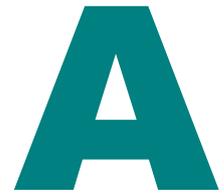




HILLINGDON
LONDON



Virtual Pensions Committee

Date: TUESDAY, 26 JANUARY
2021

Time: 5.00 PM

Venue: VIRTUAL - LIVE ON THE
COUNCIL'S YOUTUBE
CHANNEL: HILLINGDON
LONDON

**Meeting
Details:** Virtual

This agenda is available online at:
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phone camera and scan the code below:



To Members of the Committee:

Martin Goddard, (Chairman)
Philip Corthorne, (Vice-Chairman)
Tony Eginton
Raymond Graham
John Morse (Opposition Lead)

Published: Monday, 18 January 2021

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Putting our residents first

Lloyd White
Head of Democratic Services
London Borough of Hillingdon,
Phase II, Civic Centre, High Street, Uxbridge, UB8 1UW

Agenda

CHAIRMAN'S ANNOUNCEMENTS

- 1 Apologies for Absence
- 2 Declarations of Interest in matters coming before this meeting
- 3 Minutes of the meeting dated 28 October 2020 1 - 10
- 4 To confirm that items marked Part I will be considered in public and those marked Part II will be considered in private

PART I - Members, Public and Press

- 5 Investment Strategy and Fund Manager Performance - Part I 11 - 36
- 6 Suspension of Abatement Policy Review 37 - 40
- 7 Administration Report 41 - 46
- 8 Risk Register Report 47 - 54
- 9 Draft Work Programme 55 - 56

PART II - Members Only

That the reports in Part 2 of this agenda be declared not for publication because they involve the disclosure of information in accordance with Section 100(A) and Part 1 of Schedule 12 (A) to the Local Government Act 1972 (as amended), in that they contain exempt information and that the public interest in withholding the information outweighs the public interest in disclosing it.

- 10 Responsible Investment Update 57 - 134
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Minutes

PENSIONS COMMITTEE

28 October 2020



Meeting held at VIRTUAL - Live on the Council's
YouTube channel: Hillingdon London

	<p>Committee Members Present: Councillors Martin Goddard (Chairman) Philip Corthorne (Vice-Chairman) Tony Eginton Raymond Graham John Morse (Opposition Lead)</p> <p>LBH Officers Present: Tunde Adekoya, Pensions Fund Accountant James Lake, Chief Accountant Liz Penny, Democratic Services Officer Yvonne Thompson-Hoyte, Interim Pensions Fund Manager Paul Whaymand, Corporate Director of Finance</p> <p>Also Present: Roger Hackett, Pensions Board Member Tony Noakes, Pensions Board Member Hayley Seabrook, Pensions Board Member Craig Alexander - representing Hymans Robertson LLP David O'Hara, - representing Isio Larisa Midoni - representing EY Suresh Patel - representing EY Clare Scott – Independent Adviser</p>
65.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>There were no apologies for absence.</p>
66.	<p>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING (<i>Agenda Item 2</i>)</p> <p>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 virtual meeting during discussion of the items.</p> <p>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 virtual meeting during discussion of the items.</p>
67.	<p>MINUTES OF THE MEETINGS DATED 28 JULY 2020 AND 30 SEPTEMBER 2020 (<i>Agenda Item 3</i>)</p> <p>RESOLVED: That the minutes of the meetings dated 28 July and 30 September</p>

2020 be approved as an accurate record.

68. **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 confirmed that items 1 – 14 were marked Part I and would be considered in public. Items 15 – 19 were marked Part II and would be considered in private.

69. **EXTERNAL AUDIT REPORT FOR THE PENSION FUND** (*Agenda Item 5*)

Members were informed that the Pensions Fund Annual report had been completed and would be handed to EY the following week for their audit. It had been demonstrated in the report that there had been a collaborative approach between EY and Hillingdon regarding the level 2 and level 3 adjustments. It was noted that, on page 26 of the EY report there had been some tidying up in relation to pricing.

Suresh Patel and Larissa Midoni of EY presented the report. Key points included:

- The Pensions Fund audit had nearly been completed. Membership data testing was the principal area of outstanding work;
- Re. pooled property investments, valuers of property had been required to insert a caveat in their valuation reports re. the impact of Covid-19; an emphasis and matter paragraph had been inserted in EY's auditing report to reflect this;
- The auditors were happy with the Pensions Fund disclosures in the accounts, including the cash flow forecast of the Fund and were satisfied with the position of the Pension Fund for the next 12 months;
- It had been agreed that pooled property assets be classified as level 3 due to increased concern regarding valuation of property due to the impact of Covid-19;
- Membership data quality was currently being tested – this data test was undertaken every 3 years;
- Work was being undertaken with managers to obtain supporting documents to support numbers for pensioners;
- Some of the outstanding matters set out in Appendix B of the report had now been progressed. It was estimated that the Annual Report would be ready in early November in time for sign off.

Members requested further clarification regarding issues with the membership data. It was confirmed that other Local Government Pensions Fund schemes were having similar issues. In Hillingdon, there were some concerns regarding the quality of the data / the data itself. In some cases there were missing documents relating to older members of the Fund. Furthermore, some data had been stored in an old system and management had been unable to retrieve the information. The Committee was advised that there had been some data gaps when the information was transferred from Capital to Surrey. Officers had been running projects throughout the year to improve the data quality – there had been significant improvements but gaps still existed. This was an ongoing process in terms of data cleansing and keeping the data up-to-date. EY had requested copy payslips but Surrey could not provide these as soft copies were not held in their systems.

In response to enquiries from the Committee, it was confirmed that the data set was generally good for actual and pensioner members and the gap related mainly to deferred members. Councillors requested clarification as to the percentage of the overall fund that fell within the category of problematic data. Officers agreed to explore

this further and report back to the Committee.

It was further confirmed that a recent address tracing exercise had been quite successful and the quality of the information had improved recently. Deferred members were monitored regularly and projects were in place to look at missing data in relation to these members.

The officer's recommendation was moved, seconded and, when put to a vote, unanimously agreed.

RESOLVED: that the Pensions Committee noted the draft EY's findings on the audit of the Pensions Fund accounts for 2019/20.

70. **INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE - PART I**
(Agenda Item 6)

James Lake, Chief Accountant, presented the report.

Members were informed that, between March and June, the Fund had increased by £80m to £1,069m. As at 28 October 2020, the unaudited value of the Fund was £1,075m. In terms of performance 8.04% had been returned over the quarter – this was behind benchmark. The main impact on performance had related to the two active equity managers UBS and Epoch who were behind benchmark by 14% year to date and 10% year to date respectively.

The officer's recommendation was moved, seconded and, when put to a vote, unanimously agreed.

RESOLVED: That the Pensions Committee noted the Fund performance update.

71. **STEWARDSHIP CODE 2020 DRAFT REPORT** (Agenda Item 7)

James Lake, Chief Accountant, presented the report.

It was confirmed that the aim of the Stewardship Code was to set out principles for asset owners and managers. The Fund was currently signed up to the 2012 Code and it was noted that the new 2020 Code was far more onerous. 12 principles had to be applied and explained to the required standard and the Pensions Fund had to submit an annual Stewardship report demonstrating how the principles had been met over the previous 12 months. The deadline for submission of the final report was 30 April 2021. If the report met the criteria, Hillingdon Pension Fund would be included in the list of signatories to the Code. If approved, Hillingdon would work with Isio to prepare the annual report in the future.

Members requested further clarification regarding the likely impact in terms of resources and the achievability. It was confirmed that officers would work with Isio to manage this. It was hoped that the April deadline would be achievable.

Members noted that reporting under the new Code was extremely onerous and would be challenging. It was noted that 3 Fund managers were not signed up to the Code themselves. However, the new Code represented best practice and it was essential that Hillingdon signed up to it.

The officer's recommendation was moved, seconded and, when put to a vote, unanimously agreed.

RESOLVED: That the Pensions Committee agreed to sign up to the UK 2020 Stewardship Code.

72. **GOVERNANCE POLICY UPDATE** (*Agenda Item 8*)

Yvonne Thompson-Hoyte, Interim Pensions Fund Manager, presented the report.

The Committee was advised that Hillingdon Council was required by regulation to publish a Governance policy which was renewed every three years. The policy had been reviewed and updated and presented to the Pensions Board in September 2020 for comment. Comments had also been sought from AON, the governance advisors to the Board.

The key modification was the major change in the governance structure of the London CIV. All other changes were minor. The Committee was being asked to approve the draft review for publication. Key changes were set out on page 149 of the agenda pack.

The Committee noted that this was an important document and the Pensions Board had spent a lot of time considering the Policy. The number of emerging new governance policies coming from the London CIV was noteworthy.

The officer's recommendation was moved, seconded and, when put to a vote, unanimously agreed.

RESOLVED: That the Pensions Committee approved the draft Governance Policy and Compliance Statement for publication.

73. **ADMINISTRATION REPORT** (*Agenda Item 9*)

Yvonne Thompson-Hoyte, Interim Pensions Fund Manager, presented the administration report.

Members were informed that self-service registration numbers continued to increase and now stood at 42% of members. Annual benefit statements had all been issued to meet the deadline of 31 August and annual allowance letters had been issued on time. The data score report had now been received which showed that the data specific to the scheme was up from 86% to 94.7%. The common data store had improved from 80% in 2019 to 88% in 2020.

The Committee was advised that KPIs continued to decline. This had been raised with Surrey and a meeting had been requested to discuss ongoing concerns. The September report had now been received and the figures showed further decline. The information had been sent to a senior member of staff at Surrey requesting a meeting and an explanation.

It was confirmed that the reduced service desk hours and home working at Surrey continued to be in place due to the pandemic. Surrey planned to move offices in the future. Members noted that the Council would need to continue to work with Surrey for another year therefore it was important that these concerns be addressed going forward.

The officer's recommendation was moved, seconded and, when put to a vote, unanimously agreed.

RESOLVED: That the Pensions Committee noted the report.

74. **REGULATORY UPDATES** (*Agenda Item 10*)

It was agreed that this was a complex area therefore a separate detailed training session was required.

Craig Alexander of Hyman Robertson LLP presented the report. Members were informed that current world events were significantly impacting LGPS and other pensions. In terms of regulatory changes, two key areas of note were the McCloud Ruling and the Exit Payment Reform (£95k cap).

It was explained that McCloud was a court case brought by a judge against the Government. It was a discriminatory case in relation to age and related to the time when public service schemes changed from final salary schemes to average earnings schemes (around 2014). The new schemes stipulated that those within 10 years of retirement at 2012 received a certain benefit and those who were not got a different benefit. This was clearly discriminatory and the Government lost the case. The only solution was to level everyone up to receive the better benefit which was what had happened. Administratively this was challenging as some members received the best of two benefits between 2012 and 2022 therefore extra calculations were required – it was estimated that approximately 25% of members fell into this category. Certain data had not been gathered for these members and it was difficult to obtain said data many years later. Members were informed that data would also need to be held for a long time into the future. From a funding point of view the impact was relatively small but the calculations had to be carried out for all the affected members. This would only apply for those who had received salary increase significantly above inflation which was a relatively small number; however, this was being projected into the future and an individual's future pay at retirement was an unknown quantity.

A key project plan needed to be put in place – data would have to be gathered from employers – including historic data. The Government would probably allow about two years to resolve this and planning was essential. The Committee needed to ensure the required resource and expertise were available to get the project off the ground and ensure members' benefits were not affected. A wide-reaching communication exercise would be required to ensure employers and members were kept in the loop.

In response to Members' requests for clarification, it was confirmed that this was the final ruling and no further changes in legislation were expected.

Members were also informed of the Goodwin Impact Ruling – another discriminatory case which the Government had lost. It was confirmed that far less members were affected by this but some administration and tracing would be required.

With regards to the Exit Payment Cap (£95k cap), it was reported that this was very complex and could potentially affect all members of the scheme. Members were informed that, in 2015, the Government had stipulated that all public service workers should have a 95k cap on their benefits at retirement. Initially it had been thought that pensions would not be included in this calculation. However, when the rules were clarified, it transpired that pensions were included for the LGPS. This meant that the

scheme would capture those on moderate salaries with a long level of service rather than the 'fat cats' it was aimed at. As a consequence of this change, benefits would have to be reduced to keep total pay-outs below the £95k cap. Also introduced alongside this ruling was another stipulation that those who took their LGPS unreduced pensions early would no longer receive their statutory redundancy payments; alternatively they could elect to reduce their pension in order to take the full statutory redundancy payment or they could take the full redundancy payment and wait until normal retirement age. This was very confusing for members. The consultation on this was due to finish on 4 November 2020. Members were informed that, on the morning of 28 October 2020, a legal challenge had been launched against this Exit Payment cap scheme.

In terms of the impact on the Fund, the Fund would need to continue to process redundancies and retirements following the current regulations and guidance. It was essential that the Fund following all guidelines carefully.

Clarification was sought regarding the legal challenge. It was confirmed that the LLG Lawyers in Local Government had requested a judicial review. The LGA had drafted a response to the consultation stating that the situation was deeply flawed with regard to lower paid workers. In Hillingdon, sound actions had been taken to reduce exposure as much as possible.

It was confirmed that a further training session on these regulatory changes would be required.

The officer's recommendation was moved, seconded and, when put to a vote, unanimously agreed.

RESOLVED: That the Pensions Committee noted the regulatory changes and the impact on the pension scheme along with the timescale for implementation.

