



HILLINGDON
LONDON



Pensions Committee

Date: THURSDAY, 10 JUNE 2021

Time: 5.00 PM

Venue: COMMITTEE ROOM 6 -
CIVIC CENTRE, HIGH
STREET, UXBRIDGE

**Meeting
Details:** Members of the Public and
Media are welcome to attend.

To Members of the Committee:

Martin Goddard (Chairman)
Duncan Flynn (Vice-Chairman)
Carol Melvin
John Morse (Opposition Lead)
Raju Sansarpuri

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phone camera and scan the code below:



Published: Friday, 28 May 2021

Contact: Steve Clarke
Tel: 01895 250693
Email: sclarke2@hillington.gov.uk

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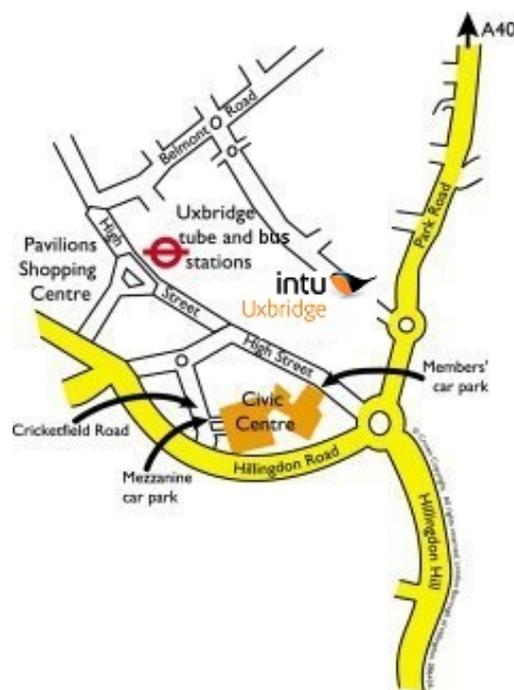
Lloyd White
Head of Democratic Services
London Borough of Hillingdon,
Phase II, Civic Centre, High Street, Uxbridge, UB8 1UW

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Agenda

CHAIRMAN'S ANNOUNCEMENTS

- 1 Apologies for Absence
- 2 Declarations of Interest in matters coming before this meeting
- 3 Minutes of the meetings dated 24 March and 20 May 2021 1 - 8
- 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 9 - 32
- 6 Administration Report 33 - 38
- 7 Risk Register Report 39 - 46
- 8 Draft Work Programme 47 - 48

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That the reports in Part 2 of this agenda be declared not for publication because they involve the disclosure of information in accordance with Section 100(A) and Part 1 of Schedule 12 (A) to the Local Government Act 1972 (as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.

- 9 Responsible Investments Update 49 - 124
- 10 Administration Report Part II - Pensions Administration Update 125 - 128

11	Investment Strategy and Fund Manager Performance - Part II	129 - 188
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Minutes

PENSIONS COMMITTEE

24 March 2021

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



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 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 Shane Woodhatch, Pensions Board Member David O'Hara, Isio Andrew Singh, Isio Clare Scott, Independent Adviser</p>
96.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>There were no apologies for absence.</p>
97.	<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>
98.	<p>MINUTES OF THE MEETING DATED 26 JANUARY 2021 (<i>Agenda Item 3</i>)</p> <p>RESOLVED: That the minutes of the meeting dated 26 January 2021 be agreed as an accurate record.</p>

99.	<p>TO CONFIRM THAT ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THOSE MARKED PART II WILL BE CONSIDERED IN PRIVATE (<i>Agenda Item 4</i>)</p> <p>It was confirmed that items 1 - 11 were marked Part I and would be considered in public and items 12 – 15 were marked Part II and would be considered in private.</p>
100.	<p>AUDIT PLAN 2020/2021 (<i>Agenda Item 5</i>)</p> <p>James Lake, Chief Accountant, presented the Pension Fund Annual Audit Plan 2020/2021. It was confirmed that the plan sets out the approach to the EY audit of the Pension Fund Accounts including a broad timetable which should enable the process to be completed by the end of September 2021.</p> <p>Suresh Patel and Larisa Midoni of Ernst and Young LLP addressed the Committee noting that it had been a challenging time for local government finance teams and auditors. 30% of local authorities had yet to publish their 2019/2020 accounts. Hillingdon’s 2019/20 accounts had been completed on time; this had largely been achievable due to the excellent working relationship between the auditors and the finance team.</p> <p>Members’ attention was drawn to EY’s overview of their 2020/21 audit strategy set out on page 13 of the agenda pack. A fraud risk in relation to possible fraud or error when posting investment journals into the general ledger was noted. There was also significant Risk of Incorrect Valuation of Unquoted Investments; this was even more uncertain in the context of Covid-19. Disclosures on Going Concern was another area of audit focus – the unpredictability of the current environment gave rise to a risk that the Pension Fund would not appropriately disclose the key factors relating to going concern.</p> <p>The Committee heard that the audit scope had not changed. Draft accounts would be published by 30 June 2021 and the Pension Fund audit would be completed by the end of September. Ernst and Young were in discussion with PSAA about a proposed increase to the scale fee.</p> <p>Members noted that, as set out on page 18 of the pack, EY had assessed that the risk of incorrectly valuing investments was high for level 3 investments held by the Fund, yet these investment types made up 28% of the Fund’s total net assets in 2019/20 - a rise from 11% in 2018/19. It was confirmed that this had been highlighted as a significant risk and would be monitored.</p> <p>In response to questions from the Committee, it was confirmed that the audit fee was likely to increase but it was yet not possible to say when this would happen as discussions were still underway.</p> <p>RESOLVED That the Pensions Committee noted the EY 2020/21 Pension Fund Annual Audit Plan report.</p>
101.	<p>PENSIONS COMMITTEE TERMS OF REFERENCE (<i>Agenda Item 6</i>)</p> <p>James Lake, Chief Accountant, introduced the report noting that, following discussion at the January Pensions Committee meeting, a review of the Committee’s Terms of</p>

Reference was proposed to provide for a Pensions Sub-Group which would enable quick decision-making and lighten the agenda burden of the main Committee. If agreed by the Committee, the proposal would be tabled at the Full Council AGM in May 2021.

Mark Braddock, Senior Democratic Services Manager, confirmed that the proposed Sub-Group would not be a formal decision-making body but would be a useful consultative resource which could make recommendations to the main Committee. It would also be consulted on any urgent decisions to be taken by the Corporate Director of Finance.

At the request of Members it was agreed that the word 'prior' in point 13 of the Terms of Reference was superfluous and could be removed.

The Committee welcomed the formation of a Sub-Group noting that the proposal would be an informal arrangement and would provide more flexibility than a formal sub-committee and the formal protocols required for this.

Clare Scott, Investment Advisor, commented that the proposed Sub-Group was a good way forward but raised concerns that the Terms of Reference did not encompass everything. It was suggested that an overarching comment could be added to indicate that the Committee had overall responsibility for all matters. Moreover, it was felt that points 9) and 12) of the Terms of Reference appeared to relate to Council management policy rather than Pensions Fund matters for the Committee.

Mark Braddock advised Members that changes to the Council Constitution did not have to come directly from the relevant Committee. It would be possible to make the necessary amendments to the TOR outside of the meeting. It was agreed that Democratic Services would work with officers to tweak the Terms of Reference as required and would update the Committee by email.

RESOLVED That the Pensions Committee:

- 1) Considered and recommended the changes to its Terms of Reference outlined in the report; and**
- 2) Delegated responsibility to Democratic Services and Finance officers to make the agreed tweaks to the Terms of Reference as discussed.**

102. INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE - PART I
(Agenda Item 7)

James Lake, Chief Accountant, introduced the report. Members heard that the total value of the Fund was £1.134bn at 31 December 2020, an increase of £58m from £1.076bn at the end of the previous quarter. On the day of the meeting, the Fund's value was confirmed to be £1.132bn. It was confirmed that the Fund return for the latest quarter was ahead of benchmark; this was primarily attributable to the performance of AEW UK and LCIV Ruffer.

RESOLVED: That Pensions Committee noted the Fund performance update.

103. ADMINISTRATION REPORT *(Agenda Item 8)*

James Lake, Chief Accountant, introduced the Administration Report. Members were informed that, since January 2021, 162 additional members had signed up for self-service – the total registered now represented 28% of the total membership. The

Committee heard that Surrey's performance against KPIs was erratic and difficult to track. Weighted average KPIs had been requested. The increase in fees had yet to be agreed and Surrey had been asked to provide a correlation between improved service and increased fees.

In terms of Annual Address and Mortality Tracing, it was confirmed that this exercise had now been completed and a report submitted by ITM outlining the results and making recommendations for next steps. There had been an extension to the GMP Reconciliation and the final recommendation would be presented to Paul Whaymand on 25 March 2021. With regards to exit payments (£95k cap), the Committee heard that the cap had been scrapped by Central Government. It was confirmed that work on the McCloud Remedy would continue and it was likely that Hampshire would take this on eventually. With regards to the Pension Board, Roger Hackett had been elected Chair to serve a one-year term and the Pension Board Terms of Reference would be amended to provide better clarity.

RESOLVED: That the Pensions Committee noted the Administration Report.

104. **RISK REGISTER REPORT** (*Agenda Item 9*)

James Lake, Chief Accountant, presented the Pension Fund Risk Register report. It was confirmed that no specific risks had been added or removed. At the suggestion of the Chairman, it was agreed that PEN 04 and PEN 05 would be combined – this change would be reflected in the next quarterly report.

It was noted that the expectation of governance standards was being stepped up and the Fund could be caught out if the Committee was not kept up to speed. At the request of Members, it was agreed that training be provided to raise awareness and understanding of standards which were increasing all the time. Roger Hackett informed the Committee that the Pension Board had flagged up governance and picked up changes in the Code of Practice and as such the Pension Fund was aware.

RESOLVED That the Pensions Committee:

- 1) **Considered the Risk Register in terms of the approach, the specific risk identified and the measures being taken to mitigate those current risks;**
- 2) **Agreed that PEN 04 and PEN 05 be combined; and**
- 3) **Requested that training be provided in respect of changing governance standards.**

105. **PENSION BOARD ANNUAL REPORT** (*Agenda Item 10*)

Roger Hackett, Chair of the Pension Board, presented the Annual Report of the Local Pensions Board. Members heard that the report set out the work undertaken and future plans. It was noted that it had been a tumultuous time for the LGPS. The Chair of the Pension Board thanked the Committee and officers for their help and co-operation at all times.

Members welcomed the report and noted that it was helpful that Roger and the Pension Board Members were able to attend the Pensions Committee.

RESOLVED: That the Pensions Committee noted the annual report of the Local Pension Board for the year 2020.

106.	<p>DRAFT WORK PROGRAMME (<i>Agenda Item 11</i>)</p> <p>James Lake, Chief Accountant, presented the draft Work Programme 2021/2022 advising Members that meeting dates were now confirmed. It was noted that a Meet the Manager training day was planned for 14 April 2021. Members had been sent a knowledge and skills questionnaire and were kindly requested to complete this.</p> <p>At the request of the Committee, it was agreed that a separate training event would be arranged covering current and proposed changes in governance. Pension Board members would also be invited to attend this training session.</p> <p>RESOLVED That the Pensions Committee:</p> <ol style="list-style-type: none"> 1) Noted the dates for Pensions Committee meetings; 2) Made suggestions for future agenda items, working practices and / or reviews; and 3) Requested a separate training session regarding current and proposed changes in governance.
107.	<p>RESPONSIBLE INVESTMENT UPDATE (<i>Agenda Item 12</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>
108.	<p>ADMINISTRATION PART II - PENSIONS ADMINISTRATION UPDATE (<i>Agenda Item 13</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>
109.	<p>INVESTMENT PART II - STRATEGY REVIEW AND MANAGER UPDATES (<i>Agenda Item 14</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>
110.	<p>INDEPENDENT ADVISOR CONTRACT (<i>Agenda Item 15</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</i></p>

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 meeting, which commenced at 5.00 pm, closed at 6.40 pm.

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.

