



HILLINGDON  
LONDON



# Pensions Committee

**Date:** TUESDAY, 26 SEPTEMBER  
2023

**Time:** 5.00 PM

**Venue:** COMMITTEE ROOM 5 -  
CIVIC CENTRE

**Meeting  
Details:** Members of the Public and  
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## To Members of the Committee:

Stuart Mathers (Chairman)  
Tony Burles (Vice-Chairman)  
Kaushik Banerjee  
Mohammed Islam  
John Riley

**Published:** Monday, 18 September 2023

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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 meeting dated 08 June 2023 1 - 6
- 4 To confirm that items marked Part I will be considered in public and those marked Part II will be considered in private

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- 7 Responsible Investments Update 43 - 54
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## **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*That the reports in Part 2 of this agenda be declared not for publication because they involve the disclosure of information in accordance with Section 100(A) and Part 1 of Schedule 12 (A) to the Local Government Act 1972 (as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.*

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## Minutes

### PENSIONS COMMITTEE

8 June 2023

Meeting held at Committee Room 5 - Civic Centre



HILLINGDON  
LONDON

	<p><b>Committee Members Present:</b> Councillors Stuart Mathers (Chairman) Tony Burles (Vice-Chairman) Kaushik Banerjee Mohammed Islam Martin Goddard (present as substitute)</p> <p><b>LBH Officers Present:</b> James Lake, Director of Pensions, Treasury &amp; Statutory Accounts Andy Evans, Corporate Director of Finance Tunde Adekoya, Pension Fund Accountant Steve Clarke, Democratic Services Officer</p> <p><b>Also Present:</b> Roger Hackett, Pension Board Member Marie Stokes, Pension Board Member Tony Noakes, Pension Board Member Shane Woodhatch, Pension Board Member Andrew Singh, Isio Clare Scott, Independent Adviser Larisa Midoni, Ernst &amp; Young Helen Thompson, Ernst &amp; Young Andy Lowe, Hampshire County Council David O'Hara, Isio</p>
3.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>Apologies for absence had been received from Councillor John Riley with Councillor Martin Goddard substituting.</p>
4.	<p><b>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING</b> (<i>Agenda Item 2</i>)</p> <p>There were no declarations of interest.</p>
5.	<p><b>MINUTES OF THE MEETING DATED 22 MARCH 2023</b> (<i>Agenda Item 3</i>)</p> <p><b>RESOLVED:</b> That the minutes of the meeting dated 22 March 2023 be approved as a correct record.</p>
6.	<p><b>MINUTES OF THE MEETING HELD ON 11 MAY 2023 (AGM)</b> (<i>Agenda Item 4</i>)</p> <p><b>RESOLVED:</b> That the minutes of the meeting dated 11 May 2023 be approved as a correct record.</p>

7.	<p><b>TO CONFIRM THAT ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THOSE MARKED PART II WILL BE CONSIDERED IN PRIVATE</b> (<i>Agenda Item 5</i>)</p> <p>It was confirmed that items 6 to 11 were marked as Part 1 and would be heard in public, and that items 12 to 14 were marked as Part 2 and would be considered in private.</p>
8.	<p><b>2021/22 EXTERNAL AUDIT UPDATE</b> (<i>Agenda Item 6</i>)</p> <p>Item 12 was taken ahead of this item where the Committee had originally resolved to move into Part 2.</p> <p>The Committee resolved to move back into Part 1 following the resolution of item 12 and any members of the press or public, and the investment management consultants, were invited back into the room.</p> <p>James Lake, Director of Pensions, Treasury &amp; Statutory Accounts, introduced the item highlighting that the external audit of the draft Pension Fund Accounts for 2021/22 was almost complete with one audit task remaining; it was noted that, as the audit currently remained outstanding, the Committee were to consider the draft audit report and to note any new information that had come available relating to the reporting period. This meant that, as the results of the 2022 triennial evaluation of the Fund had been finalised, these now needed to be considered as part of the 2021/22 external audit. The Council's Actuary, Hymans Robertson, had been asked to rerun the Council's position and once this had been agreed, officer's and the Committee were expecting an unmodified audit opinion. Larisa Midoni, from the external auditors Ernst &amp; Young (EY), was present and summarised for Members the work undertaken and EY's current position on the ongoing audit.</p> <p>The Committee thanked officers, the external auditors, and the actuary for their continued work on finishing the 2021/22 external audit. Members queried whether the ongoing 2021/22 audit could potentially delay the start of the 2022/23 external audit; EY confirmed that, from an operational perspective, the priority was closing down the 2021/22 audit, it was noted that a slight delay was expected for the commencement of the 2022/23 audit and that this would be starting in early 2024.</p> <p><b>RESOLVED: That the Pensions Committee noted the draft Audit Results Report for the 2021/22 Pension Fund accounts.</b></p>
9.	<p><b>ADMINISTRATION REPORT</b> (<i>Agenda Item 7</i>)</p> <p>James Lake, Director of Pensions, Treasury &amp; Statutory Accounts, introduced the report highlighting that it showed the excellent level of administration service being received with 100% compliance across all key performance indicators. Andy Lowe of Hampshire County Council, the pensions administrator, was present for this item.</p> <p>It was also noted that there had been a 36.23% sign up rate to the online pensions administration portal in just 18 months of administration services being provided by Hampshire County Council, this was deemed very impressive as the previous administrators had not achieved this mark in the five years preceding Hampshire's administration of services. Members were very encouraged by the administrator's performance and sought to understand whether there was a portal sign up target; Andy Lowe confirmed that there was no strict target however portal sign up was consistently</p>

promoted.

Members queried whether the merger of Richmond College and Uxbridge College would bear any additional administrative costs to the Hillingdon Fund; to which it was confirmed that no additional costs would be incurred by the Fund and any administrative costs associated with the transfer would be taken on by Uxbridge College as the instigators of the merger.

The Committee noted that cyber-attacks were highly topical and were interested in the results of the recent cyber review and audit. It was noted as positive that Hampshire had recently conducted its first cyber review, showing engagement and the pursuit of reassurance for Members. The audit reviewed Hampshire's Cyber Compliance Statement and all the measures in place to prevent and mitigate cyber-attacks. The audit gave a 'Reasonable' classification which officers noted that they were happy with; the reasonable rating was attributed to a minimal level of vulnerability highlighted from penetration testing which took place in 2022. It was noted that further software updates had taken place which should mitigate the vulnerabilities and push the audit opinion to a 'Substantial' rating. It was also noted that penetration testing had taken place in April with a new, twice yearly, programme of testing in place undertaken by an external company. The Committee noted that it was important for officers at Hillingdon to have sight of the cyber security work going on for assurances. It was further noted that this was an area that the Hillingdon Pension Board were taking a distinct interest in. Andy Evans, Corporate Director of Finance, reassured Members that cyber security, intelligence sharing and partnerships were high up on the agenda across London and nationally. Members also discussed the cyber-crime insurance market noting their interest in getting underwritten, however the Committee noted that the insurance market surrounding cyber-crime was in its infancy.

**RESOLVED That the Pensions Committee:**

- 1. Noted the 2022/23 administration headline achievements; and,**
- 2. Noted the administration report update.**

10. **INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE - PART I**  
*(Agenda Item 8)*

James Lake, Director of Pensions, Treasury & Statutory Accounts, introduced the item noting that investment return over the previous quarter had been at 2.78% which was slightly behind the 3.28% benchmark. Longer term returns were noted to have improved since the last quarter. Fund value over the quarter was up £32M at £1.182B and as of the day of the meeting, the unaudited figure was slightly down at £1.177B. The Committee also noted that the revised return requirement in the Funding Strategy Statement commencing April 2023 was at 4.1%.

Members discussed concerns that return figures were consistently falling behind the benchmark and went into further detail as to how this could be mitigated through the new Investment Strategy Review within item 13 (Part 2).

**RESOLVED: That the Pensions Committee noted the funding and performance update.**

11.	<p><b>RESPONSIBLE INVESTMENT UPDATE</b> (<i>Agenda Item 9</i>)</p> <p>James Lake, Director of Pensions, Treasury &amp; Statutory Accounts, introduced the report highlighting that the Hillingdon Pension Fund had submitted its UK Stewardship Code report to the Financial Reporting Council ahead of the 31 May 2023 deadline and a response was expected in the autumn. The Chair also updated the Committee on their attendance of the LAPFF business meeting, noting that it proved a very useful engagement.</p> <p>It was also noted that there had been a number of LAPFF voting alerts now that the Hillingdon Fund was a new member; these had been passed on to LGIM for their consideration. Advisors noted that, for information, it may prove useful to periodically look at LCIV voting to understand any differences in voting and for assurances that LCIV are exercising their right to vote on Hillingdon’s behalf.</p> <p><b>RESOLVED that Pensions Committee:</b></p> <ol style="list-style-type: none"> <li><b>1. Noted the fund managers’ ESG activities and compliance efforts;</b></li> <li><b>2. Noted the UK Stewardship Code submission to FRC; and,</b></li> <li><b>3. Noted LAPFF activities.</b></li> </ol>
12.	<p><b>RISK REGISTER REPORT</b> (<i>Agenda Item 10</i>)</p> <p>James Lake, Director of Pensions, Treasury &amp; Statutory Accounts, introduced the risk register report highlighting that it was recommended that the Committee remove PEN 12 (Threat of COVID 19 to Business Continuity); this was due to fully established, post COVID working arrangements having been in place for over two years and the reduction in the impact of the virus on society as a whole. The Committee agreed to remove PEN 12 from the risk register.</p> <p>Members also noted that the twice-yearly penetration testing being undertaken by the pensions administrators, Hampshire County Council, was reflected under PEN 7 (Cyber Security).</p> <p>Advisors noted that the departure of Councillor Goddard from the Committee, as an experienced Pensions Committee Member, could prompt a further discussion around PEN 13, specifically with regard to the robustness of Members’ knowledge. Members agreed that the departure of Councillor Goddard was a loss to the Pensions Committee but concluded that it did not affect the level of risk associated with PEN 13 significantly enough to warrant a change in the risk level.</p> <p><b>RESOLVED that the Pensions Committee:</b></p> <ol style="list-style-type: none"> <li><b>1. Considered the Risk Register in terms of the approach, the specific risks identified, and the measures being taken to mitigate those current risks; and,</b></li> <li><b>2. Removed PEN 12 - Threat of COVID 19 to Business Continuity from the Risk Register.</b></li> </ol>



