillingdon Fund manager's stance on ESG & Climate change

Adams Street

Adams Street is committed to employing investment and other personnel who share values of honesty, integrity, and transparency. They believe that their principled approach to due diligence and ongoing monitoring of Adams Street's investments is likely to result in positive social and economic development.

Adams Street has developed checklists for use by investment teams in considering ESG factors during investment diligence and post-investment monitoring. Criteria considered in evaluating prospective investments include:

- Character and integrity of the leadership of the fund or portfolio company
- The fund's or portfolio company's governance practices
- The quality, sustainability and transparency of operations
- Impacts of the fund's investments or portfolio company's business (e.g., human rights and environmental impacts)

AEW

AEW UK is committed to responsible property investment which will result in a positive, measurable and immediate contribution to CO2 mitigation in all areas of its real estate portfolio and wider business practice.

At the heart of asset management approach is a partnership with all tenants. Buildings are maintained with consideration for the surrounding environment and community. During asset enhancement, construction and preventative maintenance programmes, they encourage the use of environmentally friendly materials and supplies, if they are cost and quality equivalent to other options. For example, for all demolition work we endeavour to recycle and re-use aggregates on site, rather than transport building waste elsewhere. Annual audits are carried out which aim to ensure buildings comply with all current regulations and protect the health and safety of our tenants and visitors.

Epoch (through LCIV) (investment from November 2017)

As active managers, ESG considerations are inherent in the Epoch thought process and integrated into fundamental analysis of individual companies. Epoch has adopted an ESG Policy to ensure firm-wide consistency in our approach and communication. The investment process takes ESG issues into account when, in their view, these issues have a material impact on either investment risk or return. Within the context of the Global Equity Shareholder Yield strategy, our analysts are primarily concerned with the potential impact of ESG factors on the individual company's future cash flow generation and on the company's commitment to consistently return cash to shareholders.

Epoch spend a significant amount of time meeting with senior management of the companies they invest in on behalf of clients. Epoch do not look to exclude companies or sectors from the investable universe, but rather to analyze and monitor

ESG issues that may have an impact on financial performance in the near and long term. Some of the companies in which they invest are involved in operations or businesses which may have environmental or social impact that may create financial risks for the company. They follow these issues and evaluate each company's risk exposure, amount of disclosure and standards of conduct. The companies often have policies or strategic plans in place focused on long-term sustainability such as reducing carbon emissions or investing in renewable energy. There is consideration within the fundamental analysis of each company as climate change/fossil fuels have the potential to impact the future cash flows of the business.

JP Morgan

As part of the commitment to delivering superior investment performance to clients, JP Morgan expect and encourage the companies to demonstrate the highest standards of corporate governance and best business practice. They examine the share structure and voting structure of the companies, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of proxy voting and engagement activity.

JP Morgan manages the voting rights of the shares entrusted to it as it would manage any other asset and vote shares held in its clients' portfolios in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of the beneficial owners of the security. So far as is practicable they will vote at all of the meetings called by companies in which we are invested.

JP Morgan met Members of the ESG Team of 21 companies specifically to discuss governance issues, including Glencore, Arcelormittal, ING Groep, Henkel, LafargeHolcim and Akzo Nobel, bringing the total number of engagements for the year (not counting scheduled one-to-one meetings) to 204, of which 79 were meetings to discuss corporate governance issues at investee companies. 51 were remuneration consultations and 44 were to discuss social and environmental issues at portfolio companies.

LGT Capital

In thier multi-manager offerings, which include private equity, hedge funds and select long-only strategies, LGT focus on how our managers integrate ESG considerations into their investment approach. In bond and equity portfolios, securities are selected based on robust ESG criteria, and focus on the ESG attributes of issuers of securities. Given the central place of ESG considerations in these portfolios, they make up the sustainable bond and equity offerings. Looking across these various approaches and portfolios, LGT see significant progress this year in how ESG is taken into account in portfolios.

LGIM

LGIM consider their role is to help bring positive change to the companies in which they invest. Corporate governance is not just about company engagement or voting;

it also involves collaborating with regulators and other investors to help improve markets. LGIM's new Climate Impact Pledge sends a powerful message – one that came about as a result of clients increasingly pushing for action in this area. ESG issues, LGIM consider that ESG issues are a part of long-term risk management and therefore a fundamental part of clients' fiduciary duty.

M&G

M&G's approach to stewardship is set out in their 'M&G and the UK Stewardship Code' document. An active and informed voting policy is an integral part of the investment philosophy. Voting should never be divorced from the underlying investment management activity. By exercising votes, they seek both to add value to clients and to protect our interests as shareholders. M&G consider the issues, meet the management if necessary, and vote accordingly.