75. **VOLUNTARY SCHEME PAYS POLICY** (*Agenda Item 11*)

Yvonne Thompson-Hoyte, Interim Pensions Fund Manager, presented the report. Members were informed that the policy arose from an HMRC regulation which stated that a member's pension benefit was allowed to grow by approximately £40,000 without attracting a tax charge; thereafter a tax charge was payable. If the tax charge was £2,000 or more, the member had the right to ask the scheme to pay it to the HMRC on their behalf in return for a reduction in their benefit – this was the Mandatory Scheme Pays (MSP). If members incurred a tax charge less than £2,000, the scheme was not obliged to pay this. However, many authorities had used their discretion to set out the conditions under which members who did not meet the MSP criteria could ask the scheme to pay that money on their behalf for a similar reduction in their benefit. The approval of the Pensions Committee was sought in relation to Hillingdon's draft policy on voluntary scheme pays.

In response to questions from the Committee, it was confirmed that the policy was not entirely new in terms of the mandatory side. It was noted that, increasingly, members who did not meet the criteria had been requesting this service and each case had been considered individually. It was felt that a clear and transparent policy on this matter was now required.

Members queried some of the dates in the report – 31 July 2022 on page 195 and 31 July 2021 on page 199 of the report. It was agreed that these dates would be double-

checked and the Committee would be kept informed.

The officer's recommendation was moved, seconded and, when put to a vote, unanimously agreed.

RESOLVED:

- 1) That the Pensions Committee approved the Scheme Pays Policy for implementation subject to confirmation of dates on pages 195 and 199 of the report.**

76. **PENSION FUND ANNUAL REPORT** (*Agenda Item 12*)

James Lake, Chief Accountant, introduced the Pension Fund Annual Report. Members were advised that the Pension Fund was required to produce an Annual Report and publish it by 1 December each year. EY would commence their audit of the report on 5 November to ensure its compliance against the guidance and consistency with the annual audited accounts. The final audit consistency statement would be brought to Audit Committee on 24 November for approval. The Pensions Committee was asked to approve the draft.

Members raised no objections.

The officer's recommendation was moved, seconded and, when put to a vote, unanimously agreed.

RESOLVED: That the Pensions Committee approved the Fund Annual Report for publication, subject to external audit sign off on consistency.

77. **RISK REGISTER REPORT** (*Agenda Item 13*)

James Lake, Chief Accountant, introduced the Pension Fund Risk Register report. Members were informed that the Risk Register had been updated in consultation with Councillor Goddard and two amendments had been made from the previous quarter. A new risk had been added - PEN 08 - which related to the transfer of administration services from Surrey to Hampshire. This risk had been given a rating of E1. In addition to this, PEN 14 had been updated which covered the change of ownership between KPMG to Isio – the risk rating had been reduced to the lowest level as Isio were now completely self-sufficient.

Members were satisfied with the report and raised no concerns.

The officer's recommendation was moved, seconded and, when put to a vote, unanimously agreed.

RESOLVED: That the Pensions Committee considered the Risk Register in terms of the approach, the specific risks identified and the measures being taken to mitigate those current risks.

78. **DRAFT WORK PROGRAMME** (*Agenda Item 14*)

James Lake, Chief Accountant, introduced the Work Programme 2020/21.

Members were requested to contact officers with any suggestions or requests in

relation to the Work Programme. The requirement for regulatory training had been noted; a date would be agreed with Members and Hymans Robertson. Democratic Services would provide officers with Committee dates for the 2021/2022 municipal year.

The officer's recommendation was moved, seconded and, when put to a vote, unanimously agreed.

RESOLVED That the Pensions Committee:

- 1. Noted the dates for Pensions Committee meetings and;**
- 2. Made suggestions for future agenda items, working practices and / or reviews.**

79. **PART II MINUTES OF THE MEETING HELD ON 30 SEPTEMBER 2020** (*Agenda Item 15*)

RESOLVED: That the Part II minutes of the meeting dated 30 September 2020 be approved as an accurate record.

80. **INVESTMENT PART II - STRATEGY REVIEW AND MANAGER UPDATES** (*Agenda Item 16*)

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 received confidential information on the current market update which covered details of the current market climate and performance of various investment vehicles and updates on Managers' reports.

81. **LCIV GOVERNANCE UPDATE** (*Agenda Item 17*)

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).

82. **RESPONSIBLE INVESTMENT UPDATE** (*Agenda Item 18*)

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).

83.	<p>ADMINISTRATION PART II - PENSIONS ADMINISTRATION UPDATE (<i>Agenda Item 19</i>)</p> <p><i>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).</i></p>
	<p>The meeting, which commenced at 5.00 pm, closed at 7.43 pm.</p>

These are the minutes of the above meeting. For more information on any of the resolutions please contact Liz Penny on 01895 250185. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

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INVESTMENT STRATEGY and FUND MANAGER PERFORMANCE (Part I)	ITEM 5
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Committee	Pensions Committee
Officer Reporting	James Lake & Babatunde Adekoya, Finance
Papers with this report	Northern Trust Performance Report

HEADLINES

The total value of the fund was £1,076m at 30 September 2020, an increase of £7m from £1,069m at the end of previous quarter. There was an overall investment return of 0.67% over the quarter which was -0.85% behind the benchmark.

A detailed analysis of the performance of each investment manager compiled by the independent investment advisor is included in Part II of this report.

Update

The latest fund value as at 31 December 2020 was £1,135m, an increase of £59m in valuation compared to end of quarter under review. At the time of writing the report the unaudited Fund value stood at £1.142m. The chart in paragraph 2 shows Fund values from Jan 2019 for comparison and to demonstrate the improvement in value since the start of the COVID pandemic.

RECOMMENDATIONS

It is recommended that Pensions Committee:

- 1. Note the Fund performance update.**

SUPPORTING INFORMATION

1. Fund Performance

Over the last quarter to 30 September 2020, the Fund returned 0.67%, underperforming the benchmark return of 1.52%. The Fund value increased over the quarter by £7m, to £1,076m.

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Period of measurement	Fund Return %	Benchmark %	Arithmetic Excess
Quarter	0.67	1.52	-0.85
1 Year	-4.00	1.46	-5.46
3 Year	2.50	4.63	-2.13
5 Year	6.69	7.60	-0.91
Since Inception (09/1995)	6.61	6.74	-0.13

During the quarter, distributions received from alternative investments were \$391k, €190k & £5.5m.

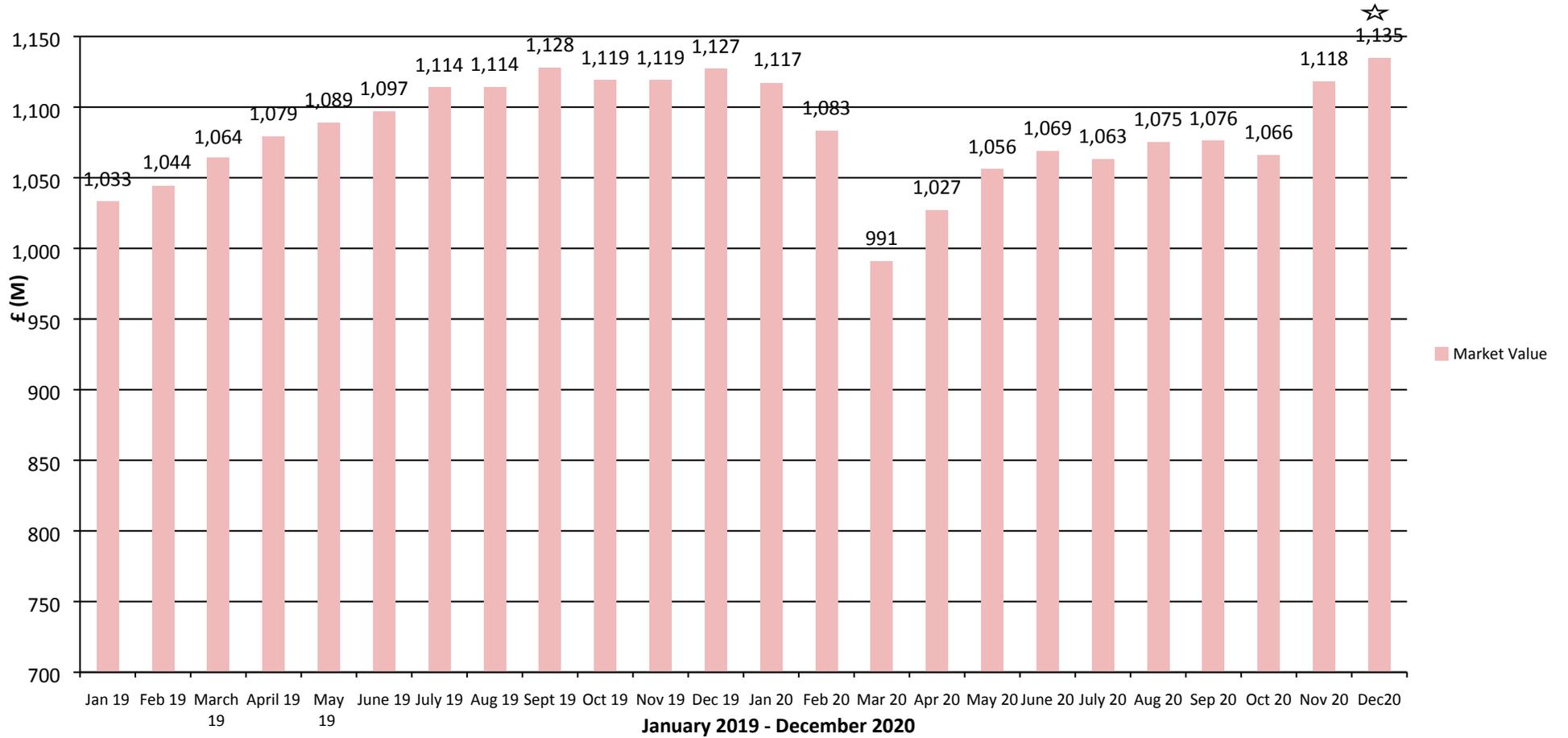
The recovery from effects of COVID-19 continued to be manifested in investment performance for the quarter and this resulted in positive returns by ten of the thirteen portfolios. M&G Investments and LGT Capital with -11.04% & -2.38% behind respective benchmark; however, this is primarily due to the maturity of the funds and it should be noted investment values represent a very small portion within the Fund. Adams Street and UBS Equities were the biggest contributors to performance with 4.58% and 2.16% relative excess returns compared to their respective benchmarks.

Overall portfolio relative performance over a one-year rolling period was arithmetically -5.46% behind the benchmark with the largest detractors being M&G Investments and LCIV-Epoch with returns of -31.03% & -14.54% below benchmarks. LCIV-Ruffer LLP was the largest contributor to performance over one year rolling period with 5.64% outperformance compared to its benchmark.

2. Fund Value

The chart below shows month-end Fund values from January 2019 to December 2020. The fund is currently at its highest level, ahead of both the March 2019 triennial valuation figure and pre-COVID market highs.

LBH Pension Fund Monthly Market Value Movement



3. Asset Allocation

The current asset allocation, the key strategic tool for the Committee, is in the table below. The assets of the Fund are invested across 11 different Fund Managers and 13 portfolios 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				
ASSET CLASS	Market Value As at 30 Sept 2020	Actual Asset Allocation	Benchmark Allocation	Market Value As at 31 December 2020
	£'000	%	%	£'000
Global Equities	473,593	44.90	45	509,810
UK Index Linked Gilts	152,914	13.63	24	154,753
Multi Asset Credit	96,849	9.86		111,928
Property	116,995	10.51	12	119,360
DGF/Absolute Returns	59,779	5.09	0	57,787
Private Equity	12,732	1.02	1	11,593
Infrastructure	29,576	3.33	8	37,848
Private Credit	61,480	5.37	5	61,024
Long Lease Property	48,285	4.32	5	49,030
Cash & Cash Equivalents	23,385	1.96	0	22,255
Totals	1,075,588	100.00	100	1,135,388

Current Asset Allocation by Manager		Market Value As at 30 Sept 2020	Actual Asset Allocation	Market Value As at 31 December 2020
FUND MANAGER	ASSET CLASS	£'000	%	£'000
ADAMS STREET	Private Equity	9,440	0.88	8,337
LGT	Private Equity	3,251	0.30	3,215
AEW	Property	52,165	4.85	54,208
JP MORGAN	Multi Asset Credit	96,849	9.00	111,928
LCIV - EPOCH	Global Equities	145,796	13.56	59,842
LCIV - RUFFER	DGF/Absolute Returns	59,779	5.56	57,787
LCIV - STEPSTONE	Infrastructure	3,752	0.35	19,236
M&G	Private Credit	2,146	0.20	1,840
MACQUARIE	Infrastructure	25,824	2.40	18,612
PERMIRA	Private Credit	59,334	5.52	59,184
LGIM	Global Equities	243,404	22.63	268,530
	LPI Property	48,285	4.49	49,030
	Future World	84,351	7.84	181,396
	UK Index Linked Gilts	152,914	14.22	154,753
UBS EQUITIES	Equities	42	0.00	42
	Property	22	0.00	22
	Private Equity	41	0.00	41
UBS PROPERTY	Property	64,808	6.03	65,130
	Cash & Cash Equivalents	811	0.08	348
Non-Custody	Cash & Cash Equivalents	22,574	2.14	21,907
		1,075,588	100.04	1,135,388

The Fund has £4.5m awaiting drawdown on Private Credit. £55m is committed to LCIV Stepstone Infrastructure Fund; these funds are currently held in the LCIV Ruffer Absolute Return Fund, of which £8.9m has been drawn down at the time of writing this report.