13.	<p><b>GOVERNANCE REPORT</b> (<i>Agenda Item 11</i>)</p> <p>James Lake, Director of Pensions, Treasury &amp; Statutory Accounts, introduced the reporting highlighting the Committee’s workplan and the training undertaken so far by Members. It was noted that Councillor John Riley, as a new Member of the Committee, had been invited to undertake the necessary knowledge and skills training modules along with an introductory meeting with officers. It was also noted that the new Single Code was expected to be issued later in 2023.</p> <p>The Committee noted that the Council’s in-house Audit Team would be undertaking an ‘Effectiveness of the Pensions Committee’ audit later in the year. It was also noted that the Pension Board wished to highlight to the Committee that the Board had undergone an assessment against the SAB effectiveness criteria of pension boards; in summary the Hillingdon Pension Board was delivering effectiveness across almost all areas, with just one area outstanding, which was actively being addressed. The Committee noted that there may be lessons learnt from the effectiveness of the Pension Board review which could feed into the effectiveness of the Pensions Committee audit.</p> <p><b>RESOLVED that the Pensions Committee:</b></p> <ol style="list-style-type: none"> <li><b>1. Noted the dates for Pensions Committee meetings;</b></li> <li><b>2. Made suggestions for future agenda items, working practices and reviews;</b></li> <li><b>3. Noted the Committee’s training update; and,</b></li> <li><b>4. Noted the ‘Effectiveness of the Pension Board’ assessment.</b></li> </ol>
14.	<p><b>FUND INVESTMENT MANAGEMENT CONSULTANCY CONTRACT AWARD</b> (<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>
15.	<p><b>INVESTMENT STRATEGY REVIEW AND MANAGER UPDATES - PART II</b> (<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>
16.	<p><b>2022/23 BUDGET OUTTURN &amp; 2023/24 BUDGET</b> (<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>

	The meeting, which commenced at 5.00 pm, closed at 7.29 pm.
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These are the minutes of the above meeting. For more information on any of the resolutions please contact Democratic Services on 01895 250636  
Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

## ADMINISTRATION REPORT

Committee	Pensions Committee
Officer Reporting	Tunde Adekoya, Finance
Papers with this report	August 2023 Hampshire Pensions Services Partnership Report

### BACKGROUND

Pensions administration services are provided by Hampshire County Council (HCC) under a section 101 agreement.

The attached report provides an update of HCC's performance as at August 2023. Historic monthly reports are included in the member shared drive.

### RECOMMENDATIONS

**That the Pensions Committee:**

- 1. Note the administration update; and**
- 2. Note the Active and Deferred Benefit Statement update.**

### INFORMATION

Historic key performance indicators show 100% against all indicators, each month since the October 2021 inception.

Member portal registrations continue to improve month-on-month and as of 31 August 2023 show 37.47%, which is ahead of the exiting SCC position of 30.95%

Inherited backlog cases continue to be cleared with total cases reducing from 4,158 at inception to 2,052 as of 31 August 2023.

#### Active Benefit Statements

The 2022/23 Active Benefit Statements were sent out in line with statutory requirements with 12,348 statement being sent, representing 98.69% of the membership. The remaining 164 member statements that were not completed, were due to outstanding issues with employers, mainly relating to missing earnings.

#### Deferred Benefit Statements

The deferred benefits statements for 2022/23 was produced and 8,975 statements published on the members portal in July 2023, representing 100% of that category of fund membership. Members with email addresses held on the database were informed by email about the availability of the document on the portal.

### FINANCIAL IMPLICATIONS

Classification: Public  
Pensions Committee 26 September 2023

Financial implications have been previously disclosed.

**LEGAL IMPLICATIONS**

The legal implications are in the body of the report.

# Monthly administration report

August 2023



Working in partnership with



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## 1. Summary

- 1.1. The purpose of this report is to update the London Borough of Hillingdon with the current position of their local government pension scheme membership; performance against service level agreements and to provide other important and current information about the administration of the London Borough of Hillingdon Local Government Pension Fund.

## 2. Background

- 2.1. Hampshire Pension Services administer the Local Government Pension Scheme (LGPS) on behalf of the London Borough of Hillingdon (LBH) with effect from 27 September 2021.
- 2.2. Hampshire Pension Services also administer the LGPS for Hampshire County Council, West Sussex County Council and Westminster City Council; the Fire Pension Schemes for both West Sussex and Hampshire, and the Police Pension Schemes for Hampshire.

## 3. Membership

- 3.1. The table below details the number of members against status for each of the Local Government pension schemes and is correct as of the date this report was prepared. To support the monitoring of change in membership numbers, the table now compares the membership detailed in the OBC with the current month to show the total growth in membership since the start of the partnership.

	Active*	Deferred	Pensioner	Preserved Refunds**	Total
<b>OBC</b>	9,020	11,400	7,036	-	27,456
<b>August 2023</b>	11,381	10,546	8,291	1,500	<b>31,718</b>
<b>Growth</b>	<b>26.17%</b>	<b>-7.49%</b>	<b>17.83%</b>	-	<b>15.52%</b>

\*Leavers which are waiting to be processed are included in the active membership. However, the OBC deferred figure included both 2,045 leavers waiting to be processed and 1,256 preserved refunds.

\*\*The preserved refund members are included for completeness but are not counted for the purposes of reporting membership to the Pensions Regulator and DLUHC (previously MHCLG).

## 4. Administration performance

- 4.1. Hampshire Pension Services' performance against agreed service level agreements for key processes are monitored monthly. They are calculated based on the number of working days taken to complete the process and are adjusted for time that we are unable to proceed, due to requiring input from the member or third party.
- 4.2. The table below shows performance from 1<sup>st</sup> August – 31<sup>st</sup> August 2023; the performance target for all cases is 15 days (except Deferred Benefits which is 30 days, and Rejoiners which is 20 days).

**Time to Complete**

Type of Case	0-5 days	6-10 days	11-15 days	16-20 days	21-30 days	31-40 days	Total	% completed on time	Average days to complete process	Total Cases (previous month)	% completed on time (previous month)
Active Retirement	4	6	7	0	0	0	17	100.00%	9	14	100.00%
Deferred Retirement	11	17	6	0	0	0	34	100.00%	8	28	100.00%
Estimates	13	28	15	0	0	0	56	100.00%	8	60	100.00%
Deferred Benefits	6	0	6	9	111	0	132	100.00%	25	102	100.00%
Transfers In & Out	0	2	0	0	0	0	2	100.00%	9	0	100.00%
Divorce	0	0	1	0	0	0	1	100.00%	12	2	100.00%
Refunds	2	3	6	0	0	0	11	100.00%	10	7	100.00%
Rejoiners	1	2	3	5	0	0	11	100.00%	14	25	100.00%
Interfunds	0	0	0	0	0	0	0	100.00%	9	0	100.00%
Death Benefits	9	5	5	0	0	0	19	100.00%	7	16	100.00%
<b>GRAND TOTAL</b>	<b>53</b>	<b>74</b>	<b>59</b>	<b>14</b>	<b>111</b>	<b>0</b>	<b>311</b>	<b>100.00%</b>		<b>284</b>	<b>100.00%</b>

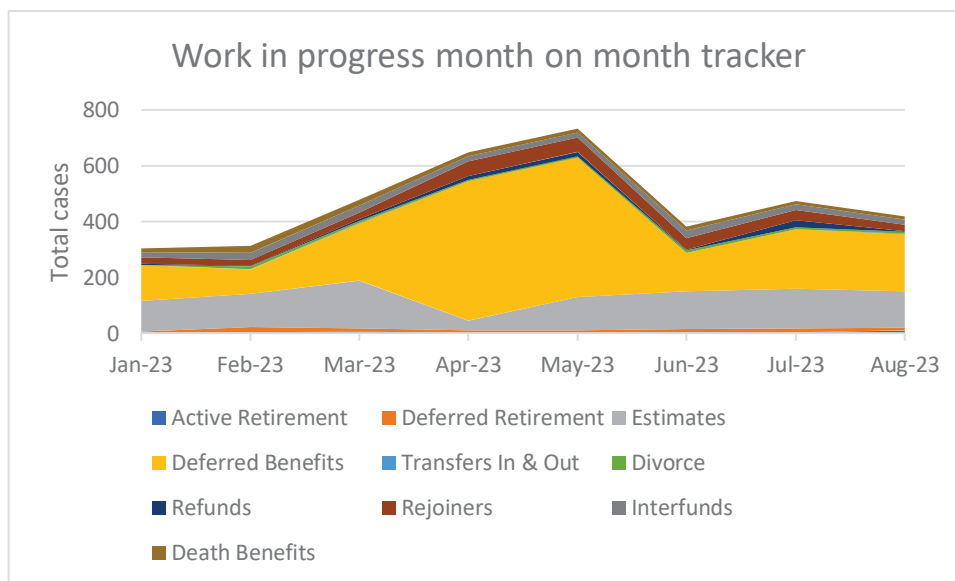
- 4.3. The table below shows outstanding work as of 31<sup>st</sup> August 2023. The time outstanding reflects the time from date of receipt of the initiating request, and includes time whilst cases are on hold pending further information. Work which has been pended is monitored by the team and is also pushed for review by the system at pre-determined intervals. This means that all pended casework is regularly reviewed, and actions taken to ensure it can be moved and processed.
- 4.4. Those cases which currently exceed the agreed service level agreement are on hold waiting for information from the member, their employer or another party and the time taken to process will be adjusted once the work has been completed.