M&G aim to vote on all resolutions at general meetings of companies held in M&G's actively managed and UK passive portfolios. Typically, M&G votes by proxy at general meetings, but on occasion attend a general meeting where clients' interests are best served.

MACQUARIE

Macquarie's infrastructure funds are committed to environmental, social and governance issues when making new investments and managing existing portfolio companies. Globally, through its Macquarie Infrastructure and Real Assets (MIRA) division, Macquarie manages approximately 100 infrastructure businesses across the world, in sub-sectors such as renewable energy, water and waste, toll roads, airports. These businesses provide essential services to over 100 million people around the globe daily, thus demonstrating the importance of responsible management. Being a trusted owner of these assets is integral to the ongoing success of MIRA's business and therefore it puts environmental and social as a core part of its philosophy.

Macquarie has adopted a suite of Corporate Governance policies across all its funds, including an Environmental and Social Governance policy. They also have a Sustainability and Environment Officer as an internal resource who develops sustainability policies and coordinates relevant activity across Macquarie. The Sustainability and Environment Officer is supported by a Sustainability Advisory Committee of senior Macquarie executives, whose business roles or compliance functions intersect with ESG issues. The committee operates as a Macquarie-wide review board for ESG policy development and plays an important role in guiding Macquarie's ESG approach by making recommendations to Macquarie's Executive Committee.

Newton (disinvested November 2017)

Newton's approach to responsible investment is founded on protecting and enhancing the value of its clients' holdings. Newton is committed to ensuring that companies, in which it invests, adopt the highest standards of practice with regard to environmental, social and governance (ESG) matters. Newton exercises clients' voting rights globally and engages with companies where material concerns exist.

And example of ESG engagement is Newton engaging National Grid on various ESG issues including climate change, on which national Grid board was questioned on how the company and board were stress testing their stated strategy against the global policy initiative of limiting global temperature rises below two degrees and increase in electric vehicle (EV) usage. The company has tested the business against a range of future energy scenarios and has established 2020-2050 emissions and performance targets.

PERMIRA

Permira believes that a focus on sustainability is an important part of building lasting value in the funds' portfolio companies. Environment, social and governance ("ESG") and sustainability considerations are embedded throughout the investment process and are expected to be a key part of the governance of the funds' portfolio companies. Permira expects the funds' portfolio companies to deploy sound ESG practices in their operations. Permira also engages with portfolio company management teams post investment and through the investment period to understand how ESG risks and opportunities are being managed by the Permira Funds' portfolio companies.

Ruffer (through LCIV)

Ruffer has the share ownership rights of investments in this product and exercises these rights, through company engagement and proxy voting, to manage, protect and enhance the value of clients' investments.

Ruffer supports the UK Stewardship Code and has been assessed as tier 1 meaning 'signatories provide a good quality and transparent description of their approach to stewardship and explanations of an alternative approach where necessary.' Ruffer also became a signatory to the Japan Stewardship. Ruffer supports and is a signatory to the UN Principles for Responsible Investment (UN PRI) as part of our approach to good stewardship.

Ruffer monitors companies through statements and third party reports as well as being able to engage the board and senior management of investee companies directly. They actively seek to integrate environmental, social and corporate governance (ESG) issues into the investment process. They believe that ESG factors are often a signal of management quality, particularly over the long term. Ruffer employs a dedicated manager for responsible investment and ESG issues.

UBS

UBS Asset Management's stewardship policy is the commitment to act as good stewards of assets held and managed on behalf of clients. UBS recognise that clients' expect them to ensure the alignment of approach with their own investment beliefs, policies and guidelines. UBS seek to be active shareholders by encouraging good governance and a high standard of corporate practices.

UBS regard voting as an important part of the engagement process. Wherever practical they vote at all company meetings globally. The exceptions are in markets where voting restrictions apply.

Further to their launch of the UBS Climate Aware Strategy in Q1 2017, the manager reviewed its' voting principles and policy with regards to climate related reporting proposals at shareholder meetings. UBS now expect companies to have a strategy for reducing greenhouse gas emissions, to be clear about goals, and to report on progress.

The manager will support proposals that requires an issuer to report to shareholders, at a reasonable cost and excluding proprietary information, information concerning their potential liability from operations that contribute to global warming, their goals in reducing these emissions, their policy on climate risks with specific reduction targets where such targets are not overly restrictive.