4. Market and Financial climate overview

UK Equity

UK equities lagged other regions during the period – extending their year-to-date underperformance – with the market's significant exposure to poorly performing stocks in the oil and financial sectors proving unhelpful. Renewed fears around a disorderly Brexit also weighed on sentiment, as did worries towards the end of the period around the implications of a second wave in Covid-19 infections. Rising infection rates necessitated the re-imposition of localised restrictions following similar measures taken in continental Europe. Notwithstanding these new measures, the country's economic recovery continued as Covid-19 restrictions were generally eased. The second quarter reporting season underlined increased corporate confidence with many companies resuming guidance on their likely financial performance for the rest of 2020. Where they felt it appropriate, a number of others also resumed the payment of dividends that they had deferred in the spring – many of these payments had been deferred just prior to the AGM season and at a time of peak uncertainty related to the global pandemic.

Several UK focused areas of the market, and mid cap equities, performed poorly over September following the re-imposition of localised restrictions and fears about the impact of these on the UK economy. However, many domestically focused areas performed well over the quarter, as their valuations began to reflect the more encouraging macroeconomic data seen over the summer. In contrast, sterling strength against a weak dollar weighed on large UK companies with exposure to international markets, as a stronger pound makes their products more expensive. There was renewed merger & acquisition interest from overseas firms in UK quoted companies at period end.

US

US equities gained in Q3 despite a decline in September as risk appetites slipped. Overall, the US economy's recuperation continued, and the Federal Reserve's (Fed) messaging remained highly accommodative. The Fed will now use average inflation targeting (AIT) in setting the policy interest rate, allowing for temporary overshoots in inflation. The new policy means the Fed is willing to wait until inflation has gone above 2% until it responds. Furthermore, the latest dot plot – the Fed's own projection of the future path of interest rates - suggests that policymakers see rates at the zero lower bound through to and including 2023.

However, US markets wobbled late in the quarter amid a resurgence in European Covid-19 cases, as well as questions over refreshed fiscal stimulus measures. Adding to these worries was uncertainty over a smooth transition of power if President Trump loses his re-election bid.

Consumer discretionary stocks – particularly restaurants and appliances or apparel retailers - performed well. Distribution companies were stronger and helped to lift the industrials sector, at odds with the performance of several airlines still facing

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headwinds from languishing passenger numbers. Energy names – similarly - were broadly weaker on expectations that fuel demand will remain subdued.

Eurozone

Eurozone equities were virtually flat over the quarter. The rate of improvement in economic data slowed over the quarter and worries took hold over sharply rising Covid-19 infections in many European countries. The energy and financials sectors saw the sharpest falls while materials and consumer discretionary advanced, with automotive and luxury goods stocks generally faring well.

In July, the EU approved a €750 billion fund to help member states recover from the pandemic. The fund will be made up of €390 billion of grants and €360 billion of loans to be distributed among EU member states. The money will be borrowed by the European Commission and guaranteed by all EU member states. Covid-19 infections rose rapidly in several countries as the quarter progressed, notably Spain and France, and new restrictions to contain the virus were announced. However, these restrictions tended to be localised, rather than the blanket countrywide measures seen in the first phase of the virus. Various European countries, including Germany, extended their furlough schemes which are designed to support jobs through the crisis.

Japan

The Japanese equity market trended upwards during the quarter and the Topix Index recorded a total return of 5.2%. This was despite a gradual strengthening of the yen against the US dollar over the period. There were some brief periods of style reversal but, across the quarter, the market was led by strong momentum in higher-valuation stocks. Small cap stocks were notable outperformers in September and have now more than recouped the sharp underperformance seen during the market turmoil in the first quarter of the year.

Emerging Markets

Emerging market equities registered a robust return in Q3, aided by optimism towards progress on a Covid-19 vaccine and ongoing economic recovery. US dollar weakness proved supportive. The MSCI Emerging Markets Index increased in value and outperformed the MSCI World.

Taiwan, where strong performance from IT stocks supported gains, and South Korea were among the best-performing index markets. India outperformed the MSCI Emerging Markets Index as monsoon rains remained reasonable and the government made progress with agriculture and labour reforms. This was despite continued increases in the number of new Covid-19 cases as well as tensions with its border with China. China also finished ahead of the index as the economy continued to recover. Q2 GDP growth rebounded to 3.2% year-on-year, after a fall of -6.8% in Q1, and was stronger than expected. Q2 earnings results were also ahead of expectations, notably in the e-commerce sector. However, US-China tensions continued to escalate. These

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included additional measures against Chinese technology companies, and President Trump's executive order to end Hong Kong SAR's special status with the US.

Conversely, Turkey recorded a negative return and was the weakest market in the index, primarily due to lira weakness. This was despite a 200bps interest rate rise from the central bank in September. Thailand and Indonesia underperformed, as did the CE3 markets of Poland, Czechia and Hungary, as new cases of Covid-19 increased. Russia and Brazil also finished behind the index. In Russia, uncertainty over US foreign policy due to the US presidential election and, later in the period, crude oil price weakness, weighed on sentiment. In Brazil, concern over the fiscal outlook was the main headwind.

Global Bonds

The tone was predominantly positive in markets over the quarter, underpinned by policy measures, the gradual reopening of economies and, to some degree, hopes of a Covid-19 vaccine. The Federal Reserve (Fed) announced a change to its inflation targeting regime in August, saying it would target an average 2% inflation rate, allowing periods of overshoot. This was well received by markets.

Government bond yields were mixed. The US 10-year yield finished at 0.68%, three basis points (bps) higher, with the UK 10-year yield six points higher at 0.23%. The UK yield fell in September as Brexit uncertainty resumed and there was further discussion of negative interest rates from the Bank of England.

European government bonds performed well as sentiment toward the region improved markedly after the EU announced a €750 billion pandemic recovery fund. The German 10-year yield fell by 7bps, finishing at -0.52%, while Italy's yield fell by 39bps and Spain's by 22bps. The euro gained over 4% against the US dollar, while the dollar index lost just over 3.5% overall.

Corporate bonds enjoyed a decidedly positive quarter, as riskier assets were broadly buoyant and monetary policy helped anchor yields at low levels. Investment grade returned 1.8%, while high yield debt returned 4%. Sectors worst affected by Covid, such as retail and leisure, partially recovered (source: ICE BofAML). Investment grade bonds are the highest quality bonds as determined by a credit rating agency; high yield bonds are more speculative, with a credit rating below investment grade.

In emerging markets, hard currency government bonds returned 2.3% and corporate bonds returned 2.6%. Hard currency refers to money that is issued by a nation that is seen as politically and economically stable, such as US dollars. Local currency bonds made a modest positive return, while EM currencies were mixed, but slightly negative overall (source: JP Morgan).

Convertible bonds, as measured by the Thomson Reuters Global Focus index, gained 5.5% in US dollar terms, compared to 7.9% for the MSCI World equity index. The asset class delivered well in the quarter's differing market environments, with a strong upside participation in the first two months - when shares gained - and good resilience in the last month when shares came under pressure. With equity markets strongly up over

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the quarter, convertible bonds were in demand and the US region became more expensively valued from what had been cheap levels.

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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NORTHERN
TRUST

London Borough of Hillingdon

Investment Risk & Analytical Services

September 30, 2020

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Portfolio Windows

Client Commentary

Quarter three recorded a number of headlines impacting global fixed income markets; In Europe the EU agreed a 750bn EUR stimulus package to help countries impacted by COVID, in the US there were suggestions by the Fed that rates would remain close to 0% until 2023 and in the UK, the ongoing talks of Brexit continued.

In the UK, negative growth figures, as measured by GDP for quarter two (-20%) suggest that the downturn from coronavirus has been less severe than initially expected, although the data still represents the biggest fall since records began in 1955. The OECD real GDP growth forecasts a double digit decline of -10.1% for 2020, an obvious trend seen across all G7 countries due to the impact of COVID. Over quarter three, the Bank of England continued to buy gilts under its quantitative easing programme; purchases over the last week in September alone were expected to total around £4.4bn.

Considering the resurgence of equity markets over Q2 and Q3 and the success of tech stocks, with lower corporate tax rates prevailing as they do currently, tech companies were trading at a price to earnings (P/E) ratio of 75 in August. At the time of the dotcom bubble at the end of the last century tech stocks were trading at a P/E ratio of 76. The S&P 500 average P/E ratio floats around 13-15. A good question might be “can growth stocks live up to these valuations?” The growth required to deliver the promise outstrips Wall Street analysts’ estimates considerably. Although Global equities finished up over Q3 they ended 5% below the 3 month peak based on increasing virus rates and slowing stimulus.

Apple’s revenues did not decline as predicted but instead increased by a new record of 11% at the start of the quarter following the release of a new iPhone. Apple is only marginally behind Saudi Aramco as the world’s most valuable public listed company. Facebook cashed in on advertising due to increased global screen time. Investment flows between China and the US fell to \$10.9bn in H1 2020, the lowest figure in a decade. Disney announced job cuts of 28k, one of the biggest layoffs of COVID-19. Looking at US sectors, as in Q1 and Q2, IT was strongest and Energy was weakest over 1 year. Consumer Discretionary was top again over the third quarter and Energy was the only negatively returning sector. The FTSE North America index returned 4.5% (GBP) over the third quarter and 10.5% (GBP) over the year (stable from Q2).

Political instability related to trade with China and the uncertainty around the upcoming US election have also contributed to the sell-off of the US dollar, at levels not seen for a decade. Whether this weakness is the beginning of a sharper decline or simply a short-term correction time will tell, however based on recent events the dollar continues to be the currency of choice during times of global financial stress and still represents more than 60% of official foreign exchange reserves.

Within this environment the London Borough of Hillingdon returned +0.67% which was behind the Total Plan benchmark of +1.52%. In monetary terms this is a gain in assets of £7.2 million and the value of the combined scheme now stands at £1,076 million as at 30th September 2020.

Client Commentary

AEW UK

The AEW UK Property Fund posted a total return of +2.19%, beating the the IPD UK PPFI AI Balanced Funds Index continuing the outperformance seen during the previous quarter. Rolling one year returns continue to see losses, with the mandate returning -14.00% versus -2.79% for the IPD Index. They continue to be behind over the three year period returning 0.35% against the benchmark of 2.66%. This translates as 2.30% relative underperformance. With positive absolute returns in all but two periods and four quarters in the red on a relative basis, growth is observed but behind benchmark over three years. Since the funds inception date of July 2014, the fund return is 6.24%, leading to an underperformance of approx 0.2% when compared to the IPD figure of 6.40%.

JP Morgan

In the latest quarter JP Morgan posted an increase in assets of +1.98% leading to an outperformance of +1.19% when compared to the 0.78% target for the 3 Month LIBOR + 3% p.a. Then with positive results in three of the last four quarters, the one year return of +2.53% is in positive territory although is behind the 3.82% target by over 1%. Then over three years they post returns behind the benchmark with figures of 2.88% vs 3.85%. Since the mandate funded their return of 3.80% is just ahead of the target return of 3.72% on an annualised basis.

Legal & General 1

There was a reorganisation of assets in both Legal & General 1 and 2 portfolios towards the end of 2018. Equity assets were moved to the No 1 account and fixed income to the No2 account. LGIM portfolio now represent almost 23% of the scheme as of 30th September 2020. Over the last three months the Legal & General No. 1 mandate post a return of +4.7% in line with the custom fixed weight blended benchmark. In the period since inception in October 2016, they return 6.9%, which is just below the benchmark return of 7.1%.

Legal & General 2

The No 2 Legal & General mandate returned -2.18% against -1.85% for the third quarter against the custom fixed weight blended benchmark consisting of FTSE Index Linked 15+ years, FTSE Index Linked and iBoxx UK Non-Gilts. In the period since inception, they remain broadly in line with the benchmark returning 6.5% against 6.8% for the benchmark.

Portfolio Windows(2)

Client Commentary

London CIV Ruffer

The absolute return strategies employed by London CIV Ruffer translated into a 108 basis point outperformance of the 3-mth Sterling LIBOR target. The investment is above the benchmark over all longer term periods. This is seen in a five year return of 4.54% versus 0.75%, then similarly for the since inception period (May 2010) figures of 5.16% versus 0.84% per annum, which translates as a relative return of over 4%.

M&G Investments

M&G posted further losses in Q3 by producing a return of -10.13% against the 3 Month LIBOR +4% p.a. target of 1.02%, demonstrating an underperformance of 11.04%. This is the third consecutive quarter of underperformance and the full year return remains behind the benchmark by 29.60%, coming from figures of -26.21% against 4.82%. Over the three and five year the account registers figures of -6.40% vs 4.85% and 0.98% vs 4.75% respectively; since inception (May 2010) returns improve to 3.46% pa whilst the benchmark is 4.73% pa. Although the since inception Internal Rate of Return moves further ahead of target with a figure of 7.63% opposed to the comparator of 4.60%.

Macquarie

Over the last three months, Macquarie produced losses of 0.23%, against the 0.78% for the 3 month LIBOR +3% p.a. this translates as an underperformance of 1.01%. With xxx quarters of positive absolute returns and xxx positive relative returns, outperformance is seen in all longer periods. Over the rolling year a growth of 3.75% trails behind the target of 3.82% by 0.07%. By contrast the three year result of 11.22% versus 3.85% exhibits positive relative return over 7%. The annualised return over 5 years rises to 14.72%, and remains ahead of the 3.75% seen for the benchmark; then since inception (September 2010) the 6.45% is ahead of the target of 3.73%. Although the since inception Internal Rate of Return for this portfolio jumps to 12.20%, which is ahead of the benchmark figure of 3.70%.

UBS

During Q3 the UBS UK Equity investments was terminated and proceeds moved to the LGIM Future World Equity Fund

Client Commentary

Premira Credit

The Premira Credit Fund saw an increase of 1.93% over the third quarter of 2020, this was ahead of the 3 Month LIBOR +4% p.a. target of 1.02%. The fund has outperformed in three of the last four quarter's but are behind target, leading to an underperformance of 1.37%, created from figures of 3.45% against 4.82%. Then since the start of December 2014 when the fund incepted, the fund posts a return of 7.46% against the benchmark of 4.71%, leading to a relative position of over 2%.