Minutes

PENSIONS COMMITTEE

20 May 2021

Meeting held at Council Chamber - Civic Centre,
High Street, Uxbridge



	<p>Committee Members Present: Councillors Martin Goddard, Duncan Flynn, Carol Melvin, John Morse (Opposition Lead) and Raju Sansarpuri</p> <p>LBH Officers Present: Nikki O'Halloran (Democratic Services Manager)</p>
1.	<p>ELECTION OF CHAIRMAN (<i>Agenda Item 1</i>)</p> <p>RESOLVED: That Councillor Goddard be elected as Chairman of the Pensions Committee for the 2021/22 municipal year.</p>
2.	<p>ELECTION OF VICE CHAIRMAN (<i>Agenda Item 2</i>)</p> <p>RESOLVED: That Councillor Flynn be elected as Vice Chairman of the Pensions Committee for the 2021/22 municipal year.</p>
	<p>The meeting, which commenced at 9.12 pm, closed at 9.22 pm.</p>

These are the minutes of the above meeting. For more information on any of the resolutions please contact Steve Clarke on 01895 250693. 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)

Committee	Pensions Committee
Officer Reporting	James Lake, Finance Babatunde Adekoya, Finance
Papers with this report	Northern Trust Performance Report Hymans Robertson Funding Update

HEADLINES

The Actuary's estimate of the funding position as at 31 March 2021 shows an estimated deficit of £138m, equivalent to a funding level of 89%. These represent a slight improvement on the 2019 formal actuarial valuation. Investment returns have been slightly above expectations but the outlook for future investment returns is slightly less positive which serves to increase the value placed on the liabilities.

The overall investment return of the Fund was +2.19% over the quarter which was 0.62% ahead of the benchmark. Performance over longer-term periods (3 and 5 years) is in the region of 5 to 7% per annum, showing underperformance of 0.7% to 1.4% per annum compared to the benchmark.

The Fund's asset allocation remains close to the target investment strategy.

More information on implementation of investment strategy and the Fund's investment managers are included in Part II of this report.

RECOMMENDATIONS

It is recommended that Pensions Committee:

- 1. Note the Fund funding and performance update; and**
- 2. Note the updates on implementation of the investment strategy.**

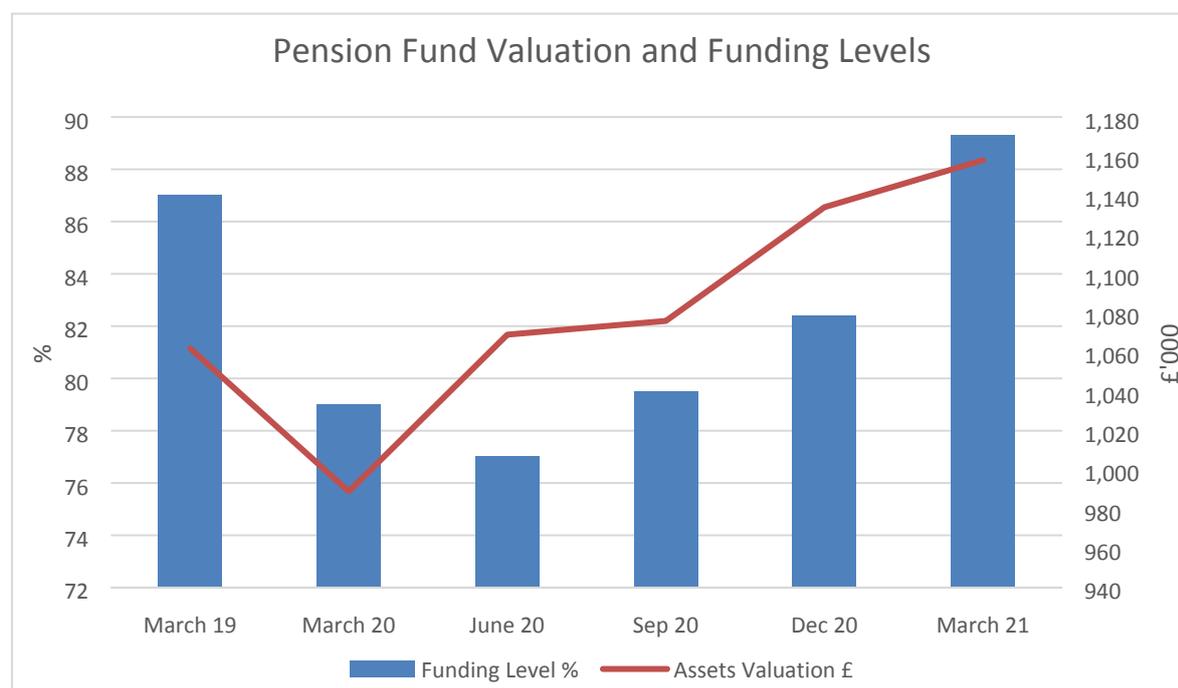
SUPPORTING INFORMATION

1. Funding Update

At the last formal valuation at March 2019, the Fund assets were £1,067m and the liabilities were £1,228m. This represented a deficit of £161m and equated to a funding level of 87%.

Hymans Robertson have carried out an interim funding update to illustrate an estimated funding position at 31 March 2021. Their report is attached as an appendix

to this paper and it shows an estimated deficit of £138m, equivalent to a funding level of 89%, as at 31 March 2021.



Although markets have been severely disrupted by COVID 19 over the last year, in the 24 months since the formal valuation, investment returns have been slightly above expectations. However, the outlook for future investment returns is slightly less positive which serves to increase the value placed on the liabilities.

There is no direct impact of this funding report. During 2022/23, the Actuary will undertake a formal actuarial valuation based on the Fund status at 31 March 2022. Any necessary changes to employer contribution rates will be effective from April 2023.

2. Fund Performance

Over the last quarter to 31 March 2021, the Fund returned 2.19%, outperforming the benchmark return by 0.61%. The Fund value increased over the quarter by £23m, to £1,157m.

Period of measurement	Fund Return %	Benchmark %	Arithmetic Excess
Quarter	2.19	1.57	0.62
1 Year	17.17	17.97	-0.80
3 Year	4.94	6.48	-1.54
5 Year	7.10	7.87	-0.77
Since Inception (09/1995)	6.78	6.87	-0.09

Highlights of the investment managers' relative performance are as follows:

- The London CIV Income Fund outperformed by 2.3% over the quarter but it continued to lag the market over longer-term periods. Relative performance since inception in 2017 is -5.14% per annum.
- Another strong quarter from the London CIV Absolute Return Fund with a return of +7.59%. It has proved resilient during the pandemic.
- The Fund's bond investments (Multi asset Credit managed by JPMorgan and the index-linked gilts managed passively by LGIM) fell in value over the quarter.
- Particularly for illiquid asset classes, interpretation of both absolute and relative performance over short periods should be treated with caution given both the uncertainties and delays in valuations and/or because suitable benchmarks are not necessarily available. This is particularly the case for private equity when the listed markets are volatile.
- Macquarie infrastructure performance has been strong over the quarter (+7.75%), largely due to £6m in distributions.
- M&G Investments and private equity (Adams Street and LGT) are in run off and performance is expected to be volatile. The amounts invested, and hence their contribution to the overall fund performance, are now relatively small.

3. Asset Allocation

The current asset allocation, the key strategic tool for the Committee, is in the table below.

Current Asset Allocation by Asset Class

ASSET CLASS	Market Value As at 01 January 2021	Actual Asset Allocation As At 01 January 2021	Market Value As at 31 March 2021	Actual Asset Allocation As At 31 March 2021	Benchmark Allocation	Market Value As at 30 April 2021
	£'000	%	£'000	%		%
Global Equities	509,810	45	537,066	46	45	556,401
UK Index Linked Gilts	154,753	14	144,920	13	24	146,307
Multi Asset Credit	111,928	10	116,580	10		117,487
Property	119,360	11	139,177	12	12	139,428
DGF/Absolute Returns	57,787	5	50,833	4	0	51,147
Private Equity	11,593	1	12,499	1	1	12,598
Infrastructure	37,848	3	33,403	3	8	34,105
Private Credit	61,024	5	59,208	5	5	50,357
Long Lease Property	49,030	4	49,749	4	5	49,924
Cash & Cash Equivalents	22,255	2	15,254	1	0	24,154
Totals	1,135,388	100.00	1,158,689	100.00	100	1,181,908

Recent changes to the asset allocation are as follows:

£12.5m was invested over the quarter in the UBS property mandate (for the new investment in the LGIM Industrial Property Investment Fund);

- £5m was invested in the JPMorgan Multi Asset Credit Fund;
- A drawdown of £5m was called by the London CIV Infrastructure fund in the same period;
- £12m was withdrawn from the London CIV Absolute Return Fund to fund new investments;
- During the quarter, distributions received from £6m from Macquarie Infrastructure and £1m from Permira private debt.

Undrawn commitments at 31 March 2021 are as follows:

- £3.2m (8%) awaiting drawdown on Private Credit.
- £45.8m (83%) to London CIV Infrastructure Fund. These funds are currently held in the LCIV Ruffer Absolute Return Fund.
- £12.5m in for the AEW Urban Renewal property fund.

4. Investment Managers

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 Manager		Market Value As at 31 March 2021	Actual Asset Allocation	Market Value As at 30 April 2021
FUND MANAGER	ASSET CLASS	£'000	%	£'000
LGIM – World Developed Equities	Global Equities	281,408	24.29	292,054
LGIM – Future World Equities	Global Equities	192,011	16.57	199,773
LCIV - EPOCH/BALLIE GIFFORD	Global Equities	63,647	5.49	64,574
LGIM	UK Index Linked Gilts	144,920	12.51	146,307
JP MORGAN	Multi Asset Credit	116,580	10.06	117,487
UBS PROPERTY	Property	78,465	6.77	79,475
AEW	Property	60,712	5.24	60,712
LCIV - RUFFER	DGF/Absolute Returns	50,833	4.39	51,147
ADAMS STREET	Private Equity	9,315	0.80	9,297
LGT	Private Equity	3,185	0.27	3,302
LCIV - STEPSTONE	Infrastructure	13,465	1.16	13,980
MACQUARIE	Infrastructure	19,938	1.72	20,125
M&G	Private Credit	1,248	0.11	1,248
PERMIRA	Private Credit	57,960	5.00	49,109
LGIM	LPI Property	49,749	4.29	49,924
Non-Custody	Cash & Cash Equivalents	15,254	1.32	23,395
		1,158,690	100	1,181,909

In March 2021, Committee endorsed delegated decisions to invest £12.5m in the AEW Urban Renewal Fund and £12.5m in the LGIM Industrial Property Investment Fund.

5. Market and Investment/Economic outlook (provided by London CIV)

Growth assets have continued to perform well in the first quarter of 2021 with global equities returning 5% in dollars and 3.9% in sterling, although global credit markets have turned down though by dropping 4.5% in the same period. This poor performance in stabilising assets has been led by government bonds with long duration (long-term bonds that have greater interest rate sensitivity).

Global economic activity is expected to pick up this year as vaccination programmes progress and the lockdowns ease. Consensus expectations are for a sharp recovery in developed economies with a pick-up in inflation. However there some significant

barriers to future growth because of expanded budget deficits, and the threat of future inflation and rising interest rates. As is often the case, financial markets have been pre-empting the future with growth assets rising (equities +50% in 12 months) and stabilizing assets weakening. The future market direction will be driven by changes in investor expectations, not by historic data.

Investors' expectations for inflation are the highest they have been for 10 years. However, headline inflation levels (excluding oil and food) remain low, especially in Europe. Clearly, we are heading into a time of greater uncertainty on inflation if not entering an inflation cycle. This has implications for asset allocation and pension funds meeting their future liabilities. Rising inflation also tends to lead to higher interest rates and yield curve steepening which will impact fixed income assets, though the economic recovery will likely see stronger returns from higher credit risk assets like high yield and emerging market debt. Bond markets are significantly compromised currently because the Bank of England now owns 33% of the UK Gilts issuance and many G8 governments have been actively buying corporate debt and providing support to distressed companies in the lockdown.