Time Outstanding								
Type of Case	0-5 days	6-10 days	11-15 days	16-20 days	21-30 days	31+ days	Total	Total Outstanding (previous month)
Active Retirement	6	1	1	1	0	0	9	4
Deferred Retirement	2	4	3	1	0	0	10	14
Estimates*	71	32	17	8	2	0	130	141
Deferred Benefits	10	31	50	52	63	0	206	213
Transfers In & Out	1	0	0	0	0	0	1	1
Divorce	4	2	1	0	0	0	7	6
Refunds	3	0	0	0	0	0	3	26
Rejoiners	6	3	8	4	1	0	22	36
Interfunds	8	7	3	0	0	0	18	22
Death Benefits	5	1	3	0	3	0	12	11
<b>GRAND TOTAL</b>	<b>116</b>	<b>81</b>	<b>86</b>	<b>66</b>	<b>69</b>	<b>0</b>	<b>418</b>	<b>474</b>

\*Estimates include all 'quote' calculations for retirement, transfers, divorce, and refunds.

4.5. We have included a tracker below which monitors the movement in work outstanding month on month



4.6. None of the above work in progress cases are being held up by a change in calculation factors, following the SCAPE discount rate adjustment. All factors that have been issued by GAD have been updated in UPM and are being used in all relevant calculations.

## 5. Unprocessed historic casework

- 5.1. At the point of onboarding, there were 3,840 unprocessed leavers – the date of leaving for these members was prior to 1<sup>st</sup> September 2021.
- 5.2. As of 1<sup>st</sup> August 2023, the unprocessed leavers position is as follows.

Unprocessed Leavers transferred from Surrey, at point of onboarding.	3,840
Additional unprocessed leavers identified since onboarding	318
<b>Total unprocessed leavers</b>	<b>4,158</b>
Leavers processed and records finalised by HPS	2,106
<b>Outstanding leavers to be processed</b>	<b>2,052</b>

- 5.3. The top 5 employers with outstanding leavers are as follows:

Employer	Number of leavers outstanding
Colham Manor Primary School	53
QED - Queensmead Academy	51
Hedgewood School	50
(CLOSED) Hermitage Primary School	48
Yeading Infant School	43

## 6. Call and email volumes

- 6.1. The table below sets out the call statistics for Hillingdon for the month of August 2023:

<b>Calls Received</b>	161
<b>Calls Answered</b>	157
<b>Calls Answered Percentage</b>	97.50%
<b>Calls Abandoned</b>	4
<b>Abandoned Percentage</b>	2.50%
<b>Average Wait Time</b>	76 seconds
<b>Calls Answered Within 5 Minutes</b>	154
<b>Calls Abandoned After Waiting For More Than 5 Minutes</b>	3
<b>Percentage Of Calls Answered Within 5 Minutes</b>	96.18%

- 6.2. Abandoned calls are caused by the member ending the call before we can answer, and in some cases, this can be because they have heard one of our automatic messages asking them to visit our website or Portal.
- 6.3. The total number of calls received were 3,692 and the statistics above are included in this number.
- 6.4. Our Pension Customer Support Team (PCST) record the number of emails received into our main Pension Services inbox. The table below shows the combined (Hampshire, West Sussex, Westminster, and Hillingdon) volumes, for the current and previous month.

Month	Total Emails Received	Response from PCST	Forms and Emails Forwarded to another team*
July	5,953	5,179	744
August	5,874	5,052	822

- 6.5. Of the emails responded to by PCST, 221 of these were for Hillingdon members.
- 6.6. In August 2023, we received 80 'My Messages' from Hillingdon members via the member portal, which are dealt with via our normal 5 working day response time.

## 7. Online services

### Member Portal

- 7.1. Active, Deferred and Pensioner members of the LBH LGPS have the ability to register for our Member Portal and update their personal details, death grant nominations, and bank details; securely view annual benefit statements, payslips and P60s; run online voluntary retirement estimates; and complete their membership option and retirement declaration forms online.
- 7.2. The table below shows the total number of current registrations for each status as of 31<sup>st</sup> August 2023.

Status	Registrations to date	% of total membership	Registrations to 31/07/2023	% of total membership
Active	4,658	40.93%	4,463	38.11%
Deferred	3,461	32.82%	3,312	32.10%
Pensioner	3,205	38.66%	3,132	37.99%
<b>TOTAL</b>	<b>11,324</b>	<b>37.47%</b>	<b>10,907</b>	<b>36.03%</b>

7.3. The table below sets out the number of Member Portal log ins, for the current month and previous month for comparison.

Month	Active	Deferred	Pensioner
July 2023	577	781	341
August 2023	1,570	431	260

7.4. The table below shows the number of opt outs of the Member Portal for each membership status. Comparing the number of registrations and opt outs to the total membership allows us to identify the number of members who have not engaged via either route.

Engagement	Active	Deferred	Pensioner	Total
<b>Portal</b>	4,658	3,461	3,205	<b>11,324</b>
<b>Opt out</b>	43	128	1,845	<b>2,016</b>
<b>No contact</b>	6,680	6,957	3,241	<b>16,878</b>
<b>Total</b>	<b>11,381</b>	<b>10,546</b>	<b>8,291</b>	<b>30,218</b>

### Employer Hub

7.5. To date we have 118 of 119 LBH employers registered to use the Employer Hub. Of the 119 employers, 118 individual users have access to a Hub account.

### Cyber Security

7.6. Following the Umbraco 10 upgrade to our Live Member Portal, and a final user acceptance test we found an issue with the log in page, which would prevent members from logging in to the Portal. Therefore, we were required to roll the update back, so we were operating on Umbraco 7 once again, and the Portal could be accessed by members.

7.7. Following detailed investigation, the underlying issue has now been resolved, and further network changes were highlighted as being required – which explains why this issue was not

picked up in the through testing of our Test version of the Member Portal, as we do not publish this to external users.

- 7.8. The switch to Umbraco 10 is now scheduled to happen on 15<sup>th</sup> September at 8am, at which point the Portal will be offline for up to an hour, to ensure that there are no issues before the website is made available to users again.
- 7.9. Once this has been completed, and as long as the switch over to Umbraco 10 is successful, our external security testers (2-sec) have been booked to begin testing from 18<sup>th</sup> September.
- 7.10. Another full penetration test will be organised again for November, in keeping with our commitment to test our application, and both external websites, every 6 months.

## 8. 2023 End of Year timetable

- 8.1. We have agreed the timeline for the 2023-year end, including the production of benefit statements. The table below details the key milestones for each step of the year end process.

Completed By	Task
31/08/2023	Supplementary Pensions Increase calculated and paid.
31/08/2023	Active Benefit Statements (ABS) to be produced.
05/10/2023	Latest date Pensions Savings Statements sent – will be produced by employer as ABS have been completed.
31/10/2023	Life Certificates issued to Overseas Pensioners.
17/11/2023	TPR Scheme Return submission due (assumed, based on previous years) – membership numbers and data scores to be provided to Partners.

- 8.2. **Deferred Benefit Statements** – The production of deferred benefit statements has been ongoing, throughout August, and have been completed.

Total Number of Statements Required	Total Number of Statements Produced	Total Number of Statements Missing	Percentage of Statements Produced
8,975	8,975	0	100.00%

- 8.3. All statements are published on our Member Portal and emails have been sent to all members, that we hold an email address for.
- 8.4. **Active Benefit Statements** – The production of active benefit statements has been ongoing, throughout August, and the current position is as follows.

Total Number of Statements Required	Total Number of Statements Produced	Total Number of Statements Missing	Percentage of Statements Produced
12,512	12,348	164	98.69%

- 8.5. The active benefit statements have been published, and emails to members to confirm their statement is available, were sent in August.
- 8.6. We will continue to work on the outstanding active benefit statements by investigating these on a case-by-case basis with the aim of reducing the number of these, by the end of the year. A summary of the reason for outstanding active benefit statements, is below.

Reason	Number of Members
Missing 2023 earnings	125
Missing CARE	8
Missing other/previous year earnings	24
TUPE Transfer in progress	7
<b>Total</b>	<b>164</b>

- 8.7. We are in the process of calculating the annual allowance position for members who have previously exceeded their annual allowance, and members who have been identified as part of the active benefit statement process as requiring further investigation. We are on track to issue all **pensions savings statements** by 5<sup>th</sup> October 2023.

## 9. McCloud

- 9.1. The current position of McCloud service/break data sets is as follows:

Number of employers submitted data	101
Number of returns expected	126

Proportion received	80.16
Number of returns missing	25
Lines of data submitted	23,163
Number of Employers initial checks complete on	99
Proportion of employers initial checks completed on	89.02
Number of Employers outstanding queries from initial checks	3

- 9.2. In Appendix 1 we have set out a breakdown of the data returns, by employer, and the current position of each return.
- 9.3. In August, Civica informed all LGPS administrators that the original delivery schedule for McCloud software changes, would need to be adjusted due to under-estimation of the work required. The adjusted timetable means that we will have less McCloud-ready calculations available to us, in October, than we expected. However, the underpin calculation will work for retirements (including ill health); for beneficiaries who are due benefits as a result of a member passing away; and for members who leave with an entitlement to a deferred benefit.
- 9.4. The delivery mentioned in last months' report – which checks the eligibility of members and marks their record accordingly – has now been delivered to our UPM Live environment, and we will be reporting the number of members in-scope for Remedy, in next months' partnership report.
- 9.5. Unfortunately, due to a delay in resolving an issue with the software that uploads all the service and break data provided by employers, we have made less progress in August, than we had hoped. These issues are now resolved, and the team are working through the uploads as quickly as possible; we hope that by October we will be able to report how many members will require their service to be estimated, based on the pay information we already hold.
- 9.6. The Government has not yet responded to the last consultation on McCloud which closed on 30 June and there are no regulations in place. These are still expected to be effective from 1 October 2023.
- 9.7. A link to the McCloud factsheet has been included in the benefit statement communications to members.

## 10. Pensions Dashboard Programme (PDP)

- 10.1. There has been no material update in respect of the PDP, however we have been working through the dashboard readiness checklist and will be sharing a copy of this with an updated PDP report, alongside next months' partnership report.