UBS Property

The latest quarter for the UBS Property posted an underperformance of 0.30%, generated from a return of -0.10% against the IPD UK PPFI All Balanced Funds index of 0.20%. Over the one year the manager is behind the index, with a full year return of -4.11% vs -2.79%. The previous good run of results particularly during 2015 leads to high absolute returns staying just ahead of the IPD target over the ten year period with a return of 6.59% against 6.39%. Then since inception, in March 2006, the fund return falls to 3.37% per annum which is broadly in line with the benchmark.

Private Equity

The private equity assets saw a 9.15% rise in value for Adam Street. LGT also saw an increase of 2.89%. 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 figures of 9.58% and 15.40% for the three and five year periods respectively, while Adam Street posted 11.65% and 11.94% over the same periods. Adam St are behind the proxy benchmark of MSCI AC World +4% p.a. over the three and five year period (which show double digit gains of 13.03% and 18.50%). LGT are behind over the five year underperforming by over 300bps. Then since their respective inceptions in January 2005 and May 2004, Adam Street drops to 7.30% pa, while LGT sees a more modest dip to 10.68%.

Epoch

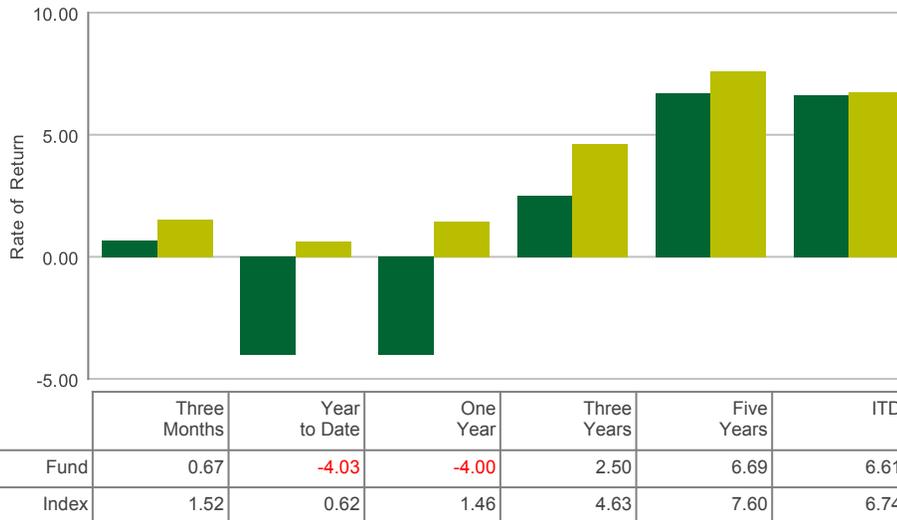
Over the third quarter the investment in Epoch's income equity fund generated a return of +0.77%. Since inception (November 2017) the fund has observed a modest rise in value 1.00% compared to the MSCI World figure of +7.56%, this leads to a relative return of over -6%.

LCIV Infrastructure Fund

The LCIV Infrastructure fund was launched in quarter two and the valuation at 30th September was £3.75m

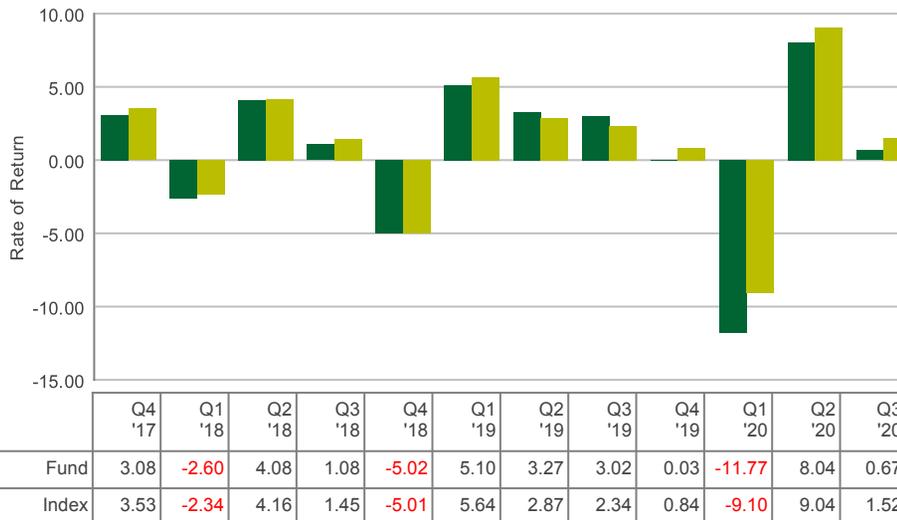
Executive Summary

LONDON BOROUGH OF HILLINGDON TOTAL FUND GROSS OF FEES



Index: Total Plan Benchmark

LONDON BOROUGH OF HILLINGDON ROLLING QUARTERS TOTAL FUND GROSS OF FEES



Index: Total Plan Benchmark

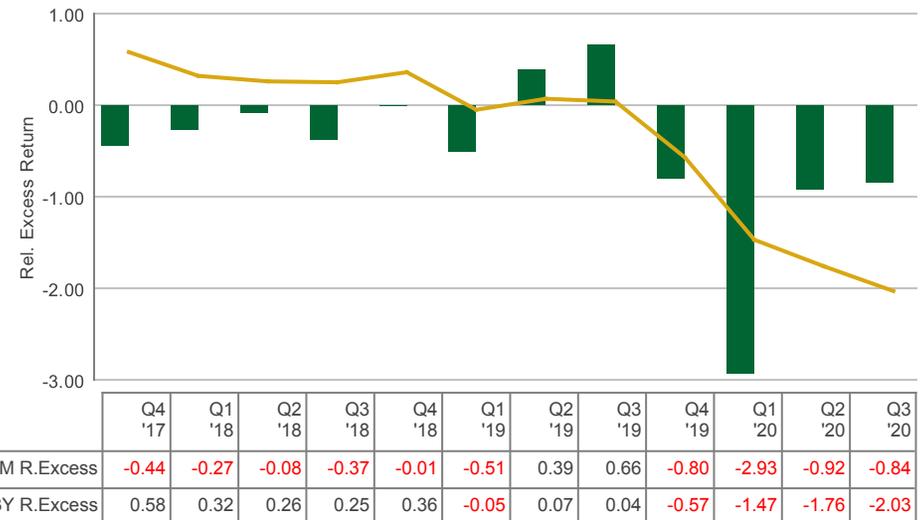
RISK STATISTICS

	3 Mos	1 Yr	3 Yrs	5 Yrs
Return	0.67	-4.00	2.50	6.69
Index Return	1.52	1.46	4.63	7.60
Excess Return	-0.85	-5.46	-2.13	-0.91
Standard Deviation	-	10.43	7.28	6.54
Index Standard Deviation	-	9.25	6.73	5.92
Tracking Error	-	1.65	1.45	1.44
Information Ratio	-	-3.32	-1.47	-0.63
Sharpe Ratio	-	-0.46	0.23	0.91
Index Sharpe Ratio	-	0.07	0.56	1.16
Jensen's Alpha	-	-5.39	-2.24	-1.35
Relative Volatility (Beta)	-	1.12	1.06	1.08
R Squared	-	0.99	0.96	0.96
Beginning MV (in 000s)	1,068,524	1,126,719	978,184	769,131
Net Contributions (in 000s)	-92	-6,094	19,547	11,372
Income (in 000s)	5,218	18,398	61,173	87,294
Appreciation (in 000s)	1,938	-63,435	16,684	207,791
Ending MV (in 000s)	1,075,588	1,075,588	1,075,588	1,075,588

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



Index: Total Plan Benchmark

Investment Hierarchy

Account/Group -% Rate of Return	Ending Market Value GBP	Ending Weight	Policy Weight	Three Months			Year to Date			One Year			Inception Date
				Port	Index	Relative Excess	Port	Index	Relative Excess	Port	Index	Relative Excess	
London Borough of Hillingdon	1,075,588,420	100.00	-	0.67	1.52	-0.84	-4.03	0.62	-4.63	-4.00	1.46	-5.38	30/09/1995
Total Plan Benchmark													
Adam Street	9,440,836	0.88	-	9.15	4.37	4.58	6.96	7.27	-0.29	-2.90	9.68	-11.46	31/01/2005
Adam Street PE Bmark													
AEW UK	52,165,265	4.85	-	2.19	0.20	1.99	-14.37	-3.08	-11.65	-14.00	-2.79	-11.53	30/06/2014
LBH22 AEW Benchmark													
Cash & Other Assets	0	0.00	-	-	-	-	-	-	-	-	-	-	31/10/2017
Cash & Other Assets	14,139,621	1.31	-	-0.88	-	-	-0.14	-	-	-0.17	-	-	30/09/2008
Epoch Investment P Income	145,795,552	13.55	-	0.77	3.15	-2.31	-8.47	4.22	-12.18	-9.30	5.24	-13.82	08/11/2017
LBH11001 MSCI World ND													
JP Morgan	96,848,986	9.00	-	1.98	0.78	1.19	1.88	2.84	-0.93	2.53	3.82	-1.24	08/11/2011
LBH15 JPM LIBOR +3%pa													
LCF Infrastructure Fund	3,752,100	0.35	-	0.00	0.78	-0.77	0.00	2.84	-2.76	-	-	-	14/11/2019
LBH1004 3M Libor +3%													
Legal & General 1	243,404,069	22.63	-	4.71	4.84	-0.12	1.97	2.19	-0.22	6.28	6.55	-0.25	31/10/2016
LBH26 L&G Benchmark													
Legal & General 2	152,913,635	14.22	-	-2.18	-1.85	-0.34	9.92	9.63	0.27	1.54	1.62	-0.08	22/02/2017
LBH27 L&G Benchmark													
LGIM - Future World Equity IND	84,350,794	7.84	-	-	-	-	-	-	-	-	-	-	23/09/2020
LBH29 L&G Benchmark													
LGIM LPI Income Property	48,284,643	4.49	-	0.69	0.55	0.14	-	-	-	-	-	-	11/03/2020
LBH28 L&G RPI													
LGT	3,251,550	0.30	-	1.89	4.37	-2.38	1.42	7.27	-5.45	-1.43	9.68	-10.12	31/05/2004
LGT PE Bmark													
London CIV Ruffer	59,783,674	5.56	-	1.12	0.04	1.08	5.46	0.60	4.83	6.51	0.82	5.64	28/05/2010
LBH11003 Ruffer BM Libor													
M&G Investments	3,971,590	0.37	-	-10.13	1.02	-11.04	-28.25	3.58	-30.74	-26.21	4.82	-29.60	31/05/2010
LBH10 3 Month LIBOR +4%pa													
Macquarie	27,058,481	2.52	-	-0.23	0.78	-1.00	6.96	2.84	4.01	3.75	3.82	-0.06	30/09/2010
LBH14 Macquarie LIBOR +3%pa													

Account/Group -% Rate of Return	Ending Market Value GBP	Ending Weight	Policy Weight	Three Months			Year to Date			One Year			Inception Date
				Port	Index	Relative Excess	Port	Index	Relative Excess	Port	Index	Relative Excess	
Premira Credit LBH24 Premira LIBOR +4%pa	64,702,738	6.02	-	1.93	1.02	0.91	1.85	3.58	-1.68	3.45	4.82	-1.31	30/11/2014
UBS LBH04 UBS Benchmark	552,250	0.05	-	2.95	0.77	2.16	-27.19	-16.88	-12.40	-23.84	-13.42	-12.03	31/12/1988
UBS Property LBH06 UBS Property Benchmark	65,172,636	6.06	-	-0.10	0.20	-0.30	-3.74	-3.08	-0.68	-4.11	-2.79	-1.36	31/03/2006

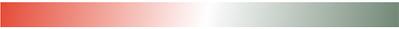
Investment Hierarchy(2)

Account/Group -% Rate of Return	Ending Market Value GBP	Ending Weight	Policy Weight	Three Years			Five Years			Inception to Date			Inception Date
				Port	Index	Relative Excess	Port	Index	Relative Excess	Port	Index	Relative Excess	
London Borough of Hillingdon	1,075,588,420	100.00	-	2.50	4.63	-2.03	6.69	7.60	-0.85	6.61	6.74	-0.12	30/09/1995
Total Plan Benchmark													
Adam Street	9,440,836	0.88	-	11.65	13.03	-1.22	11.94	18.50	-5.54	7.30	-	-	31/01/2005
Adam Street PE Bmark													
AEW UK	52,165,265	4.85	-	0.35	2.66	-2.25	4.13	4.37	-0.23	6.24	6.40	-0.15	30/06/2014
LBH22 AEW Benchmark													
Cash & Other Assets	0	0.00	-	-	-	-	-	-	-	-	-	-	31/10/2017
Cash & Other Assets	14,139,621	1.31	-	1.42	-	-	3.00	-	-	-0.55	-	-	30/09/2008
Epoch Investment P Income	145,795,552	13.55	-	-	-	-	-	-	-	1.00	7.56	-6.10	08/11/2017
LBH11001 MSCI World ND													
JP Morgan	96,848,986	9.00	-	2.88	3.85	-0.93	4.47	3.75	0.69	3.80	3.72	0.08	08/11/2011
LBH115 JPM LIBOR +3%pa													
LCF Infrastructure Fund	3,752,100	0.35	-	-	-	-	-	-	-	0.00	3.34	-3.23	14/11/2019
LBH11004 3M Libor +3%													
Legal & General 1	243,404,069	22.63	-	6.71	6.87	-0.15	-	-	-	6.98	7.11	-0.13	31/10/2016
LBH26 L&G Benchmark													
Legal & General 2	152,913,635	14.22	-	6.59	6.88	-0.28	-	-	-	6.51	6.84	-0.31	22/02/2017
LBH27 L&G Benchmark													
LGIM - Future World Equity IND	84,350,794	7.84	-	-	-	-	-	-	-	-5.15	-5.15	-0.00	23/09/2020
LBH29 L&G Benchmark													
LGIM LPI Income Property	48,284,643	4.49	-	-	-	-	-	-	-	-3.59	0.71	-4.27	11/03/2020
LBH28 L&G RPI													
LGT	3,251,550	0.30	-	9.58	13.03	-3.06	15.40	18.50	-2.62	10.68	-	-	31/05/2004
LGT PE Bmark													
London CIV Ruffer	59,783,674	5.56	-	3.48	0.85	2.61	4.54	0.75	3.76	5.16	0.84	4.28	28/05/2010
LBH11003 Ruffer BM Libor													
M&G Investments	3,971,590	0.37	-	-6.40	4.85	-10.73	0.98	4.75	-3.60	3.46	4.73	-1.22	31/05/2010
LBH10 3 Month LIBOR +4%pa													
Macquarie	27,058,481	2.52	-	11.22	3.85	7.10	14.72	3.75	10.57	6.45	3.73	2.63	30/09/2010
LBH14 Macquarie LIBOR +3%pa													