The manager will also support proposals that require, or request, information regarding an issuer's adoption of, or adherence to, relevant norms, standards, codes of conduct or universally recognised international initiatives, or that seek to promote greater disclosure and transparency in a standardized format their corporate environmental policies, including information on GHG or toxic emissions, in particular as outlined in the recommendations of the Task Force on Climate Related Disclosures (TCFD).

Since the review UBS have supported proposals presented to shareholders at various meetings including those at Chevron and Exxon Mobil.

Pensions Administration Report

Contact Officers	Ken Chisholm, 01895 250847
Papers with this report	KPI report

SUMMARY

This report is for information and provides an update on the administration of the London Borough of Hillingdon Fund of the LGPS, both in relation to Surrey and internally at Hillingdon.

Attached to the report is the latest KPI Report from Surrey CC.

RECOMMENDATION

It is recommended that Pensions Committee note this report.

INFORMATION

Surrey Administration Update

As reported previously to Committee, the Pension Administration system used by Surrey - Altair - includes a sophisticated task management system which allows the progress of all case work to be managed and monitored on a daily basis. The Key Performance Indicators (KPIs) against which Surrey are being monitored were all contained within the agreed Section 101 agreement. The latest report is attached.

There have been considerable improvements to quality of the data held by Surrey, and this has been reflected by the relatively small number of queries received regarding the information contained in the Annual Benefit Statements, sent out in August and September. Surrey sent out 89% of active members statements before the 31st August deadline, and a further 5% were sent out in early September. As at 24th November all statements where complete information is held have now been sent. The remaining statements cannot be sent out until information from the member's employer has been received. This represents 120 members who have not received a statement.

When the annual benefit statements were sent out, details of how members can register for "Mypension" were included, which is the online tool for members to access their own record. As at the end of September, over 15% of the active membership had applied for access. Further communications are planned for early in the New Year, to encourage more members to sign up, as in future hard copies of benefit statements will not be available. As a result of this change, the plan is to have electronic benefit statements available to scheme members by the end of July 2018, and by the end of May in future years. Accessibility to "Mypension" will be rolled out to pensioner members from February 2018 when they receive communication of their annual pension increase, and deferred members from April 2018.

Key Performance Indicators for October to 24 November 2017.

Having compared the information supplied, the overall percentages on most areas have improved since the last KPI Report was provided to Committee. Problems still exist as a result of having to correct data supplied by Capita. The major detractor affecting Spouses Benefits is due to Capita not holding this information on their system, and benefits having to be re-run by Surrey to create a Spouses Benefit. The in-house team are helping Surrey re-create these records. A concern regarding the under-performance in the area of acknowledging Death Notifications has resulted in Surrey introducing a new process to ensure that all future cases are dealt with within the agreed time frame. Overall, we are still working with Surrey to improve performance towards 100% in each work area

Hillingdon Process update

The in-house team have continued to update and amend records as part of the overall data cleanse. It has been agreed with the Scheme Actuary, that a test valuation will be run in July 2018 to ascertain the quality of the data. This will help identify what, if any data is missing or incorrect and may affect the next whole scheme Valuation due as at 31 March 2019.

At the regular quarterly meeting held with Surrey, a number of items were discussed to help improve the quality of data held, and to ensure that data held is up to date. This includes contracting to a Mortality Screening body, who will run monthly checks against the pensioners payroll, to identify possible un-notified death cases, and also a tracing service, to help trace former scheme members who there is no address held on file. Currently, there are almost 500 members with a deferred entitlement where no address is held on file.

FINANCIAL IMPLICATIONS

There are no financial implications within this report.

LEGAL IMPLICATIONS

There are no legal implications within this report.