## 11. 2023/2024 Software Development

- 11.1. The newly designed Employer Hub forms – joiner, leaver etc. – and upload document facility have been published to employers since 24<sup>th</sup> August and we have not encountered any issues so far. Employers were notified of this change, and encouraged to provide their feedback.
- 11.2. Access to the Member Portal for Preserved Refunds has been implemented, and we are currently amending the processes and letter templates that Member Services use, so when we ask members to claim a refund or notify us that they have started work elsewhere in the LGPS, they will be asked to register for the Member Portal and complete the form online. Once the new letters and process have bedded in – and we have gaged the level of PCST support required – we will be starting the project to encourage historic preserved refund members, to claim their refund.
- 11.3. The first stage of implementing auto-generated email acknowledgements from the Portal, is nearing completion – initially emails will be sent to the member when we respond to a 'My Message', asking them to log in to the Portal to view our response. This is being tested by staff in PCST and Member Services, and feedback so far is positive. Once this part of the implementation is complete, we will look at applying email acknowledgements in other areas, for example, when a member submits a form online and has been received by us for processing.

## 12. Audit

- 12.1. The position of our 2023/24 pension audits are as follows:

Audit Area	Timing
<b>Pension Refunds:</b> To assess that there are appropriate arrangements to ensure all refunds are valid, accurate and are paid promptly to the correct recipients following a validated request to withdraw from the schemes administered by HPS.	In Progress



<p><b>UPM – Application Review:</b>  <i>(This has been identified as a new audit review area)</i>  Assurance over the management of the UPM application, including supporting infrastructure such as servers, databases, pre-production environments and system changes.</p>	<p>Quarter 3</p>
<p><b>Pensions Payroll and Benefit Calculations:</b>  Annual review to provide assurance that systems and controls ensure that:-</p> <ul style="list-style-type: none"> <li>• Lump sum and on-going pension payments are calculated correctly, are valid and paid to the correct recipients;</li> <li>• All changes to on-going pensions are accurate and timely;</li> <li>• Pension payroll runs are accurate, complete, timely and secure with all appropriate deductions made and paid over to the relevant bodies.</li> </ul>	<p>Quarter 3 / 4</p>

### 13. Scheme legislation updates

- 13.1. Legislation updates that have been received during August 2023 for the Local Government Pension Scheme, are detailed in Appendix 2, including any actions that Hampshire Pension Services have taken.

### 14. Employer and Member Communications

- 14.1. **Employer communications** – There was one employer communication issued in August, this was a Stop Press in relation to the annual benefit statements being published on the member portal.
- 14.2. **Member communications** – There were four member communications issued in August, these included a reminder that the member portal and employer hub would have downtime on 8<sup>th</sup> August 2023, a communication to encourage our active members to view their benefit statements on the member portal, we alerted our members to a scam going around in which third party organisations are contacting members offering assistance in claiming McCloud benefits, and lastly tax regulations being announced to the age discrimination remedy.
- 14.3. **Data Protection Breaches** – There were no data protection breaches in August.

### 15. Compliments and Complaints

- 15.1. The complaint from July can be found in Appendix 3, we have also received an informal and formal complaint in August, neither of these are due responses until mid September and will therefore be included in next months report.

15.2. We did not receive any compliments in August from members of the LBH LGPS.



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## INVESTMENT STRATEGY and FUND MANAGER PERFORMANCE (Part I)

Committee	Pensions Committee
Officer Reporting	Babatunde Adekoya, Finance
Papers with this report	NT performance report on shared drive LCIV Performance reporting on shared drive Hymans Interim valuation Report 31 August 2023

### HEADLINES

The overall investment return of the Fund was 1.08% over the quarter which was 0.55% lower than the benchmark of 1.64%. Performance over longer-term periods (3 and 5 years) was 3.95% and 2.83% per annum, which are both behind the set benchmark. The 3-year figure is 0.06% below the 4.1% return required in the Funding Strategy Statement, and the 5- year figure 1.18% below this requirement.

Committee should note that the revised return requirement in the FSS commencing 1 Apr 2023 is 4.1%.

The Fund's asset allocation remains close to the target investment strategy except for LCIV Infrastructure and Private Debt Funds which are yet to be fully drawn. There is also a circa 3% under-allocation to MAC.

### RECOMMENDATIONS

**That the Pensions Committee note the funding and performance update.**

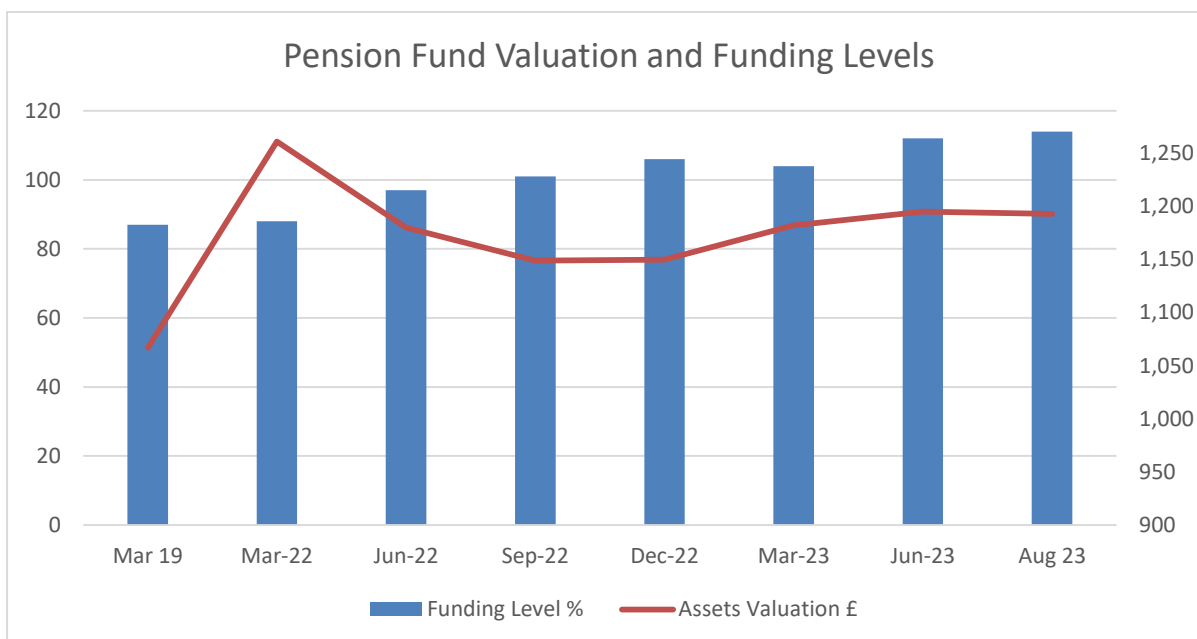
### SUPPORTING INFORMATION

#### 1. Funding Update

At the last formal valuation as of March 2022, the Fund assets were £1,263m and the liabilities were £1,430m. This represented a deficit of £167m and equated to a funding level of 88%.

The interim funding level update produced by the actuary on 30 June 2023 was 112%. The latest 31 August 2023 showed funds' assets were £1,193m and equated funding level of 114%. The main drivers of the improved funding level were increased discount rate (expected returns on whole fund strategy), 6.3% (4.1% in March 2022) and projected Pension Increases (expected CPI inflation), 2.1% (2.7% in March 2022). Both factors meant the projected liabilities went down. Although outside of the reporting period, fund assets as of 31 August 2023 was £1,193m down on the quarter under review by £2m. This interim funding position is based on a forward projection of the 31 March 2022 valuation and assumptions of financial, membership data and demographic nature.

Classification: Public  
Pensions Committee 26 September 2023



## 2. Fund Performance

Over the last quarter to 30 June 2023, the Fund returned 1.08%, underperforming the benchmark return by 0.56%. The Fund value however increased over the quarter by £13m to £1,195m. Longer term performance is behind the benchmark in all time periods.

Period of measurement	Fund Return %	Benchmark %	Relative Performance
<b>Quarter</b>	1.08	1.64	-0.56
<b>1 Year</b>	1.86	2.51	-0.65
<b>3 Year</b>	3.95	4.96	-1.01
<b>5 Year</b>	2.83	4.37	-1.54
<b>Since Inception (09/1995)</b>	6.35	6.55	-0.20

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

- Macquarie, with a relative outperformance of 16.83% was the largest contributor to fund performance in the quarter under review. Whilst AEW, Ruffer and the two Private Equity managers, Adams Street & LGT Capital continued a recent trend of underperformance with relative returns of 7.57%, 7.60%, 7.81% & 8.60% below their respective benchmarks.
- Alternative investments continue to underperform their benchmarks over one- & three-year periods with both Adams Street and LGT Capital the main detractors with returns of 30.02% and 21.57% below their set benchmarks for one year period and 3.55% & 5.41% for three-year period. It should be noted that holdings in Private Equity are however minimal and so have little impact on the overall Fund performance.

- Notable relative underperformance continues in the LCIV Global Alpha Paris Aligned Growth Fund. Since investing the growth style has struggled and the manager has delivered negative relative returns of -1.34% over the quarter and -4.76% over one year. Confidence in the manager turning around the relative underperformance is still high from the LCIV.