Account/Group -% Rate of Return	Ending Market Value GBP	Ending Weight	Policy Weight	Three Years			Five Years			Inception to Date			Inception Date
				Port	Index	Relative Excess	Port	Index	Relative Excess	Port	Index	Relative Excess	
Premira Credit LBH24 Premira LIBOR +4%pa	64,702,738	6.02	-	5.45	4.85	0.58	3.56	4.75	-1.14	7.46	4.71	2.62	30/11/2014
UBS LBH04 UBS Benchmark	552,250	0.05	-	-7.91	-2.00	-6.03	2.53	4.24	-1.64	8.45	7.83	0.58	31/12/1988
UBS Property LBH06 UBS Property Benchmark	65,172,636	6.06	-	1.97	2.66	-0.67	4.04	4.08	-0.04	3.37	3.46	-0.09	31/03/2006

Market Value Summary - Three Months

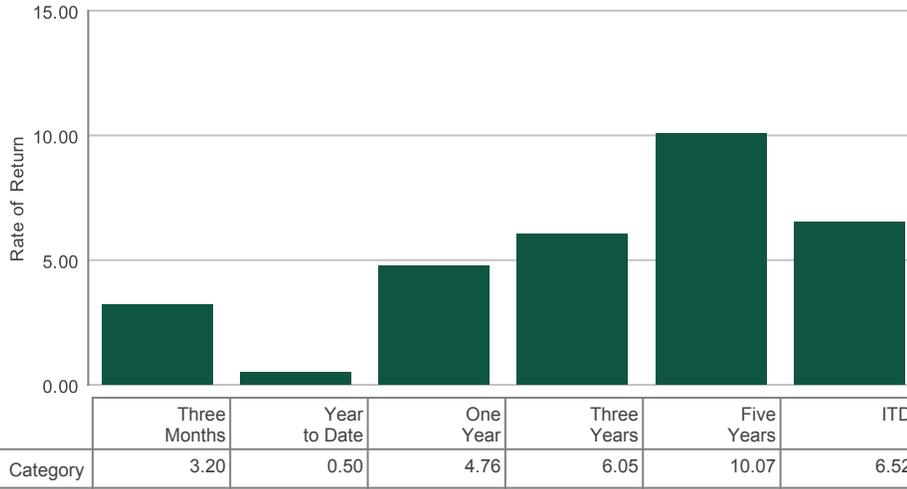
Account/Group	30/06/2020 Market Value	Net Contribution*	Income	Fees	Appreciation	30/09/2020 Market Value	30/09/2020 Weight	Change in Weight
London Borough of Hillingdon	1,068,523,947	-91,835	5,218,306	91,833	1,938,002	1,075,588,420	100.00	0.00
Adam Street	8,857,035	-210,121	0	0	793,923	9,440,836	0.88	0.05
AEW UK	51,046,931	0	473,577	0	644,757	52,165,265	4.85	0.07
Cash & Other Assets	12,847,162	1,407,397	1,308	0	-116,247	14,139,621	1.31	0.11
Cash & Other Assets	0	0	0	0	0	0	0.00	0.00
Epoch Investment P Income	144,687,852	0	1,375,006	0	-267,306	145,795,552	13.55	0.01
JP Morgan	94,970,904	0	0	0	1,878,081	96,848,986	9.00	0.12
LCIV Infrastructure Fund	3,752,100	0	0	0	0	3,752,100	0.35	-0.00
Legal & General 1	232,475,107	-12,213	0	12,213	10,941,175	243,404,069	22.63	0.87
Legal & General 2	156,330,300	-1,870	0	1,870	-3,414,795	152,913,635	14.22	-0.41
LGIM - Future World Equity IND	-	88,923,534	-11	77,885	-4,572,728	84,350,794	7.84	-
LGIM LPI Income Property	47,955,070	0	0	0	329,574	48,284,643	4.49	0.00
LGT	3,427,914	-230,593	-2	0	54,230	3,251,550	0.30	-0.02
London CIV Ruffer	59,121,573	0	301,529	0	360,572	59,783,674	5.56	0.03
M&G Investments	4,419,236	0	81	0	-447,727	3,971,590	0.37	-0.04
Macquarie	27,121,903	0	0	0	-63,421	27,058,481	2.52	-0.02
Prudential Credit	63,474,761	0	1,962,926	0	-734,949	64,702,738	6.02	0.08
UBS	92,383,478	-89,555,869	583,615	0	-2,858,975	552,250	0.05	-8.59
UBS Property	65,652,620	-412,099	520,277	-135	-588,162	65,172,636	6.06	-0.08

Min 0.00  100.00 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.