Hillingdon Pensions Administation - Key Performance Indicators 2017-18 Q3

Activity	Measure	Impact	Target	Oct		Nov		Dec		Commentary
Scheme members	Pensioners, Active & Deferred			20,926						
New starters set up/welcome letters										
ABS sent - Councillors	Statutory deadline		Due by 31 Aug							
ABS sent - Active	Statutory deadline									
ABS sent - Deferred	Statutory deadline									
				Volume	Score	Volume	Score	Volume	Score	
Death notification acknowleded, recorded and documentation sent	5 working days	M	**100%**	13	**85%**	16	**63%**			**New process in place from end of November should lead to 100% compliance in future**
Payment of death grant made	10 working days	H	**100%**	3	**67%**	1	**100%**			
Retirement notification acknowledged, recorded and documentation sent	10 working days	M	**100%**	51	**55%**	45	**73%**			**These still include a number of backlog cases.**
Payment of lump sum made	10 working days	H	**100%**	45	**42%**	34	**76%**			
Calculation of spouses benefits	10 working days	M	**100%**	7	**0%**	7	**86%**			**Complexities and respurce involved in reconstructing pensioner records leads to delays for these cases.**
Transfers In - Quote (Values)	20 working days	L	**100%**							**Workflow to be reviewed for this process as not reflective of actual numbers**
Transfers In - Payments	20 working days	L	**100%**							
Transfers Out - Quote	20 working days	L	**100%**	2	**0%**	9	**33%**			
Transfers Out - Payments	20 working days	L	**100%**	2	**0%**	3	**33%**			**Transfers paid within statutory timescales**
Employer estimates provided	10 working days	M	**100%**	10	**80%**	14	**86%**			
Employee projections provided	10 working days	L	**100%**	5	**100%**	6	**67%**			**Members now encouraged to use online portal where appropriate.**
Refunds	20 working days	L	**100%**	9	**55%**	1	**0%**			
Deferred benefit notifications	20 working days	L	**100%**	23	**70%**	27	**81%**			
Complaints received- Admin				0		1				
Complaints received- Regulatory				0		1		0		
Compliments received				Not recorded		Not recorded		Not recorded		
Queries Handled by Helpdesk										

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Pension Fund Risk Register

Contact Officers	Sian Kunert, 01895 556578
Papers with this report	Pension Fund Risk Register Q3

REASON FOR ITEM

The purpose of this report is to identify to the Pension Committee the main risk's to the Pension Fund, to enable them to monitor and review going forward (see Appendix).

OPTIONS AVAILABLE TO PENSION COMMITTEE

1. **Committee is asked to consider the attached Risk Register in terms of the approach, the specific risks identified and the measures being taken to mitigate those current risks. There are no risks currently rated as red.**

Information

The specific risk matrix for the Pension Fund allows better classification of the risks than would be possible through the Council's standard risk matrix. The significance of risks is measured by interaction of the likelihood of occurrence (likelihood) and by the potential damage that might be caused by an occurrence (impact). The risks are also RAG rated to identify level.

There are currently 7 risks being reported upon as a result of 2 new risks added in Q3. Whilst there are many more risks which could be identified for the Fund, those identified are the most significant and those which are actively managed.

The two new risks cover performance of the administration contract and the impact of the introduction in the new MiFID II directive which change the investment status of Local Authorities to retail clients, as a default position, which would lead to inability to carry out the investment strategy.

Each risk has been explained, along with details of the actions in place to mitigate that risk. The progress comment column provides the latest update in respect of the impact of those mitigating actions. The Direction of Travel (DOT) has also been included.

FINANCIAL IMPLICATIONS

The financial implications are contained within the body of the report

LEGAL IMPLICATIONS

The legal implications are mentioned within the report.

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Pension Fund Risk Register 2017/18 Q3

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Cabinet Member
PEN 01 - Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	1. Anticipate long-term return on a relatively prudent basis to reduce risk of failing to meet return expectations. 2. Analyse progress at three yearly valuations for all employers. 3. Undertake Inter-valuation monitoring.	With the assistance of the KPMG 'Fusion' tool - the position is kept under regular review and Pension Committee informed of the impact of prevailing market conditions on the funding level.	Strategic risk Likelihood = Medium Impact = Large **Rating = D2** **(Static)**	Sian Kunert / Cllr P Corthorne
PEN 02 - Inappropriate long-term investment strategy	1. Set Pension Fund specific strategic asset allocation benchmark after taking advice from investment advisers, balancing risk and reward, based on historical data. 2. Keep risk and expected reward from strategic asset allocation under review. 3. Review asset allocation formally on an annual basis. 4. Investment strategy group actively monitors this risk.	A separate Officer and Advisor working group, Investment Strategy Group (ISG) has been formed to regularly monitor the investment strategy and to develop proposals for change / adjustment for Pension Committee consideration. The impact of each decision is careflly tracked against the risk budget for the Fund to ensure that long-term returns are being acheived and are kept in line with liabilities.	Strategic risk Likelihood = Low Impact = Large **Rating = E2** **(Static)**	Sian Kunert / Cllr P Corthorne
PEN 03 - Active investment manager under-performance relative to benchmark	1. The structure includes active and passive mandates and several managers are employed to diversify the risk of underperformance by any single manager. 2. Short term investment monitoring provides alerts on significant changes to key personnel or changes of process at the manager. 3. Regular monitoring measures performance in absolute terms and relative to the manager's index benchmark, supplemented with an analysis of absolute returns against those underpinning the valuation. 4. Investment managers would be changed following persistent or severe under-performance.	The Fund is widely diversified, limiting the impact of any single manager on the Fund. Active monitoirng of each manager is undertaken with Advisors and Officers meeting managers on a quarterly basis and communicating regularly. Comments on whether mandates should be maintained or reviewed are included and where needed specific performance issues will be discussed and reviewed.	Strategic risk Likelihood = Low Impact = Small **Rating = E4** **(Static)**	Sian Kunert / Cllr P Corthorne