**Fund Performance by Manager Relative to Benchmark as at 30 June 2023**

	3 Months		1 Year		3 Years		Since Inception	
	Manager	Benchmark	Manager	Benchmark	Manager	Benchmark	Manager	Benchmark
Adam Street	-3.81	4.34	-18.62	16.29	10.46	14.53	7.40	0
AEW UK	-7.22	0.38	-14.12	-17.39	5.50	3.39	5.92	5.54
LCIV Global Alpha Growth Fund Paris Aligned	3.17	4.58	10.98	16.53	N/A	N/A	-6.62	9.49
LCIV Infrastructure Fund	-0.24	1.87	14.76	6.60	5.18	4.39	4.26	4.34
LCIV Mac Fund	1.91	2.22	2.79	8.15	N/A	N/A	2.55	7.95
LCIV Private Debt	-1.16	1.47	10.27	6.00	N/A	N/A	5.78	6.01
LCIV Ruffer	-6.58	1.11	-1.35	3.18	4.82	1.20	5.09	0.93
Legal & General World Developed Equity	4.52	4.41	12.76	12.73	10.53	10.64	8.09	8.20
Legal & General Index Linked Gilts	-6.61	-6.61	-16.98	-16.98	-12.63	-12.63	-2.42	-2.27
LGIM - Future World Equity IND	3.67	3.57	12.07	11.73	N/A	N/A	7.59	7.45
LGIM LPI Income Property	0.40	2.51	-17.94	10.71	-0.27	8.74	-1.54	7.96
LGT Capital	-4.63	4.34	-8.80	16.29	8.32	14.53	10.35	0
M&G Investments	2.34	2.11	-0.74	7.61	10.29	5.39	5.92	4.90
Macquarie	19.01	1.87	31.72	6.60	21.16	4.39	9.90	3.90
Premira Credit	2.38	2.11	8.17	7.61	6.51	5.39	7.11	4.97
UBS Property	1.36	0.38	-17.07	-17.39	4.19	3.39	3.57	3.48

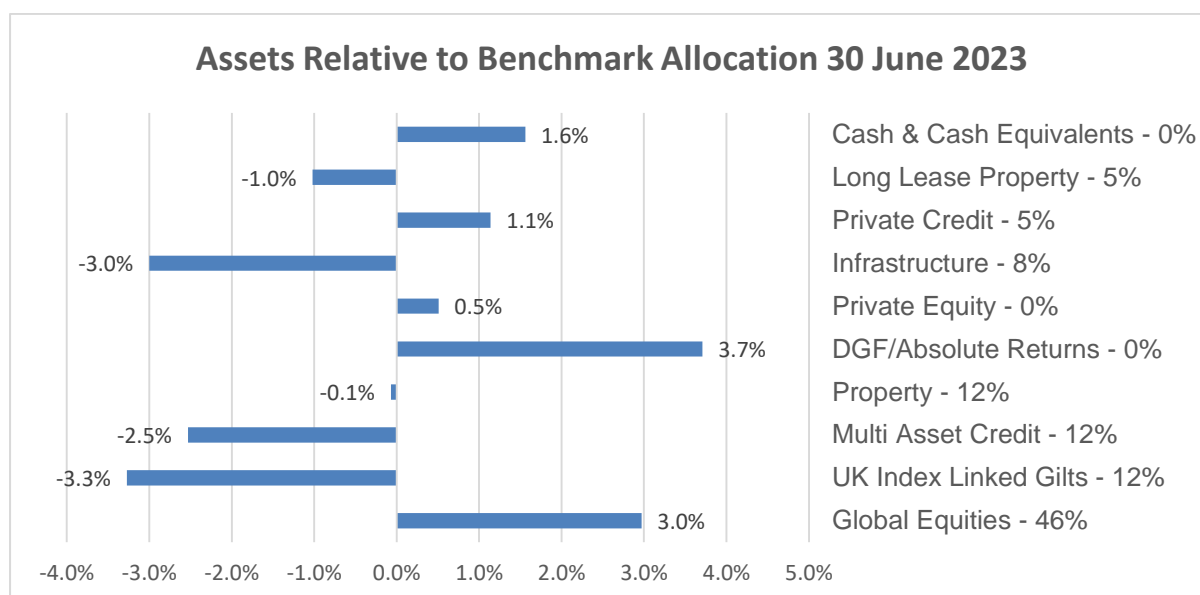
**NB: Information from Northern Trust Quarterly performance report**

### 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 of 01 April 2023	Actual Asset Allocation As of 01 April 2023	Market Value As of 30 June 2023	Actual Asset Allocation As of 30 June 2023	Benchmark Allocation	Market Value As of 31 August 2023
	£'000	%	£'000	%	%	£'000
Global Equities	562,149	48	584,985	48.97	46.00	589,393
UK Index Linked Gilts	111,642	9	104,257	8.73	24.00	102,563
Multi Asset Credit	110,959	9	113,074	9.47		110,039
Property	148,291	13	142,551	11.93	12.00	142,945
DGF/Absolute Returns	47,406	4	44,288	3.71	0.00	44,027
Private Equity	6,666	1	6,108	0.51	0.00	6,208
Infrastructure	54,771	5	59,719	5.00	8.00	61,295
Private Credit	75,923	6	73,402	6.14	5.00	71,307
Long Lease Property	47,386	4	47,574	3.98	5.00	46,947
Cash & Cash Equivalents	16,650	1	18,638	1.56	0.00	18,724
<b>Totals</b>	<b>1,181,843</b>	<b>100.00</b>	<b>1,194,596</b>	<b>100.00</b>	<b>100</b>	<b>1,193,448</b>



Highlights of transactions during the quarter under review:

- Total gross drawdown of £2m by LCIV Infrastructure Fund and £2.3m LCIV Private Debt Fund in the period under review.



- During the quarter, distributions received totalled £4.8m from Permira Private Debt, \$156k & Euro 195k from Private Equity and Euro187k from Macquarie Infrastructure.

Undrawn commitments on 30 June 2023 are as follows:

- £3.2m (8% of commitment) awaiting drawdown on Private Credit (Permira).
- £16.8m (31% of commitment) to London CIV Infrastructure Fund. These funds are currently held in the LCIV Ruffer Absolute Return Fund.
- £2.8m in for the AEW Urban Renewal property fund.
- LCIV Private Debt £23.4m (33% of commitment).

#### 4. Investment Managers

The assets of the Fund are invested with a number of underlying managers and portfolios and in a range of passive and active mandates, including a mix of liquid and illiquid allocations to reflect the Fund's long-term horizon. The table below provides a breakdown of asset class and manager.

Current Asset Allocation by Manager		Market Value As of 30 June 2023	Actual Asset Allocation	Market Value As of 31 August 2023
FUND MANAGER	ASSET CLASS	£'000	%	£'000
LGIM	Global Equities	308,772	25.85	312,308
LGIM	Future World	221,125	18.51	222,929
LCIV - BALLIE GIFFORD	Global Equities	55,088	4.61	54,156
LGIM	UK Index Linked Gilts	104,257	8.73	102,563
LCIV MAC Fund	Multi Asset Credit	113,074	9.47	110,039
UBS PROPERTY	Property	78,210	6.55	78,094
AEW	Property	67,621	5.66	68,215
LCIV - RUFFER	DGF/Absolute Returns	44,288	3.71	44,027
ADAMS STREET	Private Equity	4,214	0.35	4,239
LGT	Private Equity	1,894	0.16	1,969
LCIV - STEPSTONE	Infrastructure	43,506	3.64	44,537
MACQUARIE	Infrastructure	16,213	1.36	16,758
M&G	Private Credit	682	0.06	666
LCIV Private Debt	Private Credit	50,459	4.22	50,938
PERMIRA	Private Credit	22,261	1.86	19,703
LGIM	LPI Property	47,574	3.98	46,947
Non-Custody	Cash & Cash Equivalents	15,358	1.29	15,360
		<b>1,194,596</b>	<b>100</b>	<b>1,193,448</b>

## 5. Market and Investment/Economic outlook (June 23 provided by London CIV)

Regime change gives rise to uncertainty and volatility in asset markets. On the other hand, as we have noted in previous updates, it also creates opportunities, particularly when economies and monetary and fiscal policies are not synchronised. The era of low inflation and exceptionally low interest rates is certainly over, and some of the key drivers of that regime, such as the globalisation of supply chains are in flux. However, the pace at which regions adapt to the new economic order will not be uniform, and as a result, the dispersion of returns earned from owning equities, bonds and currencies increases.

This was certainly evident in the second quarter of 2023. The MSCI World Index had a solid quarter, as noted earlier. Looking below the surface though, we observe that equity indices have been dominated by a small number of companies, often referred to in the press as the 'magnificent 7', which are perceived to be at the vanguard of developments in Artificial Intelligence (AI).

The U.S. NASDAQ index, a bellwether for technology stocks, has gained almost 39% in U.S. Dollar terms this year. Conversely, the FTSE 100 Index is up only 1.1%, and most Asian indices have suffered the effects of the Chinese economy running out of steam. Chinese consumers have pulled back on deploying excess savings after a bout of 'revenge spending', and the effects of problems in the property sector have been underestimated. Policy support has not moved the needle yet.

The big exception in Asia is Japan, where the Nikkei 225 Index is up more than 27% in local currency terms, although only 7.3% in Sterling terms because of the poor performance of the Yen. Investors are attracted to valuations in Japan, but it remains to be seen whether Japanese corporates can deliver sustained growth in earnings, for example by redeploying surplus capital at high rates of return.

There is no doubt that AI will have far reaching effects, positive and negative. Investors are correctly focused on the leaders in the fields of semiconductors, cloud computing and application delivery to capitalise on this potential. However, it is too early to form a definitive view on who the winners and losers will be, and how activities will be regulated to limit the use of data and protect personal privacy.

AI theme may turn out to be a pathfinder for a more broadly based rally in equity markets. However, it could also turn out to be another short-lived burst of enthusiasm from investors casting about for the next big thing. Based on the view from bond markets, investors are encouraged to be cautious, particularly if their equity holdings are tilted to growth stocks, including through allocations to passively managed strategies.

The Bloomberg Global Aggregate Credit index {GBP hedged} is up 3% in the year to date, a credible result which reflects the view that interest rates are closer to settling into a range which is aligned to inflation. However, the prevailing view is still that inflation will decline and move towards central bank target rates by early to mid-2024. This optimism is difficult to reconcile to data for core rates of inflation, especially in the

U.K., and to the prevalence of strongly inverted yield curves in major Western economies. U.K. markets are pricing in a peak base rate of 5.75% (as of the 19<sup>th</sup> of July), compared to the current 5%, by the end of 2023. The differential between yields on Gilts maturing in two years and those maturing in ten years has widened to the highest level in 20 years.

Unfortunately, the U.K. is a laggard in the group of major economies. The economy is expected to expand by only 0.2% this year and by 0.6% and 1.5% in 2024 and 2025 respectively. The persistence of inflation is reflected in the forecast for 2023-year end CPI of 7.5%, although economists then expect a rapid decline in CPI to 3% at the end of 2024 and 2% in 2025. On a positive note, the inflation reading published on July 19<sup>th</sup> provided the first significant sign that price pressure is easing.

## **Outlook**

This is a challenging time to predict growth, employment, inflation, and corporate earnings. Capital markets are sending mixed signals: the 'not too hot, not too cold'. Goldilocks scenario is the main narrative in equity markets, at least for growth-oriented investors, whereas bond investors are more cautious.