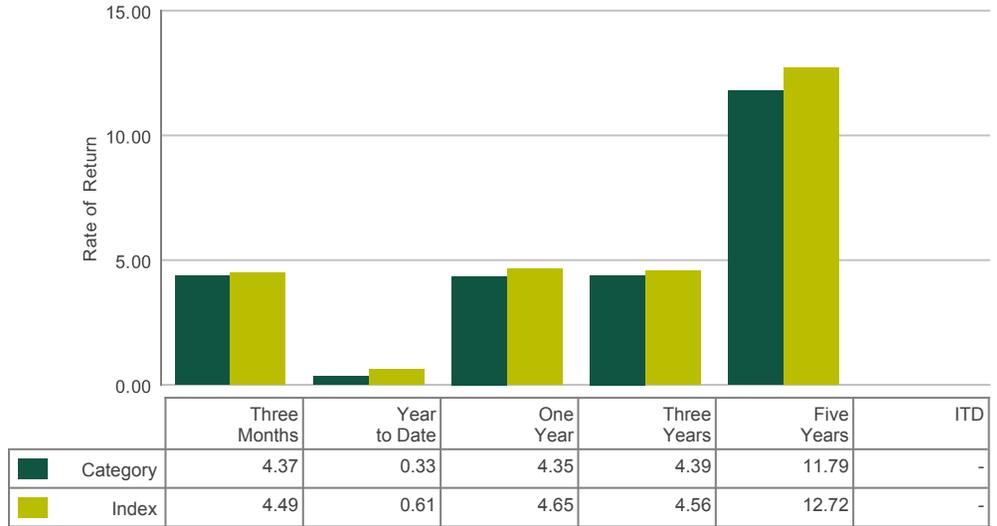
Historical Performance

OVERSEAS EQUITIES



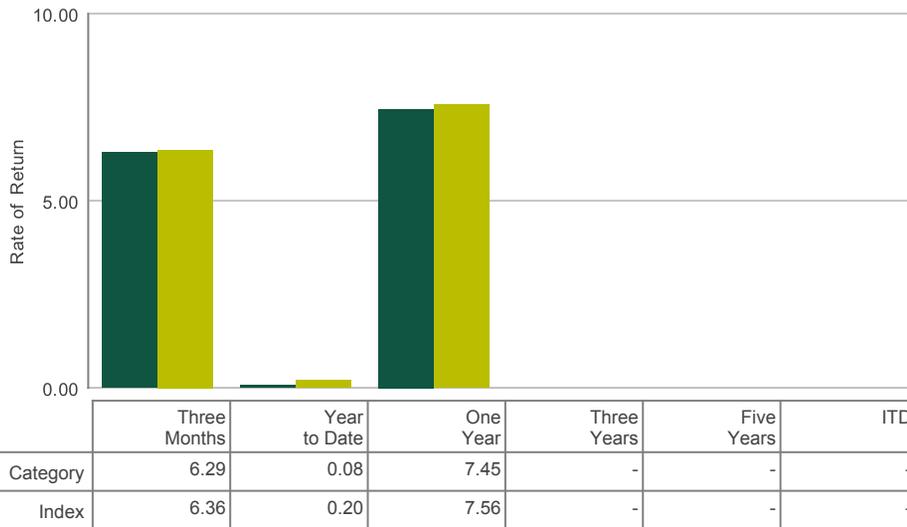
Page 31

EMERGING MARKETS



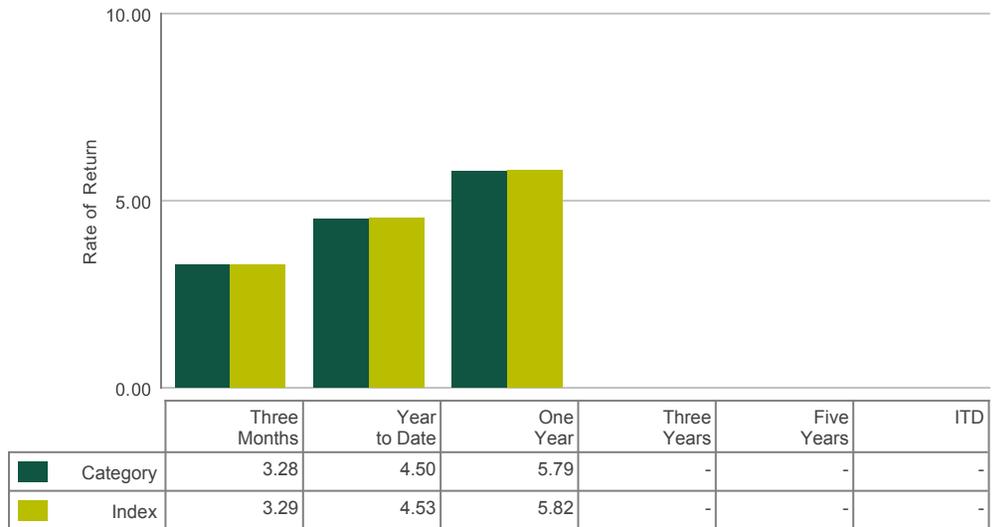
Index: LBH Emerging Markets

L&G GPCT WORLD DEV EQ IDX GBP HDG



Index: FTSE AW Developed HDG GBP

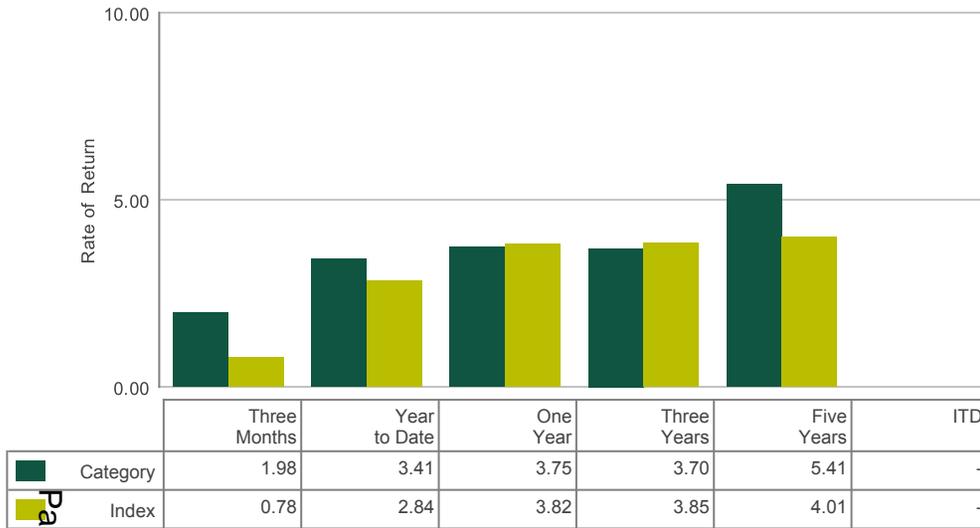
WORLD DEVELOPED EQUITY INDEX



Index: FTSE AW Developed

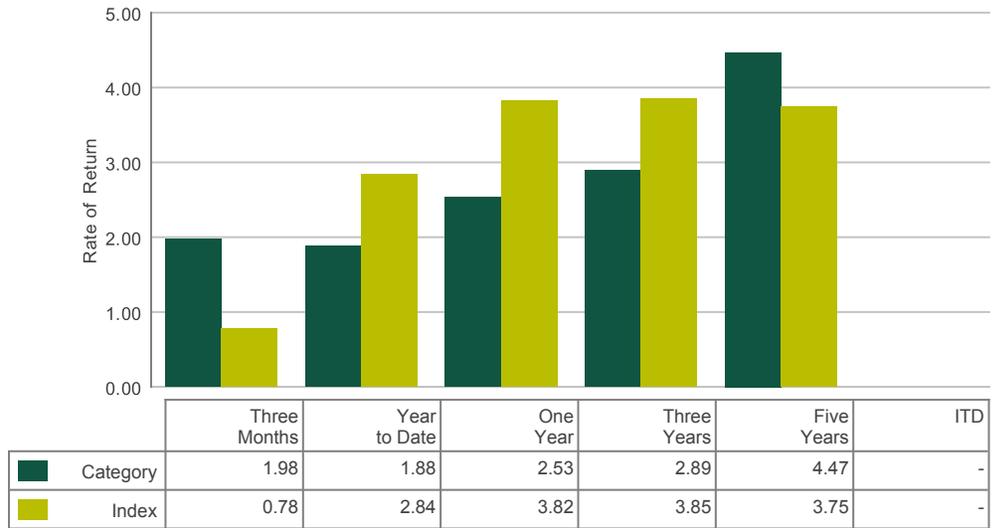
Historical Performance

FIXED INCOME



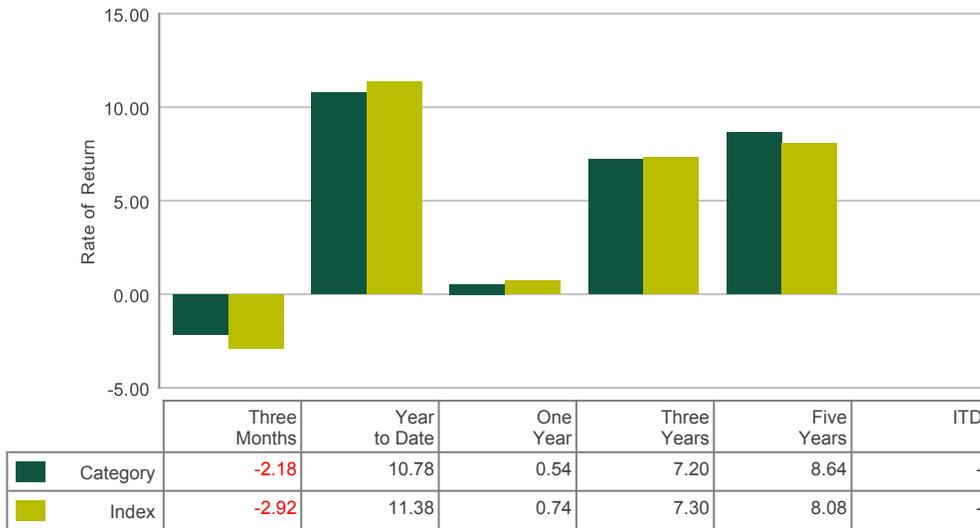
Index: LBH Fixed Income Benchmark

GLOBAL CORPORATE BONDS



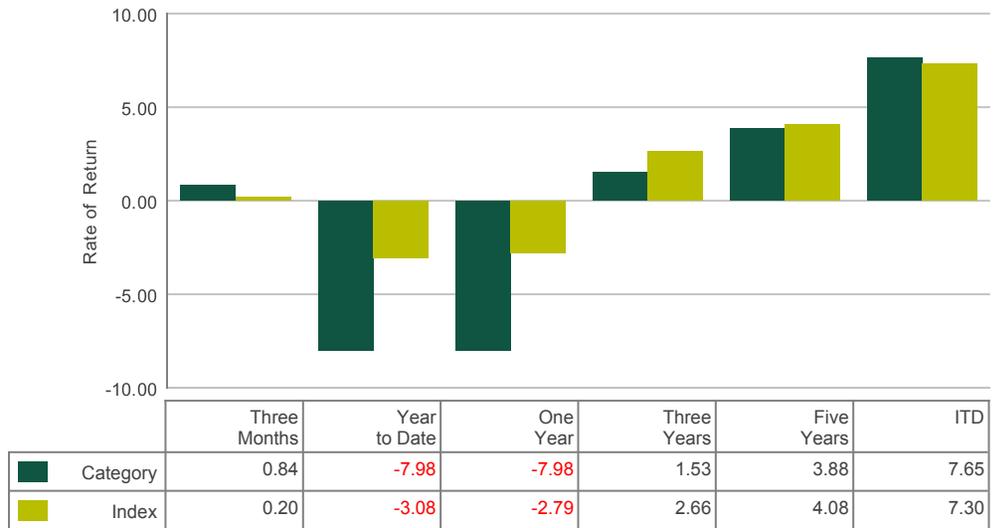
Index: LIBOR GBP 3 Month +3% pa

INDEX LINKED GILTS



Index: LBH Index Linked Benchmark

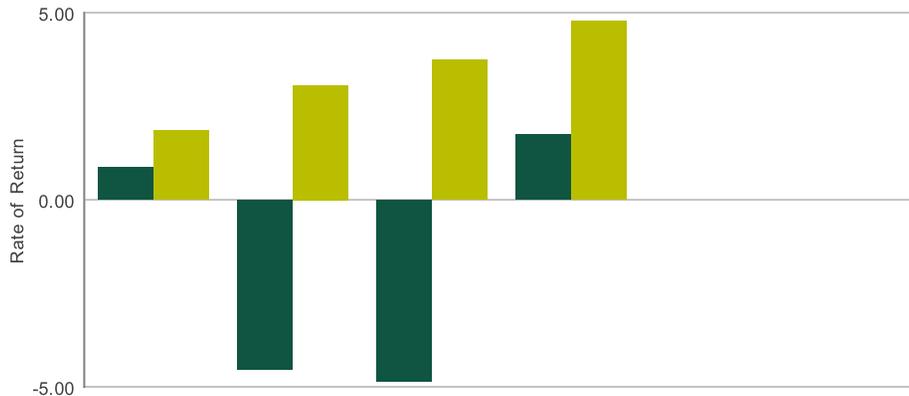
REAL ESTATES



Index: IPD UK PPF All Bal Funds Index

Historical Performance

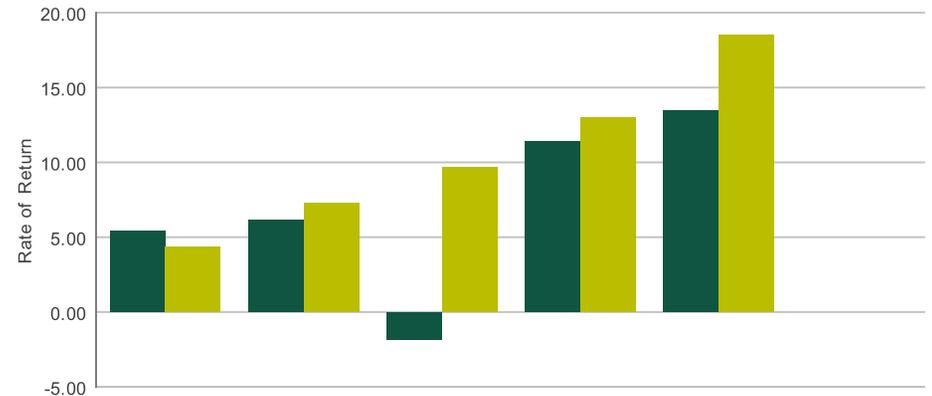
BALANCED FUNDS



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	0.87	-4.54	-4.85	1.75	-	-
Index	1.85	3.06	3.75	4.77	-	-

Index: Balanced Fund Benchmark

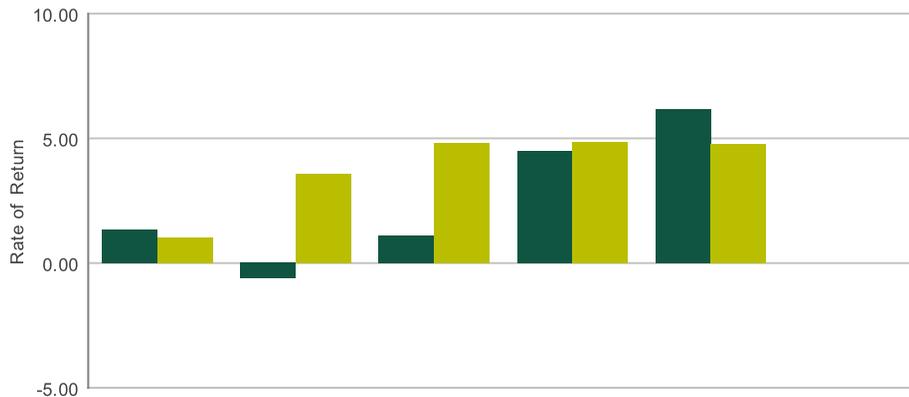
PRIVATE EQUITY



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	5.43	6.18	-1.81	11.40	13.46	-
Index	4.37	7.27	9.68	13.03	18.50	-

Index: MSCI ACWI +4% pa

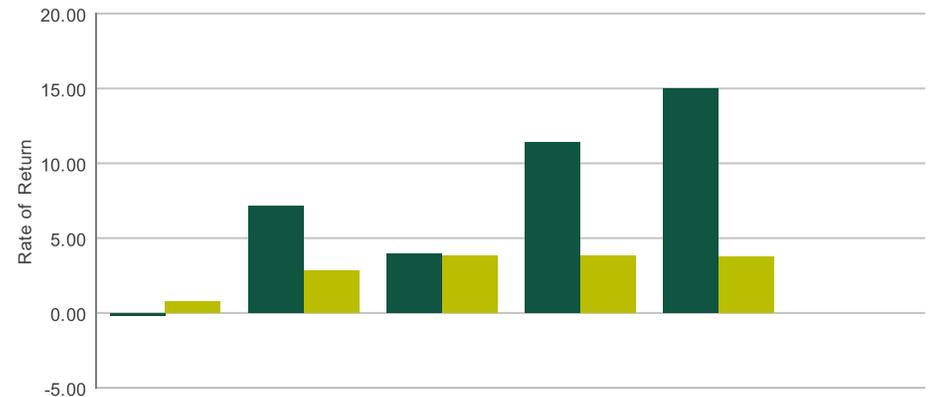
PRIVATE CREDIT



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	1.35	-0.61	1.08	4.49	6.17	-
Index	1.02	3.58	4.82	4.85	4.75	-

Index: LIBOR GBP 3 Month +4% pa

INFRASTRUCTURE



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	-0.16	7.18	3.98	11.43	15.00	-
Index	0.78	2.84	3.82	3.85	3.75	-

Index: LIBOR GBP 3 Month +3% pa

Overall Fund BenchMark		
Index	Manager	%
FTSE All Share	UBS LGIM	12.04
FTSE World Developed Equity Index Currency Hedged	LGIM	8.17
FTSE World Developed Equity Index unHedged	LGIM	8.03
FTSE Emerging Markets	LGIM	2.96
IPD UK PPFi All Balanced Funds Index	UBS Property AEW	13.39
3 Month Libor +3%	JP Morgan Macquarie	10.53
MSCI World ND	Epoch/LCIV	13.47
3 Month Libor	Ruffer/LCIV	9.85
3 Month Libor +4%	M&G Permira	6.96
Markit iBoxx £ Non – Gilt	LGIM 2	3.11
FTSE A Govt Index – Linked (All Stocks)	LGIM 2	3.99
FTSE A Govt Index – Linked (Over 15 Year	LGIM 2	4.88
	Non Custody CashCash	0.81
MSCI All Countries World Index	Private Equity	1.79
		100.00

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Suspension of Abatement Policy Extension

Item 6

Committee

Pensions Committee

Officer Seeking
Permission

Yvonne Thompson-Hoyte, Interim Pensions Manager
Mike Talbot – Director of Human Resources

Papers with Report

1. Suspension of Abatement Decision 2020

RECOMMENDATION

1. That the Pensions Committee extend the suspension of its policy to abate pensions for a further 12 months to support the Covid-19 emergency.

BACKGROUND

The original decision was taken on 7 April 2020 to support the Government programme to encourage social workers and similar professionals who had retired from local government in the last two years to re-join the workforce without penalty in terms of their pension at the start of the COVID-19 outbreak.

Since that time the recent discovery of a new variant has increased the number of cases at a faster pace over the last month. On a more positive note vaccines have also been approved and increased testing has been made available.

The government has announced the nationwide implementation of mass vaccination and testing programmes have starting in January 2021. The availability of additional resources will contribute to the successful delivery of this programme.

Forecasts from the Government and their experts indicate that the emergency still exists and is likely to continue during 2021. The current projections indicate that the requirement for additional resources will remain well into the new year as the government rolls out various programmes to bring the outbreak under control.

The Committee is therefore asked to continue to support this initiative by extending the suspension of the abatement of pensions for a further 12 months.

FINANCIAL IMPLICATIONS

There is no extra cost to the Pension Fund on the basis that at the time of each retirement the Fund would have anticipated paying pensions and benefits in full for the duration. This would therefore have been factored into each triennial valuation and by extension the funding and investment strategies.

Classification: Public
Pensions Committee 26 January 2021

LEGAL/REGULATORY IMPLICATIONS

The LGPS Regulations require that each Pension Fund Administering Authority must formulate and keep under review a policy on pension abatement.

The Government through the Scheme Advisory Board has requested the Council to review this policy considering developments with COVID-19

Delegated decision on behalf of Pensions Committee - Suspension of Abatement Policy

Officer With Delegated Authority	Paul Whaymand, Corporate Director of Finance, Section 151 Officer
Officer Seeking Permission	Yvonne Thompson-Hoyte, Interim Pensions Manager James Lake, Chief Accountant Mike Talbot – Head of Human Resources
Papers with Report	1. Chair of Scheme Advisory Board's Letter 2. Hillingdon Council Abatement Policy

RECOMMENDATION

That the Hillingdon Pension Fund suspends its policy to abate pension's for 12 months to ensure that any retirees returning to work to assist with the Covid-19 emergency are not adversely affected.

REASON FOR A DELEGATED DECISION

On 17 March 2020 the Head of Democratic Services advised that Pensions Committee would be cancelled until further notice. It was further advised that, in the case of the Pensions Committee, the Corporate Director of Finance has delegated authority to take decisions on behalf of the Committee in urgent cases, and will do so in consultation with Committee Members and also the Leader and Deputy Leader of the Council via email or telephone if necessary. All decisions taken under delegated powers will be ratified by Pensions Committee at a later date once operational.