A rising risk for investment returns is how Governments bring their post Covid-19 high debt levels under control. This is more concerning for the developed markets than emerging markets as they have had greater access to such cheap credit. To balance budgets, taxes need to rise, and collection rates need to improve. The U.K. and U.S. proposed measures to raise corporation tax and introduce minimum taxes will seek to address the deficits, but this will have a knock-on effect on investment returns across all asset classes.

So, where do you find returns to meet and beat your liabilities? After the 50% move in equities over the last year, equities' returns must moderate in the future with the risk of decline rising. Stabilising assets (government bonds) will likely remain under pressure from rising inflation and interest rates which leaves income assets (private markets, infrastructure, and credit) as the favoured asset classes, given their inflation protection and income attributes. Property will be a problematic asset class as we find out what a post Covid-19 world looks like. London CIV believe the long-term secular transition to climate stability and responsible investment will continue to offer better risk-adjusted returns over the long term.

FINANCIAL IMPLICATIONS

The financial implications are contained within the body of the report. During 2022/23, the Actuary will undertake a formal actuarial valuation based on the Fund status at 31 March 2022. Any necessary changes to employer contribution rates will be effective from April 2023.

LEGAL IMPLICATIONS

There are no legal implications in the report.



NORTHERN
TRUST

London Borough of Hillingdon

Investment Risk & Analytical Services

March 31, 2021

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Portfolio Windows

Client Commentary

Total Scheme Commentary

Fixed income markets experienced negative performance in the 1st quarter of 2021 as the U.S. equity markets hit all-time highs with expectations of improving global growth and higher inflation. The Barclays Global Aggregate Index suffered a large quarterly decline and returned -5.34% for the quarter. In addition, the world central banks, including the U.S. Federal Reserve, signalled accommodative policies would continue for 2021. Unprecedented amounts of central bank intervention have been observed over the last 12 months since the start of the global pandemic, with historically low (and even negative) interest rates. As well as this overt, political pressure for added accommodation has been evident at this time, when sovereign deficits have ballooned to historic (some believe unsustainable) levels globally. Value stocks rebounded in Q1 to outperform growth stocks by 2%. The junk rally in the second half of 2020 helped to make higher quality stocks look more affordable by comparison and their fundamentals for the longer term have appealed to analysts. Investors are favouring cyclical sectors such as financials and energy over more defensive stocks (e.g. Healthcare and Staples) and also technology – the lockdown winners. The UK economy contracted by 9.9% in 2020, the largest annual fall ever recorded. Materials was the strongest sector over Q1 narrowly ahead of cyclical siblings energy and financials. Healthcare was weakest both short and long term struggling alongside other defensive sectors as more optimism infects investors. Materials also comes in as top UK sector over the last year after an outstanding end to 2020 when it posted the only positive sector return for the full year. The FTSE All Share was up 5.2% (GBP) over Q1.

UK Pound Sterling rose steadily throughout the quarter versus EUR and JPY, before coming up against some relative strength from the USD in late February but remaining ahead of all three major currencies at the close of Q1. The efficiency with which Covid vaccinations have been distributed was a boon for the UK government, which has come under heavy criticism during the coronavirus pandemic. This is despite doubts being raised over the Astra Zeneca vaccine's efficacy and possible side effects and supply problems. The UK unemployment rate remains at its highest level for 5 years (5% as of January). However activity in the UK Services sector (IHS Markit/ CIPS PMI) rose to 56.3 in March, its highest level since August. Consumer confidence increased as the British public welcomed the gradual lifting of lockdown restrictions.

Within this environment the London Borough of Hillingdon returned +2.19% which was ahead of the Total Plan benchmark of +2.16%. In monetary terms this is a gain in assets of £24.8 million and the value of the combined scheme now stands at £1,159 million as at 31st March 2021. The Scheme's one year return of +17.17% is 0.81% behind the benchmark of +17.97% following this quarters outperformance. While over the longer periods, despite ten positive quarters over the last 3 years, the Scheme has again underperformed, producing a return of 4.94% over three year versus 6.48%. Then the scheme continues to underperform over the 5 year period where we observe figures of 7.10% per annum (vs the benchmark 7.87%). Then since inception in September 1995, the Fund remains behind target by 9 basis points with an annualised return of 6.78% against a target of 6.87%.

Client Commentary

AEW UK

The AEW UK Property Fund posted a total return of +4.87%, beating the IPD UK PPFI AI Balanced Funds Index and continuing the outperformance seen during the previous quarter. Rolling one year returns continue to see gains, with the mandate returning +19.577% versus +2.46% for the IPD Index

They are ahead over the three year period returning 3.75% against the benchmark of 2.42%. This translates as 1.30% relative outperformance. With positive absolute returns in all but three periods and four quarters in the red on a relative basis, growth is observed but ahead of benchmark over three years. Since the funds inception date of July 2014, the fund return is 8.17%, leading to an outperformance of approx 1.5% when compared to the IPD figure of 6.58%.

JP Morgan

In the latest quarter JP Morgan posted a decrease in assets of -0.30% leading to an underperformance of -1.03% when compared to the 0.75% 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 +13.67% is in positive territory and is ahead of the 3.36% target by almost 10%. Then over three years they post returns ahead of the benchmark with figures of 4.31% vs 3.78%. Since the mandate funded their return of 4.09% is just ahead of the target return of 3.68% 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 24% of the scheme as of 31st March 2021. Over the last three months the Legal & General No. 1 mandate post a return of +4.8% in line with the custom fixed weight blended benchmark. In the period since inception in October 2016, they return 9.7%, which is just below the benchmark return of 9.8%.

Legal & General 2

The No 2 Legal & General mandate returned -6.4% against -6.6% for the first 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 report underperformance against the benchmark returning 4.3% against 4.8% for the benchmark.

Portfolio Windows(2)

Client Commentary

London CIV Ruffer

The absolute return strategies employed by London CIV Ruffer translated into a 239 basis point underperformance of the 3-mth Sterling LIBOR target. The investment is now below the benchmark over all longer term periods. This is seen in a five year return of 6.73% versus 0.68%, then similarly for the since inception period (May 2010) figures of 6.05% versus 0.80% per annum, which translates as a relative return of over 5%.

M&G Investments

M&G posted further losses in Q1 by producing a return of -14.4% against the 3 Month LIBOR +4% p.a. target of 0.99%, demonstrating an underperformance of 15.3%. This is the fifth consecutive quarter of underperformance and the full year return remains behind the benchmark by 39.1%, coming from figures of -36.45% against 4.36%. Over the three and five year the account registers figures of -12.86% vs 4.78% and -2.86% vs 4.68% respectively; since inception (May 2010) returns improve to 1.48% pa whilst the benchmark is 4.70% pa. Although the since inception Internal Rate of Return moves further ahead of target with a figure of 7.44% opposed to the comparator of 4.60%.

Macquarie

Over the last three months, Macquarie produced gains of 7.75%, against the 0.75% for the 3 Month LIBOR +3% p.a. this translates as an outperformance of 6.96%. With nine quarters of positive absolute returns and seven positive relative returns, outperformance is seen in all longer periods. Over the rolling year a growth of 7.61% is ahead of the target of 3.36% by 4.12%. By contrast the three year result of 12.36% versus 3.78% exhibits positive relative return over 8%. The annualised return over 5 years rises to 13.68%, and remains ahead of the 3.68% seen for the benchmark; then since inception (September 2010) the 6.81% is ahead of the target of 3.70%. Although the since inception Internal Rate of Return for this portfolio jumps to 12.13%, which is ahead of the benchmark figure of 2.99%.

Client Commentary

Premira Credit

The Premira Credit Fund saw an increase of 0.6% over the first quarter of 2021, this was behind the 3 Month LIBOR +4% p.a. target of 0.99%. The fund has outperformed in two of the last four quarters but are behind target, leading to an underperformance of 1.49%, created from figures of 2.80% against 4.36%. Then since the start of December 2014 when the fund incepted, the fund posts a return of 7.24% against the benchmark of 4.66%, leading to a relative position of over 2%.

UBS Property

The latest quarter for the UBS Property posted an underperformance of 0.05%, generated from a return of 2.15% against the IPD UK PPFI All Balanced Funds index of 2.19%. Over the one year the manager is behind the index, with a full year return of +1.1% vs +2.5%. 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 6.45%. Then since inception, in March 2006, the fund return falls to 3.49% per annum which is broadly in line with the benchmark.

Private Equity

The private equity assets saw a 17.9% rise in value for Adam Street. LGT also saw an increase of 4.8%. 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 12.83% and 15.24% for the three and five year periods respectively, while Adam Street posted 18.03% and 15.43% over the same periods. Adam St are behind the proxy benchmark of MSCI AC World +4% p.a. over the five year period (which shows double digit gains of 18.77%). LGT are also behind over the five year underperforming by over 290bps. Then since their respective inceptions in January 2005 and May 2004, Adam Street drops to 8.41% pa, while LGT sees a more modest dip to 11.20%.

Epoch

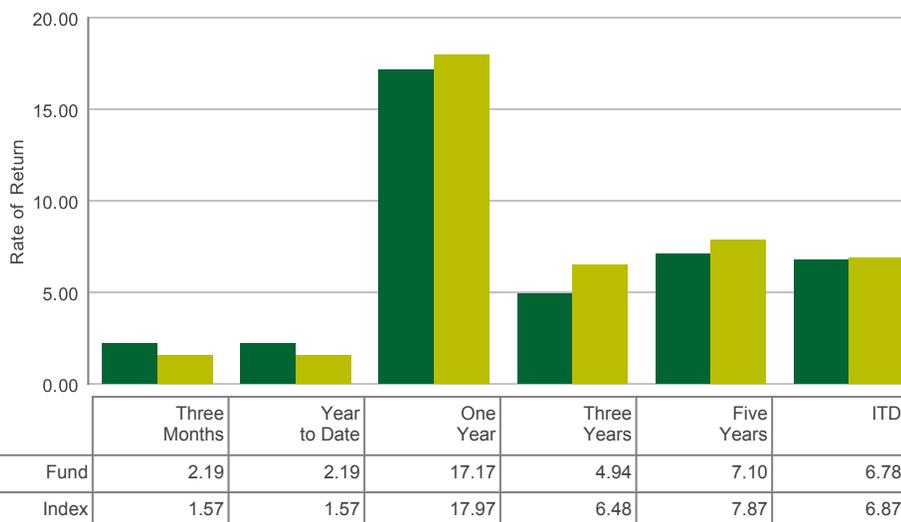
Over the first quarter the investment in Epoch's income equity fund generated a return of +6.35%. Since inception (November 2017) the fund has observed a modest rise in value 4.39% compared to the MSCI World figure of +10.04%, this leads to a relative return of over -5%.