Based on the MSCI World Index, the 12-month forward earnings yield on equities (inverse of the price to earnings ratios) was 5.8% at the end of June, when the yield to maturity of the Bloomberg Barclays Global Aggregate Credit Index (hedged to GBP) was 5.4%. In short, stocks, and growth stocks especially, are not offering much of a premium for risk at a time of uncertainty in the outlook for corporate earnings.

We could argue that a lower risk premium for equities is justified by the very poor performance of bonds in 2021/2022. However, we are closer now to settling at 'normalised' ranges for interest rates, which reduces the likelihood that stocks and bonds will move in tandem, although we accept that sentiment can change quickly, resulting in bursts of volatility, and possibly, illiquidity.

The strong recovery in equity markets makes this an opportune time to review portfolios, and consider assets, such as conventional bonds, which have not offered much in terms of income yield and diversification benefits for the past 15 years or so.

This is also a good time to consider the sources of risk within asset classes, such as tilts to growth stocks in equity holdings, and to riskier borrowers in public and private credit portfolios.

## **FINANCIAL IMPLICATIONS**

The financial implications are contained within the body of the report.

## **LEGAL IMPLICATIONS**

There are no legal implications in the report.

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# London Borough of Hillingdon Pension Fund

## Funding update report at 31 August 2023

This report is addressed to the Administering Authority of the London Borough of Hillingdon Pension Fund. This document should be read in conjunction with the fund's current Funding Strategy Statement.

The purpose of this report is to provide the funding position of the London Borough of Hillingdon Pension Fund as at 31 August 2023 and show how it has changed since the previous valuation at 31 March 2022. This report has not been prepared for use for any other purpose and should not be so used. The report should not be disclosed to any third party except as required by law or regulatory obligation or with our prior written consent. Hymans Robertson LLP accept no liability where the report is used by or disclosed to a third party unless such liability has been expressly accepted in writing. Where permitted, the report may only be released or otherwise disclosed in a complete form which fully discloses the advice and the basis on which it is given.

The figures presented in this report are prepared only for the purposes of providing an illustrative funding position and have no validity in other circumstances. In particular, they are not designed to meet regulatory requirements for valuations.

This report also contains the data and assumptions underlying the results and the reliances and limitations which apply to them.

# 1 Results

## 1.1 Funding position update

The table below shows the estimated funding position at 31 March 2022 and 31 August 2023.

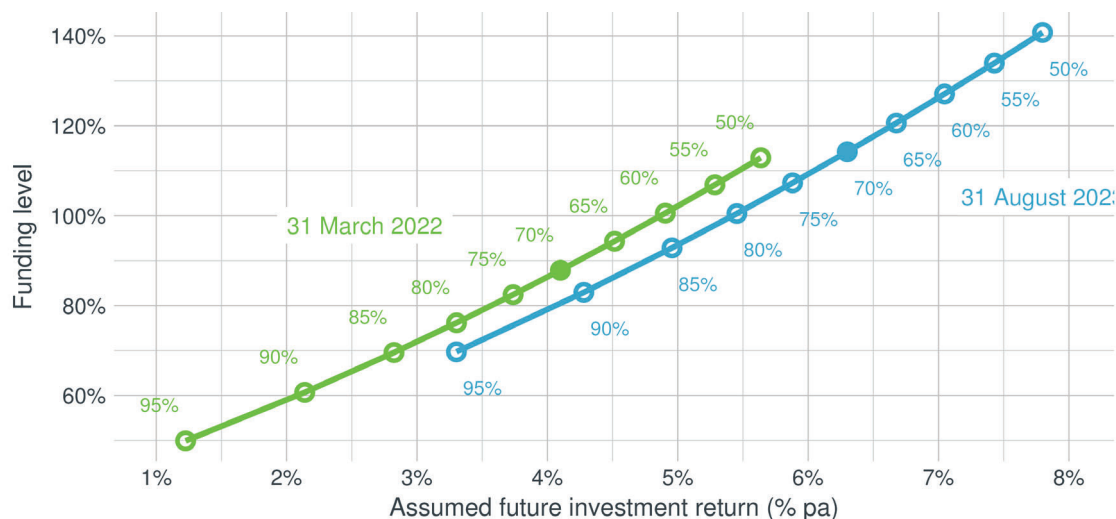
Please note that the asset value at 31 August 2023 shown in this report may differ to the actual asset value at that date because it is an estimate based on estimated cashflows (see section 3.2) and estimated investment returns (see section 3.3). However, the estimated value is consistent with the liabilities and therefore gives a more reliable estimate of the funding position than the actual asset value at the same date.

The table also shows what assumed investment return would be required at each date for the deficit to be exactly zero, along with the likelihood of the investment strategy achieving this return. An increase in this likelihood corresponds to an improvement in the funding position.

Monetary amounts in £bn	Ongoing basis	
	31 March 2022	31 August 2023
<b>Assets</b>	1.26	1.20
<b>Liabilities</b>		
– Active members	0.39	0.28
– Deferred pensioners	0.37	0.24
– Pensioners	0.67	0.53
<b>Total liabilities</b>	1.43	1.05
<b>Surplus/(deficit)</b>	(0.17)	0.15
<b>Funding level</b>	88%	114%
<b>Required return assumption (% pa) for funding level to be 100%</b>	4.9%	5.0%
<b>Likelihood of assets achieving this return</b>	60%	84%

## 1.2 Funding level range chart

The chart below shows how the funding level varies with the assumed rate of future investment returns, comparing the position at 31 March 2022 with the updated position at 31 August 2023. The percentages next to each point show the likelihood of the investment strategy achieving that return (for further details see section 3.4). The solid coloured point indicates the assumed future investment return and funding level on the Ongoing basis.



## 1.3 Funding level progression

The chart below shows the estimated funding level (ratio of assets to liabilities) over time between 31 March 2022 and 31 August 2023. It allows for changes in market conditions and other factors described in Appendix A. If the fund has moved to a different basis since 31 March 2022 this may give rise to step changes in the funding level on the date of the change.



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## 2 Next steps

### 2.1 Understanding the results

The results at 31 August 2023 in this report are estimates based on rolling forward the fund's funding position from 31 March 2022. You should understand the methodology and limitations of this approach described in appendices A and B.

Decisions should not be based solely on these results and your Hymans Robertson LLP consultant should be contacted to discuss any appropriate action before any is taken. Please also bear in mind that the information is estimated and consider other factors beyond the funding level or surplus/deficit. These could include, but are not limited to, changes to investment strategy, membership profile and covenant strength (where relevant).

Please get in touch with your usual Hymans Robertson contact if you wish to discuss the results in this report further.



## 3 Data and assumptions

### 3.1 Membership data

The membership data underlying the figures in this report was supplied by the fund for the purpose of the valuation at 31 March 2022 and is summarised below:

31 March 2022	Number	Average age	Accrued benefit (£k pa)	Payroll (£k pa)
Active members	8,691	53.2	23,167	152,450
Deferred pensioners	12,903	53.1	20,151	
Pensioners and dependants	7,675	69.6	42,417	

The membership is assumed to evolve over time in line with the demographic assumptions described in the Funding Strategy Statement. Please see Appendix A for details of the rollforward methodology which includes the estimated changes in membership data which have been allowed for.

### 3.2 Cashflows since the valuation at 31 March 2022

We have allowed for the following cashflows in estimating the assets and liabilities at 31 August 2023. Cashflows are assumed to be paid daily. Contributions are based on the estimated payroll, certified employer contributions (including any lump sum contributions) and the average employee contribution rate at 31 March 2022. Benefits paid are projections based on the membership at 31 March 2022.

Estimated cashflows (£k)	31 March 2022 to 31 August 2023
Employer contributions	56,264
Employee contributions	14,980
Benefits paid	74,004
Transfers in/(out)	0

### 3.3 Investment returns since the valuation at 31 March 2022

Investment returns are based on actual returns where available and index returns otherwise.

Investment strategy	Actual/index	From	To	Return
Whole fund	Actual	1 April 2022	30 June 2023	(5.11%)
Whole fund	Index	1 July 2023	31 August 2023	0.44%

The total investment return for the whole period is (4.70%).

### 3.4 Financial assumptions

The financial assumptions used to calculate the liabilities are detailed below. For further details please see the Funding Strategy Statement.

Assumption	31 March 2022	31 August 2023
Funding basis	Ongoing	Ongoing
Discount rate methodology	Expected returns on the Whole Fund strategy over 20 years with a 70% likelihood	Expected returns on the Whole Fund strategy over 20 years with a 70% likelihood
Discount rate (% pa)	4.1%	6.3%
Pension increase methodology	Expected CPI inflation over 20 years with a 50% likelihood	Expected CPI inflation over 20 years with a 50% likelihood
Pension increases (% pa)	2.7%	2.3%

Salary increases are assumed to be 0.5% pa above pension increases, plus an additional promotional salary scale.

### 3.5 Demographic assumptions

Demographic assumptions are set out in the Funding Strategy Statement. All demographic assumptions, including longevity assumptions, are the same as at the most recent valuation at 31 March 2022.

Life expectancies from age 65, based on the fund's membership data at 31 March 2022, are as follows. Non-pensioners are assumed to be aged 45 at that date.

Life expectancy from age 65 (years)	Ongoing basis	
	Male	Female
Pensioners	22.3	24.8
Non-pensioners	23.0	26.0

## Appendix A - Technical information

### A.1 Funding update methodology

The last formal valuation of the fund was carried out as at 31 March 2022. The results in this report are based on projecting the results of this valuation forward to 31 August 2023 using approximate methods. The rollforward allows for

- estimated cashflows over the period as described in section 3.2;
- investment returns over the period (estimated where appropriate) as described in section 3.3;
- changes in financial assumptions as described in section 3.4;
- estimated additional benefit accrual.

The CARE, deferred and pensioner liabilities at 31 August 2023 include a total adjustment of 7.2% to reflect the difference between actual September CPI inflation values and the assumption made at 31 March 2022. The adjustment for each year's actual inflation is applied from 30 September that year, cumulative with prior years' adjustments, which may lead to step changes in the funding level progression chart.

In preparing the updated funding position at 31 August 2023 no allowance has been made for the effect of changes in the membership profile since 31 March 2022. The principal reason for this is that insufficient information is available to allow me to make any such adjustment. Significant membership movements, or any material difference between estimated inputs and actual ones, may affect the reliability of the results. The fund should consider whether any such factors mean that the rollforward approach may not be appropriate.