This decision is required to support the Government programme to encourage social workers and similar professionals who have retired from local government in the last two years to re-join the workforce without penalty during the outbreak of COVID-19. The reason for urgency is outlined below.

BACKGROUND

The United Kingdom had the first confirmed case of the virus COVID-19 in January 2020. Since that time the virus has spread widely over the United Kingdom and there has been loss of life as a result. This has caused an enormous strain on health and Social Care related services in particular. This situation is on-going.

On March 19, 2020 the Government announced a programme to encourage health and social care staff, who retired in the last two years, back to work to assist in the fight against COVID-19.

This was preceded by a letter from the Chair of the Scheme Advisory Board to the Chairs of Pension Committees advising them of the government's programme. The letter further stated that it was the government's intention that anyone returning to work in this crisis, should not suffer any impact on the public service pension they

ADMINISTRATION REPORT	ITEM 7
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Committee	Pensions Committee
Officer Reporting	Yvonne Thompson-Hoyte, Finance James Lake, Finance
Papers with this report	1. Surrey KPI Report 2. COVID-19 Critical Tasks Report

HEADLINES

The day-to-day administration of the Hillingdon Local Government Pension Fund (LGPS) is delegated to Surrey County Council (SCC) under a Section 101 agreement. This agreement runs from 1 November 2016 to 31 October 2021.

The Section 101 agreement includes Key Performance Indicators (KPIs) which are generally consistent with national standards. The effects of the global COVID-19 pandemic still impact the day-to-day operations of the workforce as staff remain working from home as part of government measures to control the virus.

The Pensions Regulator (TPR) has issued guidance to public service pension schemes outlining the critical tasks that schemes should focus on during this period. The KPI reporting will focus on the recommendations of TPR

RECOMMENDATIONS

1. That the Pensions Committee note this report.

SURREY ADMINISTRATION UPDATE

Member Self Service Registration

Since the last report as at August 2020 another 421 members have signed up for self-service bringing the total number to 7427 from 7,006. The largest percentage uptake remains the active member category where 43% are signed up to MSS. The total registered represents 27% of the total membership 1% more on the the figures reported in October 2020.

Membership Category	Total membership numbers	Registered for online self service	% uptake
Active	9,107	3,916	43%
Deferred	11,267	2,235	20%
Pensioners	7,080	1,276	18%
Total	27,454	7,427	27%

*Figures are to the end of December 2020

Summary of SLA monitoring

Classification: Public
Pensions Committee 26 January 2021

The table below provides a summary of the cases that were received along with the percentage of cases that were processed within the service level agreement targets. An additional column has been added to indicate whether late cases missed the statutory deadline. Death grant payments has shown some improvement at 91% up from 71% in September, payments of lumpsums which is a high priority payment has further declined to 70% from the previous below target figure of 87%. Performance in the remaining areas remain varied it difficult to analyse the direction of travel. 5 deferred benefit notifications also missed the statutory deadline. The full report along with the COVID-19 report is attached

Activity	Impact	Target	Sep-20			Oct-20			Nov-20			Cases missed legal deadline
			Volume	Score	Missed							
Death notification acknowledged, recorded and documentation sent	M	100%	19	68%	6	12	58%	5	19	63%	7	0
Payment of death grant made	H	100%	31	71%	9	8	88%	1	11	91%	1	0
Retirement notification acknowledged, recorded and documentation sent	M	100%	55	84%	9	89	87%	12	30	70%	9	0
Payment of lump sum made	H	100%	48	85%	7	30	87%	4	42	76%	10	SLA measures from point of receiving all paperwork and not date of retirement
Calculation of spouses benefits	M	100%	5	60%	2	3	67%	1	2	100%	0	0
Transfers In - Quotes	L	100%	16	88%	2	30	73%	8	11	91%	1	0
Transfers In - Payments	L	100%	40	70%	12	18	78%	4	36	92%	3	Not covered in legal requirements
Transfers Out - Quote	L	100%	9	67%	3	11	100%	0	20	85%	3	0
Transfers Out - Payments	L	100%	11	82%	2	8	63%	3	3	67%	1	Not covered in legal requirements
Employer estimates provided	M	100%	6	67%	2	5	100%	0	3	100%	0	0
Employee projections provided	L	100%	5	80%	1	7	86%	1	6	83%	1	0
Refunds	L	100%	35	94%	2	60	92%	5	29	97%	1	Not covered in legal requirements
Deferred benefit notifications	L	100%	33	79%	7	31	74%	8	18	67%	6	5

Staffing and Resources

All staff have returned to working from home in keeping with the recent escalation in COVID-19 and instructions from the Government.

Annual Allowance Notification Letters

At the Committee meeting in October it was reported that the annual allowance letters were issued by the statutory deadline of 6th April. It subsequently came to light that 8 of the 22 letters were issued late by 2 to 7 days.

This has been placed on the breaches log and was reported to the Pensions Board in November 2020.

ONGOING PROJECTS

Annual Address and Mortality Tracing

The annual address tracing project commenced in January 2021 and is due to be completed in March 2021. This will be carried out again this year by ITM who delivered very good results on the last exercise. Once completed and the records updated the quality and completeness of data held will also improve.

The table below provides a breakdown of the categories of member records that are included in the 2021 programme.

Category	Number of cases
Gone Away	569
Deferred 55+	2,315
Frozen Refund	841
Suspended Pensioners	299
Total Cases	4,024

GMP Reconciliation

This exercise is being carried out by Mercer/JLT under the supervision of Surrey CC. At the last report the Committee was informed that there was delay in the completion of this analysis phase while awaiting the final data-cut from HMRC.

SCC has informed Officers that the data has now been received and Mercer are in the process of carrying out the final analysis. This is expected to be completed in the first quarter of 2021 and the results will provide number of members records that will require rectification.

A schedule for the delivery and completion of the rectification work required for these records will then be provided.

McCloud Remedy

All public sector schemes are required to carry out analysis on members records between 2012 and 2014 to determine whether they are entitled to rectification under the McCloud ruling. In the initial phase employers will be asked to submit member data covering the relevant period. The Scheme Advisory Board has produced a data collection template for this exercise.

Surrey CC have informed employers in the January newsletter that the data collection form will be sent out to them early in the year. SCC are currently in the process of deciding whether they want to carry out the analysis themselves once the data is received or whether to use a third party to do the work. A further update will be provided in the coming months.,

FINANCIAL IMPLICATIONS

Financial implications have been included in the body of the report

LEGAL IMPLICATIONS

The legal implications are in the body of the report.

Hillingdon Pensions Administration - 
Key Performance Indicators November 2020

Activity	Measure	Impact	Target	Jun-20			Jul-20			Aug-20			Sep-20			Oct-20			Nov-20			Cases missed legal deadline
Scheme members	Pensioners, Active & Deferred			24,020			24,044			24,128			24,172			24,195			24,241			
New starters set up/welcome letters				223			43						208			69			95			
ABS sent - Councillors	Statutory deadline		Due by 31 Aug	Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			
ABS sent - Active	Statutory deadline			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			
ABS sent - Deferred	Statutory deadline			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			
Death notification acknowledged, recorded and documentation sent	5 working days	M	100%	9	100%	0	26	92%	2	15	47%	8	19	68%	6	12	58%	5	19	63%	7	0
Payment of death grant made	10 working days	H	100%	9	78%	2	29	66%	10	14	71%	4	31	71%	9	8	88%	1	11	91%	1	0
Retirement notification acknowledged, recorded and documentation sent	10 working days	M	100%	47	91%	4	53	83%	9	48	94%	3	55	84%	9	89	87%	12	30	70%	9	0
Payment of lump sum made	10 working days	H	100%	27	89%	3	36	89%	4	38	87%	5	48	85%	7	30	87%	4	42	76%	10	SLA measures from point of receiving all paperwork and not date of retirement
Calculation of spouses benefits	10 working days	M	100%	7	43%	4	12	75%	3	4	100%	0	5	60%	2	3	67%	1	2	100%	0	0
Transfers In - Quotes	20 working days	L	100%	21	67%	7	19	68%	6	7	100%	0	16	88%	2	30	73%	8	11	91%	1	0
Transfers In - Payments	20 working days	L	100%	7	100%	0	14	79%	3	39	92%	3	40	70%	12	18	78%	4	36	92%	3	Not covered in legal requirements
Transfers Out - Quote	20 working days	L	100%	10	100%	0	36	97%	1	24	96%	1	9	67%	3	11	100%	0	20	85%	3	0
Transfers Out - Payments	20 working days	L	100%	9	89%	1	11	100%	0	19	100%	0	11	82%	2	8	63%	3	3	67%	1	Not covered in legal requirements
Employer estimates provided	10 working days	M	100%	1	100%	0	8	63%	3	2	100%	0	6	67%	2	5	100%	0	3	100%	0	0
Employee projections provided	10 working days	L	100%	2	100%	0	4	100%	0	6	100%	0	5	80%	1	7	86%	1	6	83%	1	0
Refunds	20 working days	L	100%	20	100%	0	55	100%	0	34	97%	1	35	94%	2	60	92%	5	29	97%	1	Not covered in legal requirements
Deferred benefit notifications	20 working days	L	100%	22	55%	10	11	100%	0	16	75%	4	33	79%	7	31	74%	8	18	67%	6	5
Complaints received - Admin																						
Complaints received - Regulatory																						
Compliments received																						
Queries Handled by Helpdesk				433 (FPF = 67%)			543 (FPF = 90%)			621 (FPF = 95%)			566 (FPF = 92%)			455 (FPF = 92%)			375 (FPF = 93%)			

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Pension Fund Risk Register

Item 8

Committee

Pension Committee

Officer Reporting

James Lake, Yvonne Thompson-Hoyte Finance

Papers with this report

Pension Fund Risk Register

HEADLINES

The purpose of this report is to identify to the Pension Committee the main risks to the Pension Fund and to enable them to monitor and review going forward (see Appendix). There is one risk which is red.

RECOMMENDATIONS

It is recommended that Pensions Committee:

- 1. Consider the Risk Register in terms of the approach, the specific risks identified, and the measures being taken to mitigate those current risks.**

SUPPORTING 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 14 risks being reported upon. 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.

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.

There has been no change to the DOT for quarter ending 30 September 2020.

What was originally referenced as PEN14 – 'Change of ownership of KPMG to Isio', has been removed following the full transition between KPMG and Isio. Isio is now fully stand-alone and there has been no decline in service delivery.

Classification: Public
Pensions Committee 26 January 2021

'Threat of COVID on Business Continuity', has been reassigned from PEN15 to PEN14.

FINANCIAL IMPLICATIONS

The financial implications are contained within the body of the report

LEGAL IMPLICATIONS

The legal implications are mentioned within the report.

Pension Fund Risk Register 2020/21

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Committee Member
PEN 01 - Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	<ol style="list-style-type: none"> 1. Anticipate long-term return on a relatively prudent basis to reduce risk of failing to meet return expectations. Funding Strategy outlines key assumptions that must be achieved in agreeing rates with employers for a significant chance of successfully meeting the funding target. 2. Analyse progress at three yearly valuations for all employers. 3. Undertake Inter-valuation monitoring. 	<p>With the assistance of Hymans Quarterly funding report the position is kept under regular review and Pension Committee is informed of the impact of prevailing market conditions on the funding level</p> <p>The impact of COVID-19 on the fund value continues to be monitored to ensure that the asset allocation is still appropriate. At the end of December 2020 the fund had regained the value lost at the end of March 2020. The value at the end of December was £1,135m which is now ahead of pre COVID-19 levels.</p> <p>An in depth COVID-19 review of the investment strategy was commissioned which concluded that no adjustments were required to the ISS agreed In January 2020. Officers continue to monitor the fund and take appropriate advice as necessary. The current position should be viewed with caution as there is still much uncertainty relating to COVID, however the objectives of the fund are long term and the portfolio is well positioned to withstand volatility over the long term</p> <p>Officers are closely monitoring developments and liaising with fund managers and advisors.</p>	<p>Strategic risk Likelihood = Significant Impact = Large Rating = C2 (Static)</p>	James Lake / Cllr M Goddard
PEN 02 - Inappropriate long-term investment strategy	<ol style="list-style-type: none"> 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. Asset allocation reported quarterly to committee 5. Officer and Advisers actively monitors this risk. 	<p>A separate Officer and Advisor working group regularly monitors the investment strategy and develops proposals for change / adjustment for Pension Committee consideration.</p> <p>The impact of each decision is carefully tracked against the risk budget for the Fund to ensure that long-term returns are being achieved and are kept in line with liabilities.</p>	<p>Strategic risk Likelihood = Low Impact = Large Rating = E2 (Static)</p>	James Lake / Cllr M Goddard
PEN 03 - Active investment manager under-performance relative to benchmark	<ol style="list-style-type: none"> 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. 	<p>The Fund is widely diversified, limiting the impact of any single manager on the Fund. Active monitoring of each manager is undertaken with Advisors and Officers meeting managers on a quarterly basis and communicating regularly.</p> <p>The LCIV as pool is increasingly managing more assets on the funds behalf as per regulation, however transparency and reporting is less controlled by the fund. Improvements in communication from the pool have been requested over performance transparency of the managers to inform swift action.</p> <p>Comments on whether mandates should be maintained or reviewed are included quarterly and where needed specific performance issues will be discussed and reviewed.</p>	<p>Strategic risk Likelihood = Low Impact = Small Rating = E4 (Static)</p>	James Lake / Cllr M Goddard