LCIV Infrastructure Fund

The LCIV Infrastructure fund was launched in quarter two of 2020 and the valuation at 31st March was £13.46m

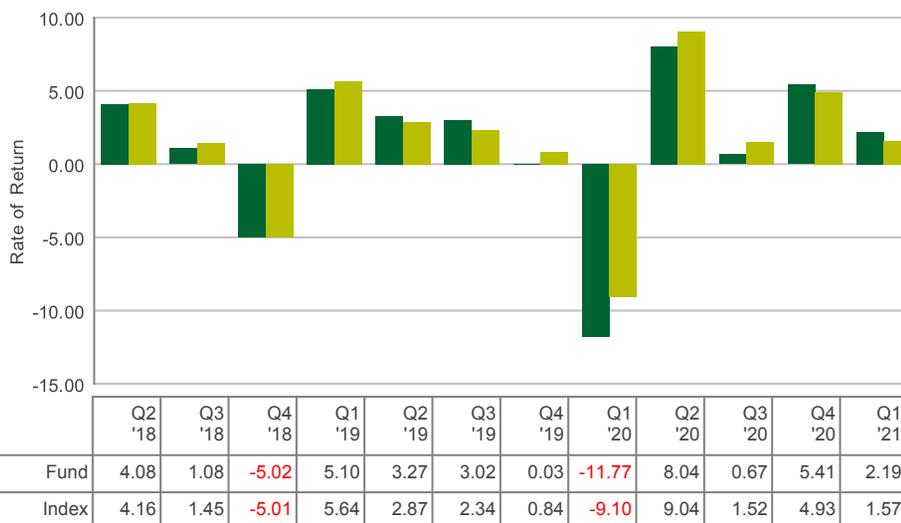
Executive Summary

LONDON BOROUGH OF HILLINGDON TOTAL FUND GROSS OF FEES



Index: Total Plan Benchmark

LONDON BOROUGH OF HILLINGDON ROLLING QUARTERS TOTAL FUND GROSS OF FEES



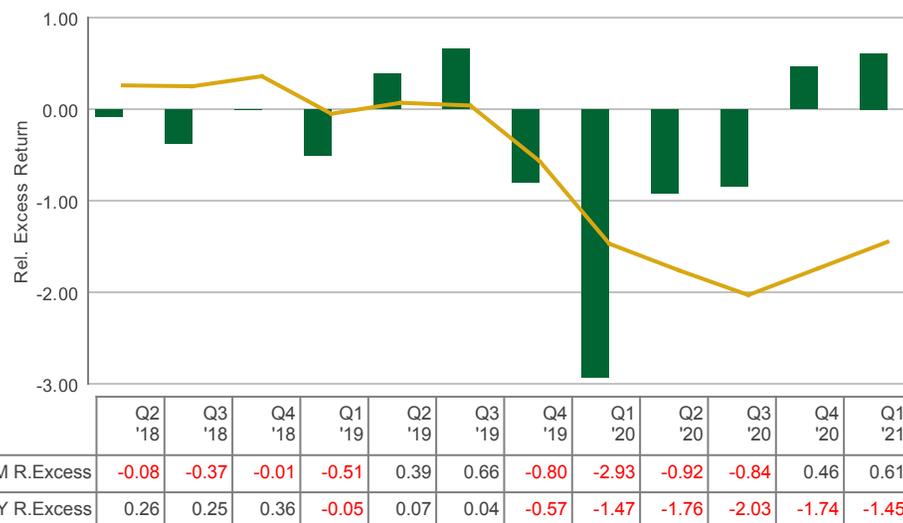
Index: Total Plan Benchmark

RISK STATISTICS

	3 Mos	1 Yr	3 Yrs	5 Yrs
Return	2.19	17.17	4.94	7.10
Index Return	1.57	17.97	6.48	7.87
Excess Return	0.62	-0.81	-1.54	-0.77
Standard Deviation	-	6.31	7.80	6.81
Index Standard Deviation	-	6.17	7.11	6.17
Tracking Error	-	1.17	1.50	1.40
Information Ratio	-	-0.69	-1.03	-0.55
Sharpe Ratio	-	2.66	0.53	0.94
Index Sharpe Ratio	-	2.85	0.80	1.17
Jensen's Alpha	-	-0.79	-1.86	-1.27
Relative Volatility (Beta)	-	1.01	1.08	1.08
R Squared	-	0.96	0.97	0.96
Beginning MV (in 000s)	1,133,838	989,034	1,013,570	809,140
Net Contributions (in 000s)	-31	-121	-11,998	15,043
Income (in 000s)	2,073	13,940	58,963	87,393
Appreciation (in 000s)	22,809	155,836	98,154	247,113
Ending MV (in 000s)	1,158,689	1,158,689	1,158,689	1,158,689

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	1,158,689,174	100.00	-	2.19	1.57	0.61	2.19	1.57	0.61	17.17	17.97	-0.68	30/09/1995
Total Plan Benchmark													
Adam Street	9,315,242	0.80	-	17.87	4.70	12.58	17.87	4.70	12.58	16.73	44.19	-19.05	31/01/2005
Adam Street PE Bmark													
AEW UK	60,712,059	5.24	-	4.87	2.20	2.61	4.87	2.20	2.61	19.57	2.46	16.70	30/06/2014
LBH22 AEW Benchmark													
Cash & Other Assets	7,500,000	0.65	-	-	-	-	-	-	-	-	-	-	31/10/2017
Cash & Other Assets	5,608,888	0.48	-	-0.57	-	-	-0.57	-	-	-2.97	-	-	30/09/2008
Epoch Investment P Income	63,647,293	5.49	-	6.36	3.95	2.31	6.36	3.95	2.31	27.30	38.43	-8.04	08/11/2017
LBH11001 MSCI World ND													
JP Morgan	116,579,529	10.06	-	-0.30	0.75	-1.04	-0.30	0.75	-1.04	13.67	3.36	9.98	08/11/2011
LBH15 JPM LIBOR +3%pa													
Legal Infrastructure Fund	13,464,722	1.16	-	-1.66	0.75	-2.39	-1.66	0.75	-2.39	-1.66	3.36	-4.86	14/11/2019
LBH1004 3M Libor +3%													
Legal & General 1	281,365,552	24.28	-	4.79	4.75	0.03	4.79	4.75	0.03	44.12	44.45	-0.23	31/10/2016
LBH26 L&G Benchmark													
Legal & General 2	144,918,169	12.51	-	-6.35	-6.65	0.31	-6.35	-6.65	0.31	2.27	4.11	-1.77	22/02/2017
LBH27 L&G Benchmark													
LGIM - Future World Equity IND	192,011,428	16.57	-	3.49	3.49	0.00	3.49	3.49	0.00	-	-	-	23/09/2020
LBH29 L&G Benchmark													
LGIM LPI Income Property	49,749,052	4.29	-	1.47	0.51	0.95	1.47	0.51	0.95	4.96	1.47	3.44	11/03/2020
LBH28 L&G RPI													
LGT	3,143,913	0.27	-	4.82	4.70	0.12	4.82	4.70	0.12	8.24	44.19	-24.93	31/05/2004
LGT PE Bmark													
London CIV Ruffer	50,837,859	4.39	-	7.59	0.00	7.59	7.59	0.00	7.59	20.89	0.36	20.46	28/05/2010
LBH11003 Ruffer BM Libor													
M&G Investments	1,248,348	0.11	-	-14.44	0.99	-15.28	-14.44	0.99	-15.28	-36.45	4.36	-39.11	31/05/2010
LBH10 3 Month LIBOR +4%pa													
Macquarie	19,938,445	1.72	-	7.75	0.75	6.96	7.75	0.75	6.96	7.61	3.36	4.12	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	59,539,759	5.14	-	0.60	0.99	-0.38	0.60	0.99	-0.38	2.80	4.36	-1.49	30/11/2014
UBS UBS Property LBH06 UBS Property Benchmark	118,884	0.01	-	-	-	-	-	-	-	-	-	-	31/12/1988 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	1,158,689,174	100.00	-	4.94	6.48	-1.45	7.10	7.87	-0.71	6.78	6.87	-0.08	30/09/1995
Total Plan Benchmark													
Adam Street	9,315,242	0.80	-	18.03	17.38	0.55	15.43	18.77	-2.81	8.41	-	-	31/01/2005
Adam Street PE Bmark													
AEW UK	60,712,059	5.24	-	3.75	2.42	1.30	6.19	4.45	1.66	8.17	6.58	1.49	30/06/2014
LBH22 AEW Benchmark													
Cash & Other Assets	7,500,000	0.65	-	-	-	-	-	-	-	-	-	-	31/10/2017
Cash & Other Assets	5,608,888	0.48	-	1.04	-	-	1.24	-	-	-0.71	-	-	30/09/2008
Epoch Investment P Income	63,647,293	5.49	-	8.10	13.44	-4.71	-	-	-	4.39	10.04	-5.14	08/11/2017
LBH11001 MSCI World ND													
JP Morgan	116,579,529	10.06	-	4.31	3.78	0.51	4.82	3.68	1.10	4.09	3.68	0.40	08/11/2011
LBH115 JPM LIBOR +3%pa													
Legal & General Infrastructure Fund	13,464,722	1.16	-	-	-	-	-	-	-	-1.21	3.53	-4.58	14/11/2019
LBH11004 3M Libor +3%													
Legal & General 1	281,365,552	24.28	-	11.87	12.08	-0.18	-	-	-	9.71	9.84	-0.12	31/10/2016
LBH26 L&G Benchmark													
Legal & General 2	144,918,169	12.51	-	3.59	4.07	-0.45	-	-	-	4.32	4.75	-0.41	22/02/2017
LBH27 L&G Benchmark													
LGIM - Future World Equity IND	192,011,428	16.57	-	-	-	-	-	-	-	6.25	6.25	0.00	23/09/2020
LBH29 L&G Benchmark													
LGIM LPI Income Property	49,749,052	4.29	-	-	-	-	-	-	-	-0.63	1.52	-2.12	11/03/2020
LBH28 L&G RPI													
LGT	3,143,913	0.27	-	12.83	17.38	-3.88	15.24	18.77	-2.97	11.20	-	-	31/05/2004
LGT PE Bmark													
London CIV Ruffer	50,837,859	4.39	-	7.58	0.79	6.74	6.73	0.68	6.00	6.05	0.80	5.21	28/05/2010
LBH11003 Ruffer BM Libor													
M&G Investments	1,248,348	0.11	-	-12.86	4.78	-16.84	-2.86	4.68	-7.20	1.48	4.70	-3.07	31/05/2010
LBH10 3 Month LIBOR +4%pa													
Macquarie	19,938,445	1.72	-	12.36	3.78	8.27	13.68	3.68	9.64	6.81	3.70	3.00	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	59,539,759	5.14	-	4.92	4.78	0.13	6.41	4.68	1.66	7.23	4.66	2.46	30/11/2014
UBS	118,884	0.01	-	-	-	-	-	-	-	-	-	-	31/12/1988
UBS Property LBH06 UBS Property Benchmark	78,990,032	6.82	-	1.52	2.42	-0.89	3.04	4.16	-1.08	3.49	3.63	-0.13	31/03/2006

Market Value Summary - Three Months

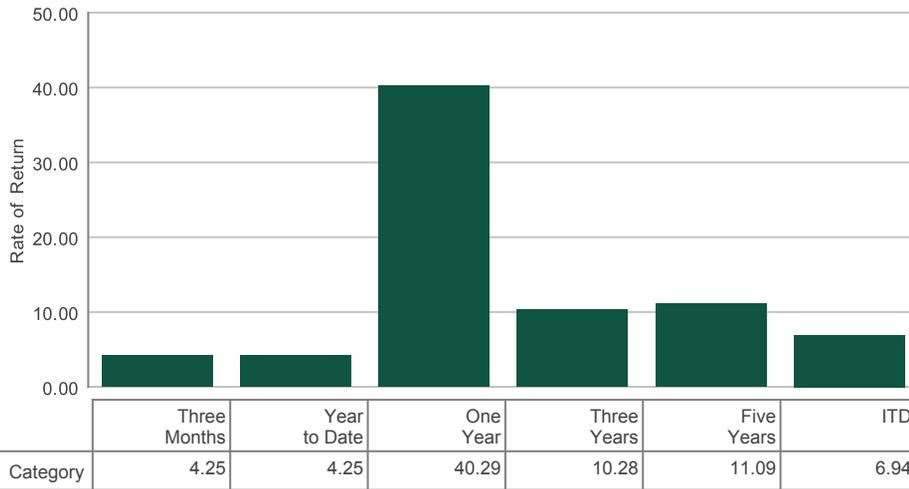
Account/Group	31/12/2020 Market Value	Net Contribution*	Income	Fees	Appreciation	31/03/2021 Market Value	31/03/2021 Weight	Change in Weight
London Borough of Hillingdon	1,133,837,958	-30,756	2,073,001	30,756	22,808,971	1,158,689,174	100.00	0.00
Adam Street	8,336,673	-442,741	0	0	1,421,310	9,315,242	0.80	0.07
AEW UK	57,893,517	0	613,453	0	2,205,088	60,712,059	5.24	0.13
Cash & Other Assets	10,757,880	-5,068,260	-14	0	-80,719	5,608,888	0.48	-0.46
Cash & Other Assets	3,783,010	3,717,004	0	0	-14	7,500,000	0.65	0.31
Epoch Investment P Income	59,842,263	0	374,006	0	3,431,023	63,647,293	5.49	0.22
JP Morgan	111,928,019	5,000,000	0	0	-348,491	116,579,529	10.06	0.19
LCIV Infrastructure Fund	8,951,085	4,740,065	0	0	-226,428	13,464,722	1.16	0.37
Legal & General 1	268,530,466	-15,264	0	15,264	12,850,350	281,365,552	24.28	0.60
Legal & General 2	154,752,667	-1,979	0	1,979	-9,832,520	144,918,169	12.51	-1.14
LGIM - Future World Equity IND	185,556,227	-13,732	0	13,732	6,468,933	192,011,428	16.57	0.21
LGIM LPI Income Property	49,030,498	0	0	0	718,554	49,749,052	4.29	-0.03
LGT	3,215,756	-222,971	-42	0	151,171	3,143,913	0.27	-0.01
London CIV Ruffer	58,650,245	-12,019,075	116,754	0	4,089,935	50,837,859	4.39	-0.79
M&G Investments	1,839,622	-328,884	0	0	-262,390	1,248,348	0.11	-0.05
Macquarie	24,965,296	-6,446,485	-377	0	1,420,011	19,938,445	1.72	-0.48
Prudential Credit	60,334,248	-1,150,180	420,000	0	-64,309	59,539,759	5.14	-0.18
UBS	-30,799	150,172	-486	0	-2	118,884	0.01	0.01
UBS Property	65,501,285	12,071,574	549,706	-219	867,468	78,990,032	6.82	1.04