No allowance has been made for any early retirements or bulk transfers since 31 March 2022. There is also no allowance for any changes to Local Government Pension Scheme (LGPS) benefits except where noted in the formal valuation report or Funding Strategy Statement.

### A.2 Sensitivity of results to assumptions

The results are particularly sensitive to the real discount rate assumption (the discount rate net of pension increases) and the assumptions made for future longevity.

If the real discount rate used to value the accrued liabilities was lower then the value placed on those liabilities would increase. For example, if the real discount rate at 31 August 2023 was 1.0% pa lower then the liabilities on the Ongoing basis at that date would increase by 17.6%.

In addition, the results are sensitive to unexpected changes in the rate of future longevity improvements. If life expectancies improve at a faster rate than allowed for in the assumptions then, again, a higher value would be placed on the liabilities. An increase in life expectancy of 1 year would increase the accrued liabilities by around 3-5%.

## Appendix B - Reliances and limitations

The last formal valuation of the fund was carried out as at 31 March 2022 and these calculations rely upon the results of that valuation. The reliances and limitations that applied to that valuation apply equally to these results. The results of the valuation have been projected forward using approximate methods. The margin of error in these approximate methods increases as time goes by. The method may not be appropriate if there have been significant data changes since the previous formal valuation (for example redundancy exercises, significant unreduced early retirements, ill health retirements and bulk transfers). The methodology assumes that actual experience since the valuation at 31 March 2022 has been in line with our expectations.

The data used in this exercise is summarised in section 3. Data provided for the purposes of the formal valuation at 31 March 2022 was checked at the time for reasonableness and consistency with other sources. Data provided since then (eg actual investment returns) has been used as-is. The data is the responsibility of the Administering Authority and the results rely on the data.

The results in this schedule are based on calculations run on 13 September 2023 using the data set out in section 3. Any other factors coming to light after this report was prepared have not been allowed for and could affect the results. If any data has materially changed since 13 September 2023 the results could be materially different if they were recalculated.

Some financial assumptions may be based on projections from our Economic Scenario Service (ESS) model which is only calibrated at each monthend. Results between monthends use the latest available calibration, adjusted in line with the movement in market conditions. This adjustment is approximate and there may be step changes at monthend dates when a new ESS calibration is factored in.

The methodology underlying these calculations mean that the results should be treated as indicative only. The nature of the fund's investments means that the surplus or deficit identified in this report can vary significantly over short periods of time. This means that the results set out should not be taken as being applicable at any date other than the date shown.

As with all modelling, the results are dependent on the model itself, the calibration of the underlying model and the various approximations and estimations used. These processes involve an element of subjectivity and may be material depending on the context. No inferences should be drawn from these results other than those confirmed separately in writing by a consultant of Hymans Robertson LLP.

Decisions should not be based solely on these results and your Hymans Robertson LLP consultant should be contacted to discuss any appropriate action before any is taken. Hymans Robertson LLP accepts no liability if any decisions are based solely on these results or if any action is taken based solely on such results.

This report complies with the relevant Technical Actuarial Standards.

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## RESPONSIBLE INVESTMENTS UPDATE

Committee	Pensions Committee
Officer Reporting	James Lake & Babatunde Adekoya, Finance
Papers with this report	Full manager voting - Shared drive. LGIM Climate Impact Pledge – Shared Drive. LAPFF Business Meeting – Shared Drive LAPFF Quarterly Engagement report – Shared Drive LCIV Voting Tracker – Shared Drive Stewardship Code Outcome Letter

### HEADLINES

Environmental, Social, and Governance (ESG) refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business. These criteria help to better determine the future financial performance of companies (return and risk).

The purpose of this report is to provide information on how managers entrusted with investing the Pension Fund assets are implementing their ESG policies and demonstrate their commitment to ensuring it is a cogent part of their investment process.

In addition, the report details the progress on the UK Stewardship Code project, policy updates and other relevant information.

### RECOMMENDATIONS

**That the Pensions Committee:**

- 1. Note the fund managers' ESG activities and compliance efforts;**
- 2. Note the successful outcome on 2023 Stewardship Code submission to FRC; and**
- 3. Note LAPFF activities.**

### SUPPORTING INFORMATION

#### Voting and Engagement

Fund managers carry out proxy voting on the Pension Fund's behalf. Below is a breakdown of voting statistics by LGIM, and London CIV (Ruffer and Baillie Gifford). The London CIV itself, through Federated Hermes EOS, also exercised voting rights at 93 meetings.

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<b>Fund Managers Voting Breakdown Q2, 2023</b>						
<b>LCIV</b>		<b>Meetings</b>	<b>Resolutions</b>	<b>Votes With</b>	<b>Against</b>	<b>Abstention/Non-Voting</b>
	Jun-23					
LCIV - Ruffer		49	960	816	100	44
LCIV - Baillie Gifford		65	1,045	787	129	129
London CIV Ltd		613	9,063	7,701	1,362	0
		<b>727</b>	<b>11,068</b>	<b>9,304</b>	<b>1,591</b>	<b>173</b>
	%			<b>84.06</b>	<b>14.37</b>	<b>1.56</b>
<b>LGIM</b>		<b>Meetings</b>	<b>Resolutions</b>	<b>Votes With</b>	<b>Against</b>	<b>Abstention</b>
	Jun-23	7,914	95,819	72,382	23,030	407
		<b>7,914</b>	<b>95,819</b>	<b>72,382</b>	<b>23,030</b>	<b>407</b>
	%			<b>75.54</b>	<b>24.03</b>	<b>0.42</b>

The volume of meetings attended, and resolutions voted on by all the fund managers shown above encapsulate their commitment to ESG issues and demonstrates alignment of their stewardship activities with their own investment beliefs, policies, and guidelines. Through this approach, they seek to be active owners on behalf of their clients, by encouraging good governance and a high standard of corporate practices.

The voting breakdown above indicates LGIM have voted against proposed management resolutions on 24% of voting opportunities and supported resolutions on about 76% of occasions. The London CIV and two equities portfolio managers, Ruffer and Baillie Gifford combined to back various management resolutions on 84% of voting opportunities and about 14% against the resolutions proposed by company managements. Abstentions for LGIM and LCIV were 0.4% & 1.5% respectively.

## **Engagement**

ESG factors play an increasingly important role in determining the performance of certain assets. Pension Fund asset managers, as part of their ESG commitments undertake various engagement activities in their holistic approach in making investment decisions. These activities aim to affect changes within invested companies where it is deemed necessary or to complement existing practices.

## **LGIM**

LGIM has issued its 2023 Climate Impact Pledge in which it states that climate change continues to be an issue that LGIM believe is critical for our clients' portfolios. LGIM have further expanded the Pledge's scope this year, supporting companies in scaling up their climate ambitions and engaging to drive positive change. LGIM have also held

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more companies accountable than ever before through voting and investment sanctions.

LGIM now assess over 5,000 companies across 20 'climate-critical' sectors and can apply exclusions to almost £158 billion of assets. This expansion is a significant step forward from the 1,000 companies across 15 'climate-critical' sectors they covered in 2020. LGIM have almost doubled (to 105) the number of companies with which they engage directly and consider 'dial-movers' in their sectors' net-zero endeavours.

LGIM's Climate Impact Pledge (CIP) now covers 43% of total corporate securities by value that LGIM invests in on behalf of our clients – up from below 10% in 2020 and covers 67% of the total emissions attributable to LGIM's holdings.

### **Holding boards to account**

To be successful, companies need to have people at the helm who are well equipped to create resilient long-term growth. By voting and engaging directly with companies, LGIM encourages management to control risks while seeking to benefit from emerging opportunities. The manager aims to safeguard and enhance clients' assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which they use extensively.

### **Creating sustainable value**

LGIM believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. They work to ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value. Their investment process includes an assessment of how well companies incorporate relevant ESG factors into their everyday thinking. The manager engages directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that seek to deliver long-term success.

### **Promoting market resilience**

As a long-term investor for its clients, it is essential that markets (and, by extension, the companies within them) are able to generate sustainable value. In doing so, LGIM believe companies should become more resilient amid change and therefore, seek to benefit the whole market. They use their influence and scale to ensure that issues affecting the value of clients' investments are recognised and appropriately managed. This includes working with key policymakers, such as governments and regulators, and collaborating with asset owners to bring about positive change across markets as a whole.

## **Environment**

### **Water**

As concerns have mounted over Thames Water, LGIM Fixed Income team has been keeping investors updated via our LGIM blog. In summary, while the company has been under pressure from rising costs and inflation, consumers have simultaneously been voicing concerns about leaks, pollution, and a lack of investment in infrastructure. At the time of writing, a number of scenarios are possible, and until a solution for the financial position for the company is agreed, the situation will, in the manager's view, remain unstable.

LGIM are members of the Ceres Valuing Water Finance Initiative, which aims to engage with companies to value and take action on water as a financial risk and drive large-scale change to better protect water systems. In addition to this collaborative initiative targeting companies, LGIM also believe that policy action is vital in achieving the systemic improvements we need to see in order to combat water-based threats such as pollution and antimicrobial resistance.

## **Social**

### **Ethnic diversity**

#### **Identify and engage**

LGIM, believe in cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better economy and society. In continuing their ethnic diversity campaign, the manager voted against companies in the FTSE 100 and S&P 500 indices where the board does not include at least one person from an ethnic minority background. In 2023, so far, LGIM have voted against three companies for this reason: Caesars Entertainment, Dish Network Corporation and The UNITE Group Plc. The manager pre-declared these votes on its pre-declaration blog in order to be transparent about the application of their voting policy and increase public pressure on these companies to meet their minimum expectations.

#### **Escalate**

Ethnic diversity will be an ongoing campaign – as board membership refreshes, there may be fluctuations in companies meeting or falling behind the minimum expectations. LGIM have also widened its scope for ethnic diversity to include the FTSE 250 and Russell 1000 indices. The expectation for the companies in these additional indices is identical (one ethnically diverse board member) but, in line with the UK's Parker Review, LGIM allow these smaller companies more time to meet its expectations and will therefore expect compliance by 2024.