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Cabinet Member
PEN 04 - Pay and price inflation significantly more than anticipated	1. The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. The actuarial basis examines disparity between the inflation linking which applies to benefits, the escalation of pensionable payroll costs, which only applies to active members, and on which employer and employee contributions are based. 2. Inter-valuation monitoring gives early warning and investment in index-linked bonds also helps to mitigate this risk. 3. Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.	The impact of pay and price inflation is monitoried as part of the Council's MTFF processes and any potential impact on pension fund contributions is kepty under review and factored into the Council's overall position. However, there is an increasing likliehood of rising inflation impacting on the overall liabilities of the Fund however the risk rating takes this into account.	Strategic risk Likelihood = Low Impact = Medium **Rating = E3** **(Static)**	Sian Kunert / Cllr P Corthorne
PEN 05 - Pensioners living longer.	1. Mortality assumptions are set with some allowance for future increases in life expectancy. Sensitivity analysis in triennial valuation helps employers understand the impact of changes in life expectancy. 2. Club Vita monitoring provides fund specific data for the valuation, enabling better forecasting.	The Fund is part of Club Vita, a subsidary of the Fund Actuary, which monitors mortality data and feeds directly into the valuation. In addition, further mortality monitoring in undertaken by CEB, the fund's administrators.	Strategic risk Likelihood = Low Impact = Small **Rating = E4** **(Static)**	Ken Chisholm / Cllr P Corthorne
PEN 06 - Poor Performance of Outsourced Administrator leading to poor quality information supplied to both members and the Fund Actuary	1. Quarterly review meetings held 2. Weekly update calls with officers 3. Quarterly KPI reports are provided to track and monitor performance	New cases are being dealt with and improvements in processes within the contract. There are signs of improvement in the quality of data inherited by SCC from Capita.	Strategic risk Likelihood = Low Impact = Large **Rating = E2** **(New)**	Ken Chisholm / Cllr P Corthorne

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Cabinet Member
PEN 07 - Failure to invest in appropriate investment vehicles as a result of MiFID II regulations in place from 3 Januray 2018	1. Applications are in progress to sustain “Professional Status” of the pension fund to enable continuation of the existing investment strategy. 2. A number of application's have successfully been resolved confirming professional status	This is a new risk identified as a result of regulatory changes. It is expected this risk is temporary while the change is implimented. The fund is required to show an appropriate level of knowelgde and skills for investment decision markers. Changes in circumstances including committee membership or change in officers must be reported and could effect the ongoing investment relationship.	Strategic risk Likelihood = Low Impact = Large **Rating = E2** **(New)**	Sian Kunert / Cllr P Corthorne

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Attributes:		LIKELIHOOD		Risk rating	Score	Risk rating	Score	Risk rating	Score	Risk rating	Score
Greater than 90%	This week	L I K E L I H O O D	**Very High (A)**	**A4**	6	**A3**	12	**A2**	18	**A1**	24
70% to 90%	Next week / this month		**High (B)**	**B4**	5	**B3**	10	**B2**	15	**B1**	20
50% to 70%	This year		**Significant (C)**	**C4**	2	**C3**	4	**C2**	6	**C1**	8
30% to 50%	Next year		**Medium (D)**	**D4**	1	**D3**	2	**D2**	3	**D1**	4
10% to 30%	Next year to five years		**Low (E)**	**E4**	0	**E3**	0	**E2**	0	**E1**	0
Less than 10%	Next ten years		**Very Low (F)**	**F4**	0	**F3**	0	**F2**	0	**F1**	0
				Small (4)		**Medium (3)**		**Large (2)**		**Very Large (1)**	

	Attributes:	**IMPACT**			
THREATS:	Financial	up to £500k	Between £500k and £10m	Between £10m and £50m	Over £50m
	Reputation	Minor complaint, no media interest	One off local media interest	Adverse national media interest or sustained local interest	Ministerial intervention, public inquiry, remembered for years

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