Min 0.01  100.00 Max

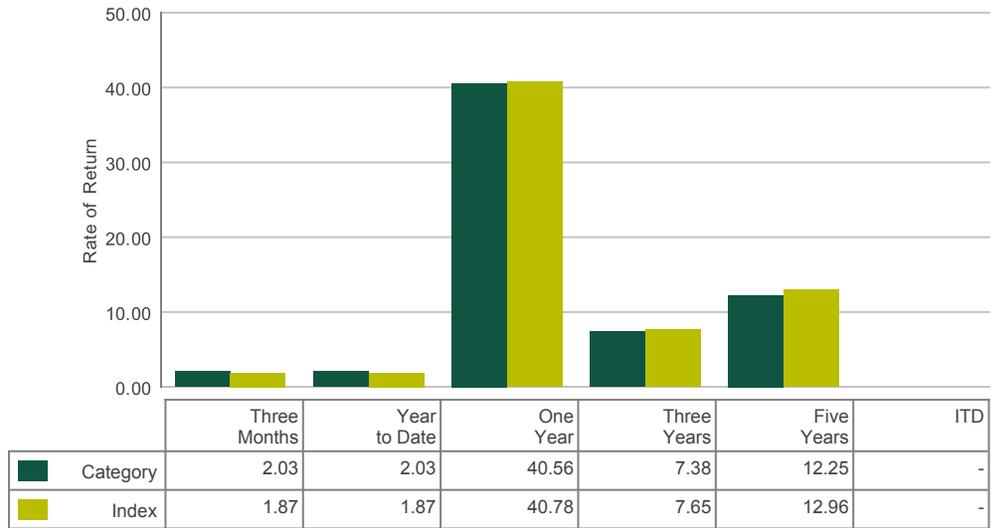
*Net Contributions include Cash Contributions/Distributions, Security Deliveries/Receipts, Fees/Fee Rebates, Inter Account transfers for Consolidations & Benefits Payments.
Copied History or Backloaded Data may not display the correct Contributions/Withdrawals creating misrepresentation.

Historical Performance

OVERSEAS EQUITIES

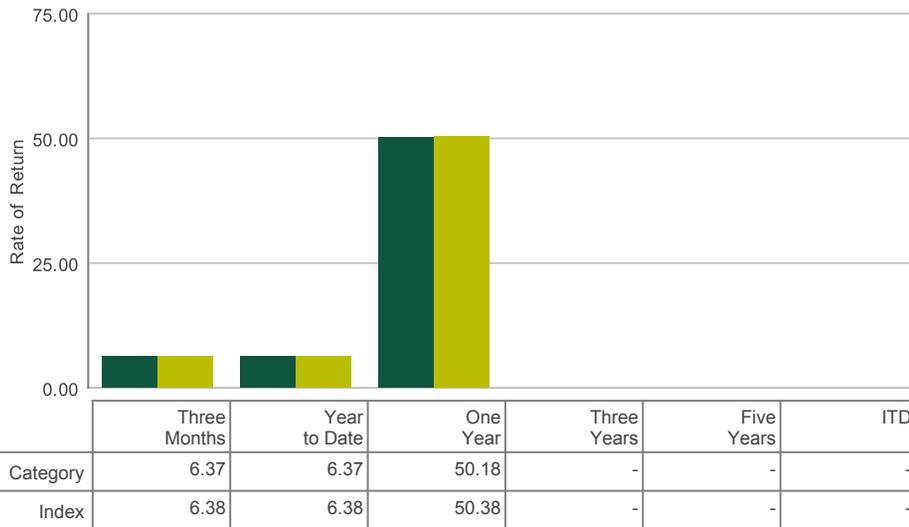


EMERGING MARKETS



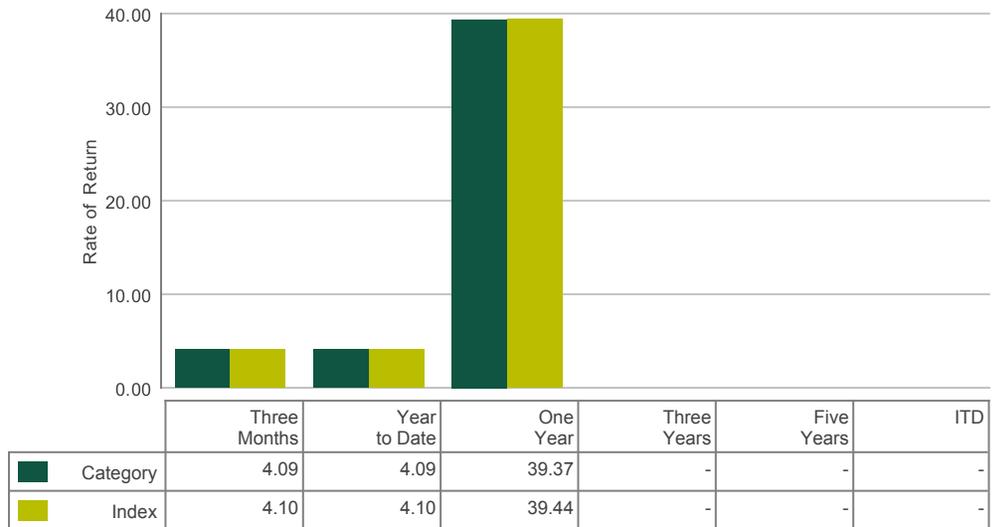
Index: LBH Emerging Markets

L&G GPCT WORLD DEV EQ IDX GBP HDG



Index: FTSE AW Developed HDG GBP

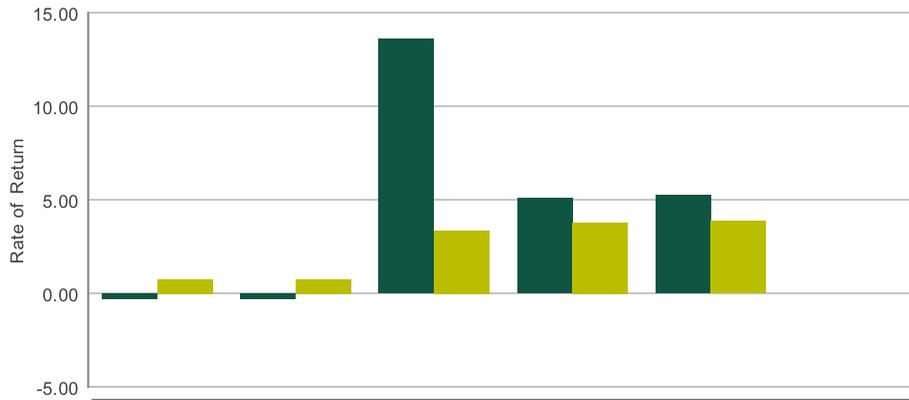
WORLD DEVELOPED EQUITY INDEX



Index: FTSE AW Developed

Historical Performance

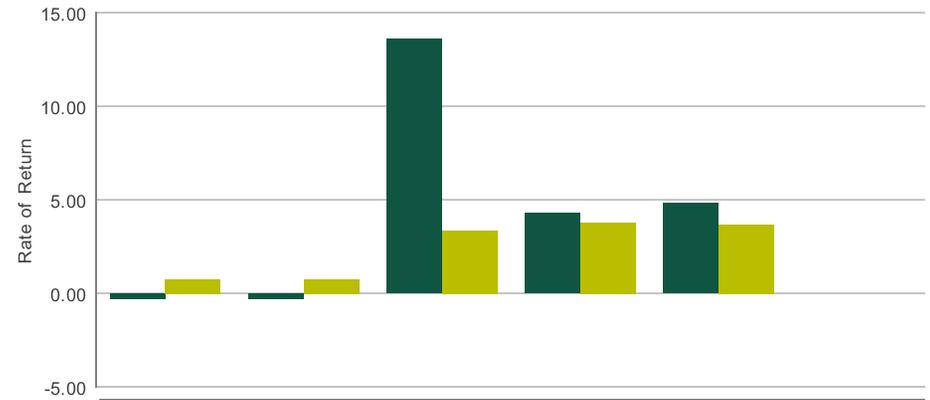
FIXED INCOME



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	-0.30	-0.30	13.61	5.07	5.25	-
Index	0.75	0.75	3.36	3.78	3.87	-

Index: LBH Fixed Income Benchmark

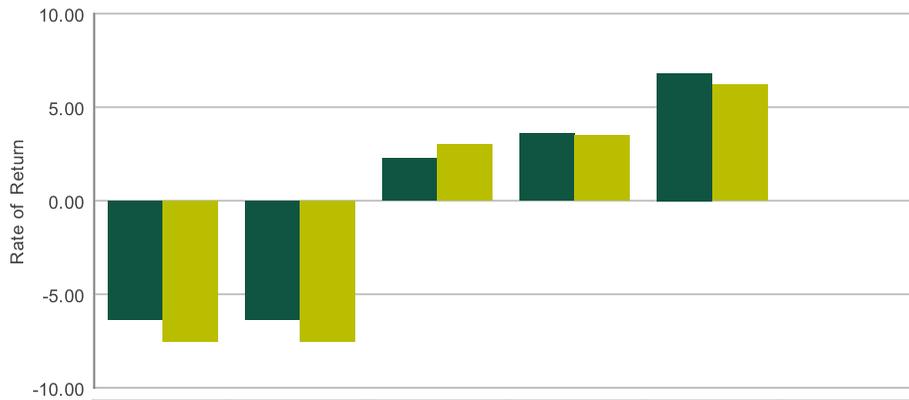
GLOBAL CORPORATE BONDS



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	-0.30	-0.30	13.61	4.30	4.82	-
Index	0.75	0.75	3.36	3.78	3.68	-

Index: LIBOR GBP 3 Month +3% pa

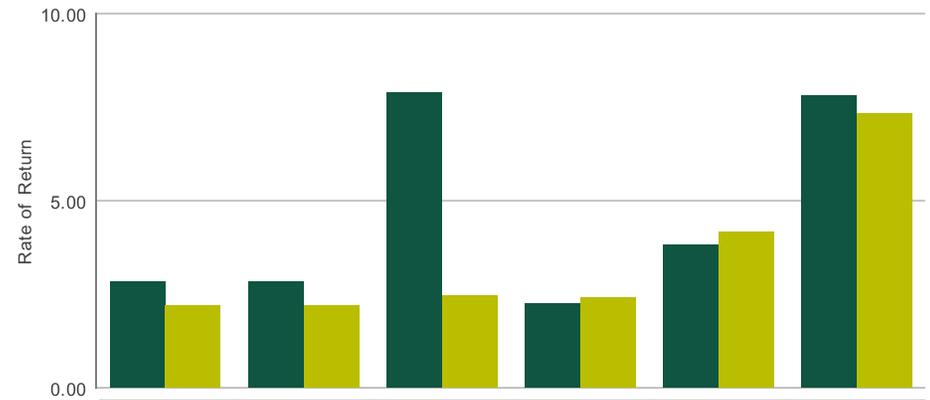
INDEX LINKED GILTS



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	-6.35	-6.35	2.27	3.61	6.81	-
Index	-7.54	-7.54	3.03	3.48	6.22	-