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Committee Member
PEN 04 - Pay and price inflation significantly more than anticipated impacting the ability for employers to afford contributions	<p>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 of Deferred and Pensioner members as well as the escalation of pensionable payroll costs which only applies to active members, and on which employer and employee contributions are based.</p> <p>2. Inter-valuation monitoring gives early warning and investment in index-linked bonds also helps to mitigate this risk.</p> <p>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.</p> <p>4. Covenant's are in place with security of a guarantee or bond for admission agreements.</p>	<p>The impact of pay and price inflation is monitored as part of the Council's MTFF processes and any potential impact on pension fund contributions is kept under review and factored into the Council's overall position.</p> <p>The impact of pay inflation is diminishing since the introduction of the CARE benefits in 2014 as there is less linkage to final salary in future liabilities.</p> <p>In response to the COVID-19 the government continues to provide stimulus packages to help support the economy. Furthermore the BoE has increased its QE programme and reduced interest rates. These interventions could have the effect of increasing inflation.</p>	Strategic risk Likelihood = Low Impact = Medium Rating = D3 (Static)	James Lake / Cllr M Goddard
PEN 05 - Inflation significantly more than anticipated	<p>1. Inter-valuation monitoring gives early warning.</p> <p>2. Investment in index-linked bonds helps to mitigate this risk.</p> <p>3. The fund has increased its inflation linkage by allocating 5% to Inflation linked long lease property in 2018.</p> <p>4. Contribution rate setting as part of the triennial valuation process considers 5000 scenarios in achieving a fully funded position</p>	The impact of inflation is reviewed through all strategic investment decision making.	Strategic risk Likelihood = Medium Impact = Large Rating = D2 (Static)	James Lake / Cllr M Goddard
PEN 06 - Pensioners living longer.	<p>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.</p> <p>2. Club Vita monitoring provides fund specific data for the valuation, enabling better forecasting.</p>	The Fund is part of Club Vita, a subsidiary of the Fund Actuary, which monitors mortality data and feeds directly into the valuation.	Strategic risk Likelihood = Low Impact = Small Rating = E4 (Static)	James Lake / Cllr M Goddard
PEN 07 - Poor Performance of Outsourced Administrator leading to poor quality information supplied to both members and the Fund Actuary	<p>1. Quarterly review meetings held</p> <p>2. Weekly update calls with officers</p> <p>3. Quarterly KPI reports are provided to track and monitor performance</p> <p>4. Critical errors cleared prior to transfer of valuation data to actuary</p> <p>5. Data Improvement plan in place to improve the quality of member data</p> <p>6. Ongoing dialogue with Surrey Administration to implement audit recommendations</p> <p>7. Monitoring of progress and management goodwill to implement audit findings.</p>	<p>The interim Head of Pensions Administration, that was appointed in February has left at the end of June. This is viewed as a major setback to the improvement plans as he was focused on resolving the long standing issues and driving through improvements. ORBIS are in the process of recruiting a new Head of a restructured service. The role is being covered jointly by in the interim.</p> <p>The Pensions regulator has specified the priority items that funds should focus on during the pandemic. Weekly monitoring of these items have been ongoing and the fund is satisfied that the priority items are being satisfactorily processed.</p> <p>The process of interfacing payments between the administration and the finance system have commenced to address risks raised by the internal audit report. Senior management have also set out a proposal to complete the process. Officers continue to monitor implementation of the audit recommendations</p> <p>The current contract for administration software provision expires shortly. Initial attempts by Surrey to procure a new contract fell through in June. They are now embarking on a new tender through the Norfolk framework.</p> <p>Maintaining a reliable software system is critical to the fund as it holds all the individual member data and history.</p>	Strategic risk Likelihood = Medium Impact = Large Rating = D2 (Static)	James Lake / Cllr M Goddard

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Committee Member
PEN 08 - Risk of disruption to the delivery of pensions administration services and systems and data integrity during the transfer of administration services.	<ol style="list-style-type: none"> 1 Robust business case and project plan being put in place 2 Project oversight board will be appointed to monitor progress 3 Technical support from providers of systems platform has been co-opted to safeguard the integrity of their systems 4 Weekly meetings between project delivery officers across all three organisations to ensure project is going to plan and early identification of issues. 5 Regular progress reporting to Hillingdon Senior Management, Pensions Committee and Board. 6. Creation and monitoring of detailed risk register 	<p>It is early days into the project. Since the decision to transfer services project initiation meetings have been ongoing with the receiving party and exit meetings with Surrey. The administration system providers for both systems have been contacted and legal teams also mobilised. Legal paperwork is progressing ahead of schedule. Surrey have appointed dedicated officers to facilitate the exit process, initial meetings have been quite positive. Work is underway to develop a business and project plan. Initial project meetings are being arranged. A Project Oversight Board is being established. A Hillingdon representative will sit on this Board.</p>	<p>Strategic Risk Likelihood = Low Impact = Very Large Rating = E1 (Static)</p>	
PEN 09 - Failure to invest in appropriate investment vehicles as a result of MiFID II regulations in place from 3 January 2018	<ol style="list-style-type: none"> 1. Applications have been made to sustain "Professional Status" of the pension fund to enable continuation of the existing investment strategy. 2. All current application's have successfully been resolved confirming professional status 	<p>This is a risk identified as a result of regulatory changes and is continually assessed. The fund is required to show an appropriate level of knowledge 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.</p>	<p>Strategic risk Likelihood =Very Low Impact = Large Rating = F2 (Static)</p>	James Lake / Cllr M Goddard
PEN 10 - Cyber Security - Pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals	<ol style="list-style-type: none"> 1. Council wide policies and processes in place around: acceptable use of devices, email and internet use of passwords and other authentication home and mobile working data access, protection (including encryption), use and transmission of data 2. Risk is on the Corporate risk register with risk mitigation in place. 3.All member and transactional data flowing from SCC and Hillingdon is sent via encryption software 4.Data between the fund, SCC and Hymans is distributed via upload to an encrypted portal 5. Systems at Hillingdon and SCC are protected against viruses and other system threats 6. SCC are accredited to ISO27001:2013 and Cyber Essentials Plus accreditation. SCC are also PSN compliant. 	<p>This risk has been recognised in response to recommendations by the Pensions Regulator and work carried out by Pensions Board</p> <p>Certificates on SCC accreditation received</p> <p>SCC have an incident response plan which is required to develop mitigation of this risk. A copy will be sent to the fund.</p> <p>Data Mapping has been carried out to understand the data transfers and risks in this area including potential for treat through other employers. A data scorecard tool is due to be completed to assist in risk identification.</p> <p>As a result of work with the Pensions Board in gaining assurance in this area the fund will create a policy to ensure a sufficient action plan in place in the case of a breach within the fund.</p>	<p>Strategic risk Likelihood = Medium Impact = Large Rating = D2 (Static)</p>	James Lake / Cllr M Goddard
PEN 11 - Climate Change - Risk of financial lose through Climate change impacts	<ol style="list-style-type: none"> 1. The fund have an ESG policy in place as part of the ISS. 2. Active equities within fossil fuel sector have been assessed in relation to the Transition pathway analysis tool to identify those companies transitioning to a lower carbon world. 3. Manger selections take into account ESG policy 4. Mangers are expected to be signed up to the stewardship Code 5. Managers are expected to have signed up to the UN Principles for Responsible Investment (UK PRI) 6. ESG Issues are discussed with managers at review meetings 	<p>The investment strategy will be updated with a statement on climate change risk on next revision.</p> <p>The fund biggest risk exposure to poorly managed companies in respect of carbon emissions will be through the passive allocation. Tilts on this allocation will be reviewed and considered to reduce this risk.</p> <p>Pensions Committee has created a stand alone RI policy which will support principles and implementation.</p> <p>Work has begun on meeting the requirements to enable sign-up to the 2020 Stewardship Code.</p>	<p>Strategic risk Likelihood = Low Impact = Large Rating = E2 (Static)</p>	James Lake / Cllr M Goddard

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Committee Member
PEN 12 - Portfolio liquidity - risk of failure to liquidate assets or meet drawdown calls	<ol style="list-style-type: none"> 1. The fund has an active daily cash management process in place to ensure there is sufficient cash available to meet all beneficiary payments. 2. Cash management includes investing large amounts of surplus cash to balance the investment portfolio or hold in liquid asset classes in anticipation of cash calls 3. Officers liaise with managers where commitments have been made to keep track of predicted drawdown timescales 4. The fund is significantly diversified in different asset classes and asset managers to ensure if there is a stop on any one holding then the portfolio will continue to operate as normal. 	<p>There is a detailed cash management process in place and have been developed over the past 2 years. This is signed off daily to ensure liquidity. The fund continues to invest in illiquid asset classes to benefit from illiquidity premium, however this is a relatively small portion of the portfolio and there are other liquid asset classes easily accessible. All trade times are listed in the cash management policy.</p> <p>The fund is still borderline cashflow positive / breakeven on member dealings and is forecast to remain so in 2020/21.</p>	Strategic risk Likelihood = Very Low Impact = Large Rating = F2 (Static)	James Lake / Cllr M Goddard
PEN 13 - Failure of the pool in management of funds / access to funds	<ol style="list-style-type: none"> 1. Quarterly review meetings held with the pool 2. Regular reporting out of the pool informing the fund of manager performance 3. Swift communications received from the pool with staff turnover and concerns the fund may need to be aware. 4. Independent adviser carried out a review of governance for manager selection and manager monitoring to add assurance and discussion points with the pool 5. Active Shareholder representation at General meeting and AGM. 6. Pool to attend Committee meetings where required, to provide assurance over progress and activity. 	<p>Concerns over staff turnover in senior posts and withdrawal of an imminent fund have raised the level of this risk to enter the register.</p> <p>Work will need to be carried out with the pool to address governance concerns arising from Independent Adviser review.</p> <p>Keen interest in recruitment to vacant positions and support given to those staff still in post while recruitment takes place to ensure retention.</p>	Strategic risk Likelihood = Low Impact = Medium Rating = D2 (Static)	James Lake / Cllr M Goddard
PEN 14 - Threat of COVID 19 to Business Continuity	<ol style="list-style-type: none"> 1. The pensions section and corporate finance has a business continuity plan that identifies critical tasks and resources required to carry them out. 2. Communication to key 3rd party providers Surrey Administration to co-ordinate business continuity plans 3. Active monitoring of developments, keeping abreast of Council and Government advice to ensure readiness to implement the continuity plan if required. 4. Non-essential external meetings have been cancelled to reduce contact 5. Checks being done to ensure staff have facilities to work from home 6. Vulnerable staff are being kept out of the office as much as possible 	<p>The business continuity plan for the Pensions Section has been updated to identify critical tasks and resources and systems required to maintain services. Vulnerable staff have been identified and equipped to work remotely. The departmental policy to postpone non-essential meetings is in force.</p> <p>Business continuity plans have been obtained from the Surrey to ensure continuity of essential member services. Pensions team management is actively mobilising staff and organised a dry run to ensure readiness in the event that staff are not able to attend the office</p>	Strategic risk Likelihood = High Impact = Large Rating = D2 (Static)	James Lake / Cllr M Goddard

Attributes:		Risk rating	Score	Risk rating	Score	Risk rating	Score	Risk rating	Score	
Greater than 90%	This week	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)		
		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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WORK PROGRAMME 2021/2022

ITEM 9

Committee	Pensions Committee
Officer Reporting	James Lake & Yvonne Thompson-Hoyte, Finance
Papers with report	None

HEADLINES

This report is to enable the Pension Committee to review planned meeting dates and forward plans. Due to a change in the statutory accounts deadline the Pension Committee dates for 2021 have been adjusted to accommodate the new timeline. The proposed new dates are due to be approved by Full Council.

To aid the process and expediency of investment management decisions the potential formation of an Investment Sub-group/Committee is being explored.

RECOMMENDATIONS

That the Committee:

- 1. Notes the proposed revised dates for Pensions Committee meetings.**
- 2. Makes suggestions for future agenda items, working practices and / or reviews.**
- 3. Note potential formation of Investment Sub-group/Committee**

SUPPORTING INFORMATION

Meeting Date	Item
24 March 2021	<ul style="list-style-type: none"> • Training TBC • Investment update and manager review • Annual Report of the Board • Administration Report • Responsible investment Update • Risk Register • Audit Plan • Independent Adviser Contract
10 June 2021 (TBC)	<ul style="list-style-type: none"> • Training TBC

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	<ul style="list-style-type: none"> • External Audit of Pension Fund • Investment update and manager review • Administration Report • Risk Register • Conflicts of Interest Policy • Responsible investment Update
28 September 2021 (TBC)	<ul style="list-style-type: none"> • Pension Fund Annual Report 2020/21 • Investment update and manager review • Administration Report • Risk Register • Responsible Investment • CIV Governance Update • Stewardship Code 2020 draft report
1 December 2021 (TBC)	<ul style="list-style-type: none"> • Training TBC • Investment update and manager review • Administration Report • Risk Register
23 March 2022 (TBC)	<ul style="list-style-type: none"> • Training TBC • Investment update and manager review • Administration Report • Risk Register • Annual Report of the Board • Annual Audit Plan

INVESTMENT SUB-GROUP/COMMITTEE

As the Committee agenda continues to grow and the need to devote greater time and resources to the management of the Fund's investments increases, the potential to establish an Investment Sub-Group arrangement is being explored with Democratic Services. The aim is that the group will be able to commit more time to appraise investment and manager performance, focus on associated expanding ESG requirements, explore new ideas and move swiftly when opportunities or risks arise. This will in-turn reduce the agenda burden on Pensions Committee.

FINANCIAL IMPLICATIONS

There are no financial implications in the report

LEGAL IMPLICATIONS

The legal implications included within the body of the report

Classification: Public

Pensions Committee 26 January 2021

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Agenda Item 11

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Agenda Item 12

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