Index: LBH Index Linked Benchmark

REAL ESTATES

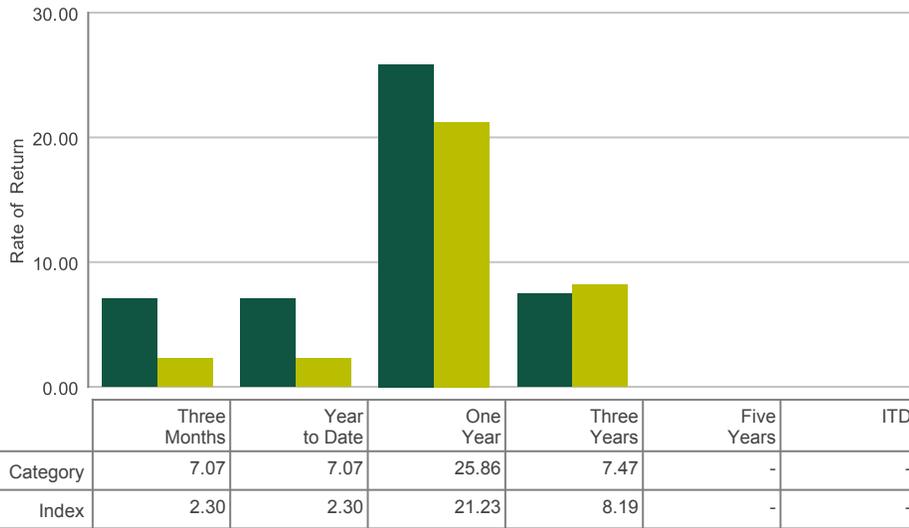


	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Category	2.84	2.84	7.88	2.26	3.82	7.80
Index	2.20	2.20	2.46	2.42	4.16	7.33

Index: IPD UK PPF1 All Bal Funds Index

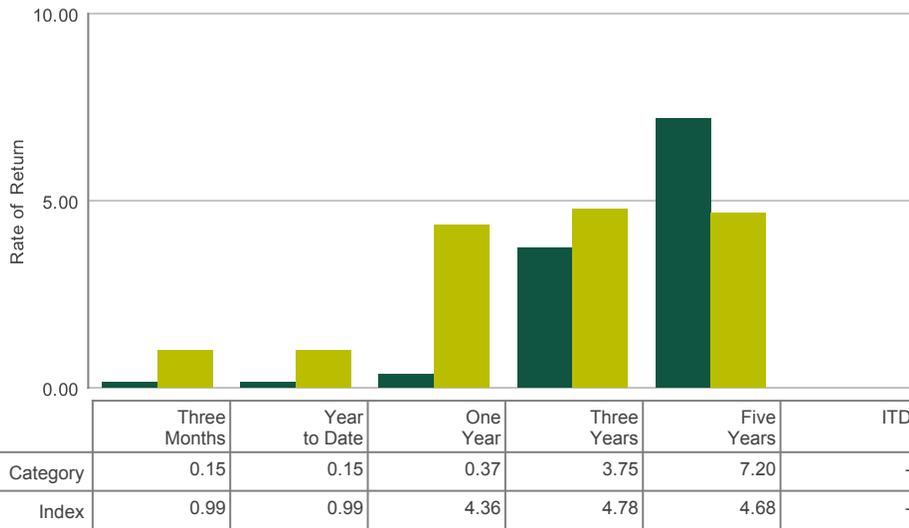
Historical Performance

BALANCED FUNDS



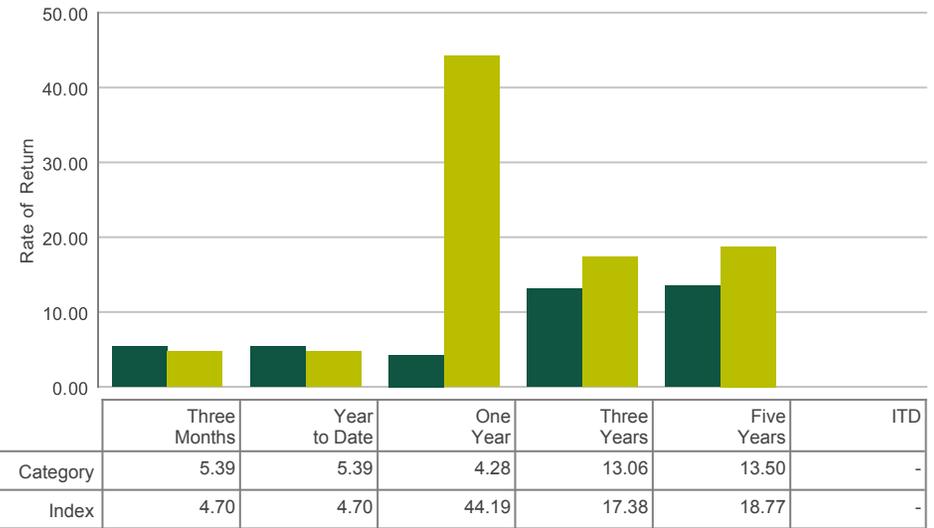
Index: Balanced Fund Benchmark

PRIVATE CREDIT



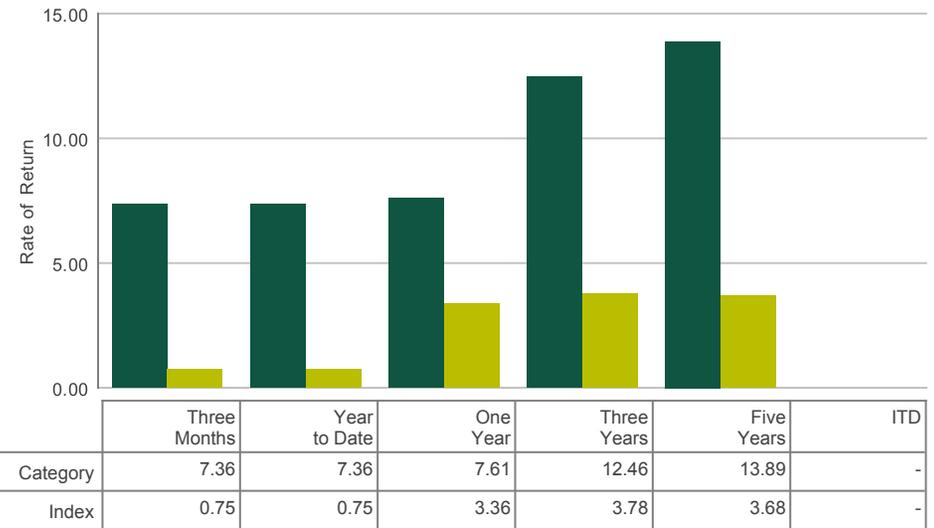
Index: LIBOR GBP 3 Month +4% pa

PRIVATE EQUITY



Index: MSCI ACWI +4% pa

INFRASTRUCTURE



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 PFI 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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London Borough of Hillingdon Pension Fund

Funding and risk report as at 31

Reliances and limitations

This report was commissioned by and is addressed to the London Borough of Hillingdon in their capacity as the Administering Authority and is provided to assist in monitoring certain funding and investment metrics. It should not be used for any other purpose. It should not be released or otherwise disclosed to any third party except as required by law or with our prior written consent, in which case it should be released in its entirety. **Decisions should not be taken based on the information herein without written advice from your consultant.** Neither I nor Hymans Robertson LLP accept any liability to any other party unless we have expressly accepted such liability in writing.

The method and assumptions used to calculate the updated funding position are consistent with those disclosed in the documents associated with the last formal actuarial valuation as at 31 March 2019, although the financial assumptions have been updated to reflect known changes in market conditions. The calculations contain approximations and the accuracy of this type of funding update declines with time from the valuation; differences between the position shown in this report and the position which a new valuation would show can be significant. It is not possible to assess its accuracy without carrying out a full actuarial valuation. This update complies with Technical Actuarial Standard 100.

Funding Level Table

	31 March 2021	Ongoing Funding
Assets		£1,159m
Liabilities		£1,297m
Surplus/(deficit)		(£138m)
Funding level		89.3%

HEADLINE

Summary

This funding update is provided to illustrate the estimated development of the funding position from 31 March 2019 to 31 March 2021, for the London Borough of Hillingdon Pension Fund ("the Fund").

At the last formal valuation, the Fund assets were £1,067m and the liabilities were £1,228m. This represented a deficit of £161m and equated to a funding level of 87%.

Markets have been severely disrupted by COVID 19 which have resulted in challenging conditions. In the 24 months since the formal valuation, investment returns have been slightly above expectations although the outlook for future investment returns on the Fund's portfolio of assets is slightly less positive which serves to increase the value placed on the liabilities. Combining these key factors, the funding level is estimated to have increased by around 2% compared to 31 March 2019. Should you have any queries please contact me.

Craig Alexander FFA

London Borough of Hillingdon Pension Fund | Strategy and Risk Management dashboard

Funding Level Table

31 March 2021	Ongoing Funding
Assets	£1,159m
Liabilities	£1,297m
Surplus/(deficit)	(£138m)
Funding level	89.3%

Analysis of Surplus Table

Surplus/(deficit)	£m
Surplus/(deficit) as at 31/03/2019	(161)
Contributions (less benefits accruing)	1
Interest on surplus/(deficit)	(2)
Excess return on assets	67
Change in inflation & expected future investment return	(43)
Surplus/(deficit) as at 31/03/2021	(138)

Market Indicators Table

	31 March 2019	31 March 2021
Market yields (p.a.)		
Fixed interest gilts	1.49%	1.32%
Index-linked gilts	-1.81%	-1.99%
Implied inflation	3.36%	3.38%
AA corporate bond yield	2.36%	2.03%
Price Index		
FTSE All Share	3,978	3,831
FTSE 100	7,279	6,714
Expected future investment return (p.a.)		
20yr annualised return on Fund's asset portfolio*	4.0%	3.9%

*There is at least a 74% likelihood of the Fund's investments achieving a return of at least 3.9% p.a. over the next 20 years

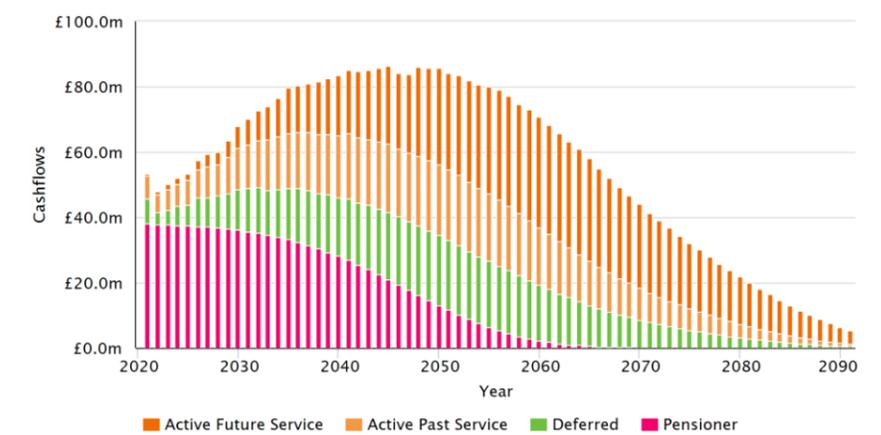
Funding Level Progression Chart



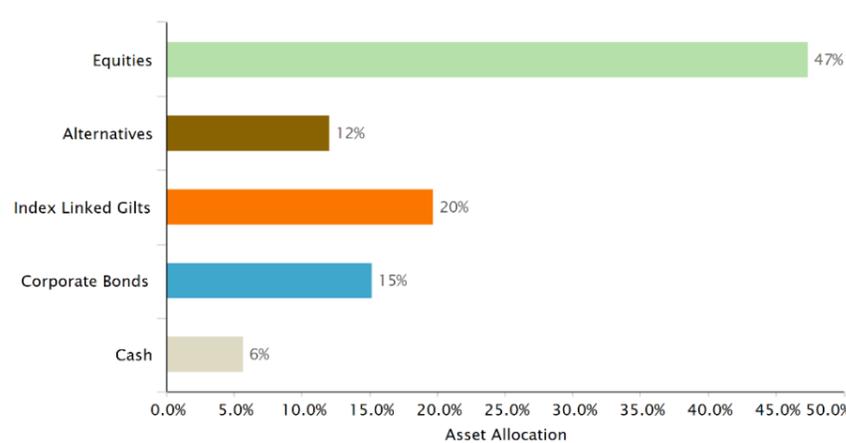
Funding Level Progression Chart



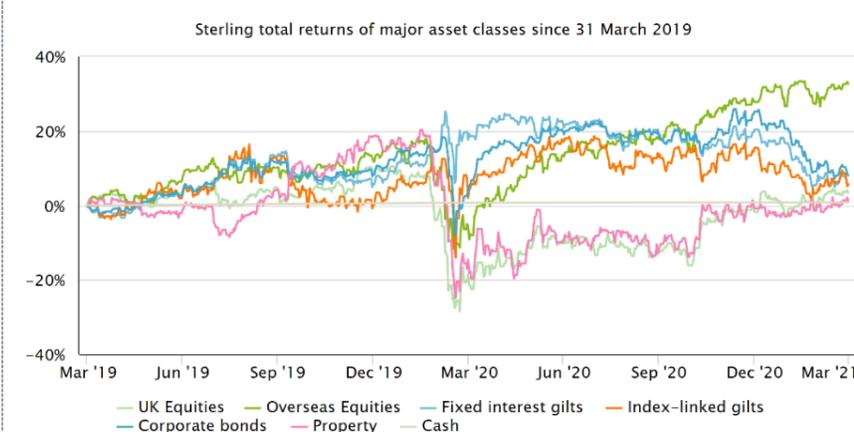
Projected Cashflows Chart



Asset Allocation Chart



Index Return Chart



Sensitivity Matrix

Sensitivity Matrix as at 31 March 2021 for Ongoing funding basis (£m)

Shift in equity level (using FTSE 100 levels as proxy)

	4,700 -30%	5,371 -20%	6,042 -10%	6,714	7,385 +10%	8,056 +20%	8,728 +30%
+0.6	(254)	(185)	(116)	(47)	22	90	159
+0.4	(282)	(213)	(145)	(76)	(7)	62	131
+0.2	(313)	(244)	(175)	(106)	(37)	32	101
0.0	(345)	(276)	(207)	(138)	(70)	(1)	68
-0.2	(380)	(311)	(242)	(173)	(104)	(35)	34
-0.4	(417)	(348)	(279)	(210)	(141)	(72)	(3)
-0.6	(456)	(387)	(319)	(250)	(181)	(112)	(43)

Shift in expected future investment return (% p.a.)

Legend: less than 50%, 50% - 85%, 85% - 95%, 95% - 100%, 100% - 105%, 105% - 115%, greater than 115%

ADMINISTRATION REPORT

Committee	Pensions Committee
Officer Reporting	Yvonne Thompson-Hoyte, Finance James Lake, Finance
Papers with this report	1. Surrey KPI 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.

RECOMMENDATIONS

That the Pensions Committee note the contents of the report.

SURREY ADMINISTRATION UPDATE

Member Self Service Registration

The figures in this report are as at April 2021. Since the last report as at February 2021, 318 additional members have signed up for self-service bringing the total number to 7907 from 7589. The largest percentage uptake remains the active member category where 43% are signed up to MSS. The total registered represents 28% of the total membership.

Membership Category	Total membership numbers	Registered for online self service	% uptake
Active	9,609	4,137	43%
Deferred	11,129	2,338	21%
Pensioners	7,202	1,432	20%
Total	27,940	7,907	28%

Summary of SLA monitoring

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. Performance remains below what is expected including in the priority areas. The results are also varied making difficult to analyse the direction of travel.

Activity	Impact	Target	Jan-21			Feb-21			Mar-21			Apr-21			Notes
			Volume	Score	Missed	Volume	Score	Missed	Volume	Score	Missed	Volume	Score	Missed	
Death notification acknowledged, recorded and documentation sent	M	100%	45	98%	1	39	62%	15	23	100%	0	19	100%	0	
Payment of death grant made	H	100%	4	50%	2	1	100%	0	4	50%	2	5	20%	4	The average day for the 4 cases that missed the SLA target was 29 days in April. As mentioned below in the calculation of spouse's benefits, the increased demand of death notifications during December to March 2021 has impacted performance.
Retirement notification acknowledged, recorded and documentation sent	M	100%	29	66%	10	29	48%	15	92	59%	38	42	60%	17	
Retirement - Payment of lump sum made & pension set up	H	100%	27	63%	10	29	52%	14	40	73%	11	56	91%	5	Performance has improved during the last 3 months. The 5 cases that missed the target had an average of 15 days completion rate.
Calculation of spouses benefits	M	100%	5	100%	0	3	33%	2	9	33%	6	9	0%	9	The number of death notifications have increased from November 2020 (19) and the number doubled in Feb 2021 (39) something that has been seen across the funds the team administer. This has caused an increase in demand at assessing eligibility for payment of death grant and/or survivors pension and then taking eligible cases through to payment. An additional member of staff has been seconded to the team to support with the increase in resource. The average no of days to complete the 9 cases in April was 20 days.
Transfers In - Quotes	L	100%	12	25%	9	12	50%	6	16	81%	3	35	46%	19	
Transfers In - Payments	L	100%	22	59%	9	13	77%	3	17	35%	11	31	45%	17	
Transfers Out - Quote	L	100%	20	60%	8	21	71%	6	26	54%	12	25	92%	2	
Transfers Out - Payments	L	100%	4	100%	0	12	67%	4	18	56%	8	20	80%	4	
Employer estimates provided	M	100%	10	100%	0	14	64%	5	11	45%	6	10	80%	2	
Employee projections provided	L	100%	6	67%	2	2	100%	0	11	73%	3	6	100%	0	
Refunds	L	100%	11	91%	1	13	100%	0	54	100%	0	33	100%	0	
Deferred benefit notifications	L	100%	16	81%	3	16	69%	5	12	58%	5	29	31%	20	
Average SLA score			211	74%	55	204	63%	75	333	68%	105	320	69%	99	
Complaints received- Admin						0	N/A		2	100%	2	1	100%	0	
Complaints received- Regulatory						0									
Compliments received						0									
Queries Handled by Helpdesk							448 (FPF = 79%)			690 (FPF = 89%)			591 (FPF = 92%)		

ONGOING PROJECTS UPDATE

Annual Address and Mortality Tracing

The initial results of the electronic address tracing exercise were reported to the Committee in March 2021. At the time of reporting the Committee was informed that of the 3,521 records that were reviewed there were 685 for which no address had been found and that the recommendation was for these records to be put through the full address tracing process.

This process has been completed and the table below shows the results of the initial trace that was reported at the last Committee and also the results of the 685 records that were put through the full tracing process resulting in 542 positive address traces

	Total Records	Positive result	%	Unresolved
Initial Electronic Address trace	3,521	2,836	80.55%	685
C/F to Full Address trace	685	542	79.12%	143

Summary Results

The summary results show that of the 3,521 records that were submitted for the annual address tracing exercise, 3378 resulted in an address being found for the member. This represents a 96% positive outcome. The administration system will be updated with the results.

	Total Records	Positive result	%	Unresolved
Summary of results	3521	3378	95.94%	143

GMP Reconciliation

At the Committee in March, officers reported that the final analysis had been done and cases having GMP liability in the fund had been identified along with the proposed approach to rectification. Officers also reported that the timing of the rectification for those entitled would likely be around July/August 2021 which coincides with the final data cut for the transfer of administration services. In addition in order to upload the rectified records, a bespoke licence needed to be acquired from Heywood.

The timings have been discussed jointly at the bi-weekly transfer meetings with SCC and HCC and given those timings, all parties agree that the core practical solution is for Mercer to complete the analysis, and the results handed to HCC for implementation after the transfer.

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Pensions Committee 10 June 2021

The analysis and rectification report will be completed by Mercer under the existing supervision of SCC and the results be passed to HCC for upload after the transfer.

McCloud Remedy

At the Committee in March it was reported that SCC would provide an outline of their approach to implementing the McCloud remedy and that an assessment would be made to determine whether the process would be completed ahead of the transfer to HCC.

The timings have been discussed jointly at the bi-weekly transfer meetings with SCC and HCC and the conclusion was that the timing of the transfer of administration services would not be sufficient for data to be collected from employers and analysed in time for the outcome to be implemented. It was therefore suggested that the McCloud remedy be implemented by HCC after the transfer. To expedite the process, it was agreed that Hillingdon would send out HCC's data collection template to employers ahead of the transfer so that the data would be ready shortly thereafter. The implementation of the McCloud remedy will be postponed until the transfer to HCC is complete..

Pensions Board Terms of Reference

In April 2021 the Pensions Board agreed to a proposed change in their terms of reference to include the addition of a new delegation allowing the Board to adopt a separate code of practice within the parameters of the existing Terms of Reference.

'The Board may agree a more detailed code of practice within the parameters of these Terms of Reference, as to how it operates to comply with SAB and other relevant guidelines'.

Other minor changes were also included to ensure consistency and prescribe duration of office. This request has been passed to Democratic Services to seek formal approval at the July full Council meeting.

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.

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Pension Fund Risk Register

Committee	Pension Committee
Officer Reporting	James Lake, 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

That Pensions Committee 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 13 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.

Pen 04 relating to increase in pay and price inflation and Pen05 relating to significant increase in inflation have been merged as requested by the Committee. As concern around inflation increases the likelihood grading has been increased from medium to significant with the rating changing from D2 to C2.

The title of Pen 09 has been changed to 'ESG' from 'Climate Change' to cover a comprehensive Responsible Investment agenda and align with the activities of the Committee and Responsible Investment policy. As concerns increase across a

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number of areas the likelihood rating has been increased, but it is felt that through the Fund's active approach the impact should be reduced. The risk rating has increased from E2 to D3.

What was formally Pen 09 – 'Failure to invest in appropriate investment vehicles as a result of MiFID II regulations in place from 3 January 2018' has been removed. Following the initial drive in 2017/2018 to ensure professional status was in place with all fund managers and relevant service providers, there has been no further activity in this area. Following the initial establishment of professional status there has been no further contact, actions, or checks by providers. Research indicates that new assessments would only take place on contract renewals. Any new one-off MiFID professional status checks would therefore be managed through the normal procurement and sign-up process, and as such are no longer seen as a risk.

Pen 11 – 'Failure of the pool in management of funds / access to funds' the impact rating has been reduced to reflect the Fund's pro-active approach to investment either inside or outside the LCIV Pool. As recently shown, the Fund has divested from the LCIV Income Fund ahead of any decision from LCIV. In addition, the Fund will invest outside of the Pool if a suitable product is not available. The rating has reduced from D2 to E4.

A new risk Pen 13 relating to governance has been added to the register to highlight the increased scrutiny and burden in this area, and to ensure consideration is given to the regulators' new Combined Code of Practice and Scheme Advisory Board Good Governance review. The initial rating has been given at E1 on the scoring matrix indicating a very large impact but low likelihood. Likelihood is based on Committee members undertaking the required training to ensure they have the requisite skills to discharge their duties.

There have been no other changes to existing ratings.

FINANCIAL IMPLICATIONS

The financial implications are contained in the risk register attached.

LEGAL IMPLICATIONS

The legal implications are contained in the risk register attached.

Pension Fund Risk Register 2021/22

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Committee Member	Date of last review
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 latest interim valuation shows a level at 89%, which continues the positive trend since the COVID-19 adversely impacted asset values in March 2020 and 2% higher than the 2019 triennial valuation.</p> <p>In addition assets values have been recouped and surpassed pre COVID levels now at £1.182 as at April 21.</p> <p>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. Officers are closely monitoring developments and liaising with fund managers and advisors.</p> <p>Member cashflow remains positive with contributions exceeding benefits.</p>	<p>Strategic risk Likelihood = Significant Impact = Large Rating = C2 (Static)</p>	James Lake / Cllr M Goddard	01/06/2021
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>In May 2021, a new Pension Sub-Group was established to allow Members, advisers and officers to meet regularly and provide a platform for greater oversight and scrutiny of Fund investments.</p>	<p>Strategic risk Likelihood = Low Impact = Large Rating = E2 (Static)</p>	James Lake / Cllr M Goddard	01/06/2021
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.</p> <p>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. The Fund has been in consultation with LCIV regarding improved oversight, reporting and communication; requested improvements are now beginning to materialise. This will be kept under review.</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>Action is taken to remove under-performing managers where appropriate.</p>	<p>Strategic risk Likelihood = Low Impact = Small Rating = E4 (Static)</p>	James Lake / Cllr M Goddard	01/06/2021

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Committee Member	Date of last review
PEN 04 - Inflation - Pay and price inflation significantly more than anticipated	<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>5. Inter-valuation monitoring gives early warning.</p> <p>6. Investment in index-linked bonds helps to mitigate this risk.</p> <p>7. The fund has increased its inflation linkage by allocating 5% to Inflation linked long lease property in 2018.</p> <p>8. Contribution rate setting as part of the triennial valuation process considers 5000</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 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> <p>Latest government announcement states a zero % local authority staff pay increase for 2021/22.</p> <p>The impact of inflation is reviewed through all strategic investment decision making.</p> <p>Inflation linked investments form part of the investment strategy to balance this risk.</p>	<p>Strategic risk Likelihood = Significant Impact = Large Rating = C2 (Increase)</p>	James Lake / Cllr M Goddard	01/06/2021
PEN 05 - 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>	<p>The Fund is part of Club Vita, a subsidiary of the Fund Actuary, which monitors mortality data and feeds directly into the valuation.</p> <p>Results also feed into the quarterly funding position which is reported to and assessed by Committee Members and officers.</p>	<p>Strategic risk Likelihood = Low Impact = Small Rating = E4 (Static)</p>	James Lake / Cllr M Goddard	01/06/2021
PEN 06 - Poor Performance of Outsourced Administrator leading to poor quality information supplied to both members and the Fund Actuary	<p>1. Monthly review meetings held</p> <p>2. Weekly update calls with officers</p> <p>3. Monthly 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 ORBIS project has been disbanded and the administration is for LBH carried out by SCC only. Staff resourcing continues to be an issue.</p> <p>With the pandemic being better managed the initial suggestion by TPR to focus on benefits payments is being phased out as the easing of restrictions and distance working is more normalised. The weekly priority monitoring ended in April 2021 and focus returned to the monthly KPI monitoring.</p> <p>The process of interfacing payments between the Heywood's administration and payroll system has now been completed (Feb 2021) which addresses risks raised by the internal audit report.</p> <p>Performance has been below what is expected over the Covid period and continues. Officers continue to liaise with the administrators to maintain the service.</p> <p>The decision that was taken in September 2020 to transfer the outsourced administration service to Hampshire County Council is progressing in line with the timetable and it is expected that service quality and performance will be improved. Officers continue to monitor the service.</p> <p>Data cleansing is progressing with success in the recent address tracing exercise.</p>	<p>Strategic risk Likelihood = Medium Impact = Large Rating = D2 (Static)</p>	James Lake / Cllr M Goddard	01/06/2021

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Committee Member	Date of last review
PEN 07 - 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 has been 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>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.</p> <p>The final version of the Delegation agreement and the OBC have been signed off and the project plan and timeline has been agreed. Heywood's are fully on-board to provide technical support to the project and the test data cuts have been timed so that there is no disruption to day-to-day delivery of service</p> <p>There has been very positive communication and planning of the exit between all parties (SCC, HCC, LBH, Capita and Heywood) with all parties cooperating and often represented at the same meeting.</p> <p>Three meetings of the Project Oversight Board have been held since the last report to Committee. The PID documents have been signed by Hillingdon's Corporate Director of Finance. Other legal documents have been signed off to allow the project to proceed smoothly.</p> <p>Initial Communication has gone out to members with further communication planned and especially for pensioners regarding the change in payroll date.</p> <p>Concern around the dependency risk of Heywood has reduced considerably with Heywood pro-actively participating in the data migration element of the project.</p>	Strategic Risk Likelihood = Low Impact = Very Large Rating = E1 (Static)		01/06/2021
PEN 8 - 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 has elapsed but are actively being chased.</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>A basic Data Mapping exercise has been carried out to understand data transfers and risks in this area including potential for threat through other employers. A new tool has been requested to better understand the mapping going forward.</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 is in place. The Fund recently participated in the AON LGPS cyber scorecard exercise which is a high level assessment of the Fund's cyber resilience. Further discussions will take place with and an action plan formulated around the areas that need further attention.</p> <p>HCC has in place a number of cyber controls, however ongoing monitoring will form part of the normal monitoring once on-boarding is complete.</p>	Strategic risk Likelihood = Medium Impact = Large Rating = D2 (Static)	James Lake / Cllr M Goddard	01/06/2021
PEN 9 - ESG - Risk of financial lose through the negative impact of ESG matters.	<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 Pensions Committee has created a stand alone RI policy which supports principles and implementation of the investment portfolio. The policy is a live document and is due to be updated through the Stewardship Code 2020 sign-up process. A revised policy is being tabled at the June 2021 Committee for approval.</p> <p>Fund manager engagement now forms part of an annual assessment and engagement process to improve manager ESG credentials.</p> <p>The project to sign up to the 2020 UK Stewardship Code is progressing as per the project plan with the submission document still on track for October submission.</p> <p>The Fund actively invests in portfolios with an ESG tilt, including the LGIM Future World Global Index and the LCIV Global Alpha Paris Aligned Fund.</p>	Strategic risk Likelihood = Medium Impact = Medium Rating = D3 (Increase)	James Lake / Cllr M Goddard	01/06/2021

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Committee Member	Date of last review
PEN 10 - Portfolio liquidity - risk of failure to liquidate assets or meet drawdown calls	<p>1. The fund has an active daily cash management process in place to ensure there is sufficient cash available to meet all beneficiary payments.</p> <p>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</p> <p>3. Officers liaise with managers where commitments have been made to keep track of predicted drawdown timescales</p> <p>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>	<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 cashflow positive / breakeven on member dealings and is forecast to remain so in 2021/22.</p> <p>The Fund has sufficient liquidity should it need to draw on investments.</p>	Strategic risk Likelihood = Very Low Impact = Large Rating = F2 (Static)	James Lake / Cllr M Goddard	01/06/2021
PEN 11 - Failure of the pool in management of funds / access to funds	<p>1. Quarterly review meetings held with the pool</p> <p>2. Regular reporting out of the pool informing the fund of manager performance</p> <p>3. Swift communications received from the pool with staff turnover and concerns the fund may need to be aware.</p> <p>4. Independent adviser carried out a review of governance for manager selection and manager monitoring to add assurance and discussion points with the pool</p> <p>5. Active Shareholder representation at General meeting and AGM.</p> <p>6. Pool to attend Committee meetings where required, to provide assurance over progress and activity.</p>	<p>LCIV staff turnover has stabilised with all key post now in place. The team is steadily building to cover ESG, new markets and reporting requirements, as the underlying portfolio grows.</p> <p>Governance remains high on the agenda and Hillingdon have been key in forging improvements. There has been positive progress by LCIV and promised governance improvements are beginning to be seen. Progress will be continually monitored.</p> <p>The Hillingdon Fund has taken the lead in actively managing its underlying Pool investments with the recent divestment from the LCIV Income Fund (Epoch).</p> <p>The Fund will pro-actively manage this risk and take action ahead of the LCIV Pool; where necessary.</p>	Strategic risk Likelihood = Low Impact = Low Rating = E4 (Reduced)	James Lake / Cllr M Goddard	01/06/2021
PEN 12 - Threat of COVID 19 to Business Continuity	<p>1. The pensions section and corporate finance has a business continuity plan that identifies critical tasks and resources required to carry them out.</p> <p>2. Communication to key 3rd party providers Surrey Administration to co-ordinate business continuity plans</p> <p>3. Active monitoring of developments, keeping abreast of Council and Government advice to ensure readiness to implement the continuity plan if required.</p> <p>4. Non-essential external meetings have been cancelled to reduce contact</p> <p>5. Checks being done to ensure staff have facilities to work from home</p> <p>6. Vulnerable staff are being kept out of the office as much as possible</p>	<p>Since the Covid emergency was enacted in March 2020, the business continuity plan for the Pensions Section has been updated to identify critical tasks and resources and systems required to maintain services.</p> <p>Business continuity plans have been obtained from the Surrey to ensure continuity of essential member services. Staff have been principally working from home</p> <p>With the success of the vaccine programme resulting in significantly reduced Covid cases in the UK, the government has started to review the progress and has begun to ease the 'lock-down' measures in phases. While there is still the need to exercise caution actual meetings are starting to appear on the Council calendar</p> <p>Service delivery has been maintained during the period of virtual meetings and working from home. Officers continue to monitor and follow government and Council advice.</p>	Strategic risk Likelihood = High Impact = Large Rating = D2 (Static)	James Lake / Cllr M Goddard	01/06/2021
PEN 13 - Failure of the Fund's governance to comply with statutory requirements and/or The Pension Regulator expectations including: Failure to ensure that Committee members' knowledge and understanding of pension matters is robust and meets statutory requirements Failure to ensure that the Pension Board is effective in carrying out its role."	<p>Governance Policy Statement, reviewed every 3 years.</p> <p>Policies on range of issues, reviewed regularly.</p> <p>Compliance with CIPFA Code of Practice on Public Sector Pensions Finance, Knowledge and Skills</p> <p>Programme of training sessions and access to external events</p> <p>Use of Regulator's on-line toolkit</p> <p>A knowledge self-assessment framework for Committee and Board members to identify training requirements</p> <p>The Fund's Annual Report includes details of Committee and Board members' training activities</p> <p>Fund Governance Adviser in place</p>	<p>The Fund has undergone a COP14 Governance review and has been implementing changes to be either fully or partially compliant. Regular reports and updates are presented at Pensions Board.</p> <p>Committee and Board members receive regular training and specific training aligned with decision making where required.</p> <p>The fund has a schedule of policies in place to ensure reviews are carried out at the required intervals.</p> <p>Reviewed Pension Board's Terms of Reference including maximum tenure submitted for approval at July Full Council. Staggered terms to be put in place to allow for smooth succession planning.</p> <p>The Fund will monitor progress on the Regulator's new combined Code of Practice and implications of Scheme Advisory Board's Good Governance recommendations. Following the outcome update relevant policies which cover all aspects of the Fund's governance</p>	Strategic risk Likelihood = Low Impact = Very Large Rating = E1 (New)	James Lake / Cllr M Goddard	01/06/2021

Attributes:		L I K E L I H O O D	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								
Attributes:			Financial		Reputation						
			up to £500k		Between £500k and £10m		Between £10m and £50m		Over £50m		
			Minor complaint, no media interest		One off local media interest		Adverse national media interest or		Ministerial intervention, public		

THREATS:

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WORK PROGRAMME 2021/2022

Committee	Pensions Committee
Officer Reporting	James Lake, Finance
Papers with report	None

HEADLINES

This report is to enable the Pension Committee to review planned meeting dates and forward plans.

RECOMMENDATIONS

That the Pensions Committee:

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

SUPPORTING INFORMATION

Meeting Date	Item
10 June 2021	<ul style="list-style-type: none"> • Training – LGPS Governance Update • Investment update and manager review • Administration Report • Risk Register • Responsible investment Update • Contract extension – Investment consultant
28 September 2021	<ul style="list-style-type: none"> • Training – Induction / Private Debt / MAC / Statement of Accounts • Pension Fund Annual Report 2020/21 • External Audit of Pension Fund • Investment update and manager review • Conflicts of Interest Policy • Administration Report • Risk Register

Classification: Public
Pensions Committee 10 June 2021

	<ul style="list-style-type: none"> • IDR Policy • Responsible Investment / Stewardship Code 2020 draft report
1 December 2021	<ul style="list-style-type: none"> • Training TBC • Investment update and manager review • Administration Report • Risk Register
23 March 2022	<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

FINANCIAL IMPLICATIONS

There are no financial implications in the report

LEGAL IMPLICATIONS

The legal implications included within the body of the report

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of the Local Government Act 1972 (as amended).

Agenda Item 9

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