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## **Diversity disclosure in the US**

As part of the Midwest Investors Diversity Initiative, LGIM is leading on engagement with three companies within the Russell 3000 that are not meeting expectations around diversity disclosure. The manager sent letters to three companies requesting to meet and discuss strengthening their policy regarding the consideration of women and people of colour as board candidates and adopting disclosure best practice regarding the demographic make-up of the companies' workforces.

## **Governance**

### **Investor rights: dual-class shares campaign update**

#### **Identify**

LGIM believe voting is an essential right for shareholders to promote market efficiency and to hold company boards accountable. The manager is a strong proponent of the 'one share, one vote' standard, based on the principle that control of a company should be commensurate with the economic interests of investors.

#### **Engage and escalate**

As part of their campaign initiated in 2022, LGIM announced that from 2023, it will be voting against the re-election of the board chair at US-incorporated companies with dual-class structures, where:

- The company does not have a plan to set a time limit on a dual-class structure
- Shareholders have not been given the opportunity to regularly vote on its continuation

Up to the end of May 2023, LGIM have voted against 95 companies under this campaign, demonstrating how widespread this issue has become. It has also been looking at whether there is any overlap with any other areas of governance issues: looking at the overlap between these votes and those against combined chair/CEO roles, it can see that there is commonality in about a third of cases. The manager hopes to return to this analysis later in the year for more insight into potential governance trends.

#### **Public policy update**

As a long-term investor, LGIM share a responsibility to ensure that global markets operate efficiently to protect the integrity of the market and address systemic risks, foster sustainable and resilient economic growth, and aim to protect the value of its clients' assets. Part of how LGIM acts on these responsibilities is by engaging in global policy dialogue, providing practical advice to policymakers and regulators on the key systemic issues.

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## **ENVIRONMENTAL**

### **Nature: EU Nature Restoration Law**

LGIM signed an open letter to European Policy leaders in support of the proposed EU Nature Restoration Law, urging them to:

- Urgently adopt regulations that promote nature protection, restoration and sustainable use of natural resources, with clear implementation roadmaps.
- Uphold, strengthen, and enforce existing environmental legislation to address the nature and climate crises together.

Alongside not just its financial peers, but also large organisations from across a range of sectors, from food and fashion to chemicals and construction, LGIM emphasised the vital role of robust regulatory systems in supporting businesses to take vital action to combat deforestation. Sadly, the law has not passed, although scope for negotiation among the European policymakers remains, and there is reason to be hopeful that, as part of the European 'Green Deal', further regulations supporting the nature should be forthcoming. Support from a range of industry executives is clearly strong, and through continued policy engagement and public pressure we join those voices to call for a robust regulatory framework to remove barriers to industry progress towards restoring and protecting the natural world.

## **SOCIAL**

### **Nutrition: Good Food Finance**

LGIM continue to believe that nutrition is fundamentally important to society as a whole and that it can use its voice as a large investor to put pressure on both food producers and governments to improve the nutritional quality of food available on our grocery store shelves. As highlighted in their Active Ownership report, The manager is a member of both the Access to Nutrition Initiative and the Share Action Healthy Markets Initiative.

A member of its Investment Stewardship team, through their membership of ATNI, participated in a panel discussion during the Good Food Finance Week on Delivering food systems transformation to meet nutrition and finance returns - challenges and opportunities for evidence-based investing. The Good Food Finance Network brings together leaders from a cross-set of industries and the public sector, with the aim of promoting investment and providing solutions for sustainable food systems. The debate was lively and, like all good discussions, could have extended far beyond the time allotted. Topics covered included nutrition and its role in transformation of food systems, the critical role of metrics, and how to engage investors and increase public sector accountability. The session was opened by the CEO and Founder for Food Systems for the Future (and former executive director of the UN World Food Programme and former US Ambassador to the UN Agencies for Food and Agriculture) and was closed by the WHO Director of the department of Nutrition for Health & Development.

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## **GOVERNANCE**

### **Response to FCA consultation on proposed changes to the listing regime**

LGIM has been working with the Investment Association and other groups (e.g., FTSE Committees) on the response to the FCA proposals. The manager also submitted its own response. In summary, it believes the changes in the FCA proposals have the potential to dilute shareholder rights, with a shift of responsibility and control from investors (except if you are a controlling shareholder) to management.

The three key issues in the proposed changes centre on the intended permissive approach to:

- Dual class share structures (DCSS)
- Significant transactions
- Related-party transactions
- 

Overall, LGIM concerns relate to the combined effect of deregulation, loss of sponsor oversight, and the impact upon corporate accountability. The manager are longstanding advocates for equal voting rights and have been conducting a campaign on dual class shares at US companies.<sup>3</sup> In these proposals, it also see potential for constraints on effective stewardship, and in its view, the alternative accountability mechanisms or suggested market responses may not be practical. LGIM feedback has reflected both its general and more specific concerns.

## **LAPFF**

During the quarter LAPFF issued a number of voting alerts which have been shared with LGIM for their consideration. (LCIV receive directly)

The LAPFF Business Meeting was held on the 12 July 2023 where the following items were tabled for discussion and agreement.

- Capital Markets – Threat to quality of UK listing regime
- FCA UKLA consultation draft
- Climate metrics and Executive pay
- Quarterly engagement report
- Proposed shareholder resolution on human rights to mining companies.

Cllr Mathers and Cllr Burles attended the Mid-Year Conference and Business Meeting on behalf of the Fund. These were held on the same day.

The quarterly engagement report is on the members shared drive and provides details on the initiatives undertaken by LAPFF..

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Attached to this report (via the shared drive) is LCIV's voting tracker to allow members to understand where LCIV and LAPFF are aligned and to highlight any differences which Committee may wish to explore.

## **Stewardship Code**

Following various meetings held by the Committee and noted in previous reports and subsequent requests for information the 2023 Stewardship Code report was prepared and reviewed by Committee in May 2023 and submitted to the Financial Reporting Council (FRC) ahead of the 31 May 2023 deadline.

On the 24 August the FRC confirmed that the London Borough of Hillingdon Fund continues to meet the expected standard of reporting and will remain a signatory to the UK Stewardship Code ('the Code'). The FRC will update the list of signatories and reports on their website on 30 August 2023.

The FRC reviewed the report and assessed it against the Code in a way that is proportionate to our organisation's size and type. This assessment was then reviewed to ensure it was fair and appropriate. A sample of reports reflecting a range of applicants was also reviewed by our panel of independent advisors to ensure consistency.

The FRC has reviewed the Fund's new Stewardship Report and although it continues to meet the standard required to remain a signatory, there are several areas which were not addressed. Should the Fund wish to continue as a signatory its status may be at risk if it does not address the feedback in future reporting.

## **FINANCIAL IMPLICATIONS**

ESG initiatives circa £95,000 for 22/23.

## **LEGAL IMPLICATIONS**

Legal implications are included in the report.

The information in this letter is only for the person or entity to which it is addressed.  
The contents may not be made public by the recipient before the FRC publishes the  
UK Stewardship Code signatory list on Wednesday, 30 August 2023.

Mr James Lake  
London Borough of Hillingdon  
Civic Centre  
High Street  
Uxbridge  
UB8 1UW

Thursday, 24 August 2023

## Application Outcome: Renewal Successful

Dear Mr Lake

Thank you for submitting your Stewardship Code application.

We are pleased that London Borough of Hillingdon continues to meet the expected standard of reporting and will remain a signatory to the UK Stewardship Code ('the Code').

We will update the list of signatories and reports on our website on **30 August 2023**. The UK Stewardship Code logo is included in the folder with this letter. Please note that your use of the logo is subject to the terms and conditions and the *UK Stewardship Code logo user guide*.

Please treat this letter as confidential until the FRC has updated the list. Once the FRC has updated the list of signatories, please publish your report on your website.

We reviewed your report and assessed it against the Code in a way that is proportionate to your organisation's size and type. This assessment was then reviewed to ensure it was fair and appropriate. A sample of reports reflecting a range of applicants was also reviewed by our panel of independent advisors to ensure consistency.

Below is a summary of the areas where we identified scope for further improvement when you submit your next report.

### Feedback on your report

We have reviewed your new Stewardship Report and although it continues to meet the standard required to remain a signatory, there are several areas where you have not addressed our feedback. Your signatory status may be at risk if you do not address our feedback in future reporting.

With reporting on Principle 1, the information under the “Culture and values” heading is more relevant to the reporting expectation around the Fund’s investment beliefs. In future, you should explain the fundamental values that underpin your organisation’s stewardship approach and the behaviours of your people.

We note that with reporting on Principle 3, the case study concerning Isio has been repeated from your previous report. We welcome signatories providing illustrative examples from outside the reporting period in circumstances where they have not taken a particular action in the reporting period, but we would encourage you to explain where this is the case. Provide dates that clearly state when something occurred and explain why it was preferable to include it over a more recent example.

Principle 5 requires signatories to disclose their approach to review and assurance of stewardship activities. Your report notes that the Fund seeks external and internal assurance on its governance structure, and you do not seek external assurance on your stewardship approach. In future, you should explain the rationale for these methods, including why it is not appropriate to seek assurance on your internal stewardship approach. You should also explain how you have ensured that the content of your report is fair, balanced and understandable.

Your report has provided fewer examples of engagement with issuers than your previous report. The Code views engagement to be an essential stewardship activity, and we would encourage you to include more examples of your managers engaging with issuers on your behalf in your next report.

With reporting on Principles 9 and 11, we note that you have included several examples of engagement with London CIV and an example of London CIV engaging with their managers. This reporting is welcome, but it more relevant to expectations within Principle 7 and 8 concerning how you screen, select and monitor your external managers. Principles 9 to 11 are focused on engagement with issuers, and you should include case studies of your service providers and managers engaging with issuers on your behalf during the reporting period. Please ensure that these examples are sufficiently detailed, each explaining the objectives for the engagement, the methods of interaction, a description of what occurred, reflection on the outcome and if there are any next steps.

Your report still does not include any examples of you or your managers participating in collaborative engagement to influence issuers. You should aim to include some examples of this in your next report to address the expectations for Principle 10.

## **Next steps**

The FRC will not publish a Review of Stewardship Reporting in 2023. This is necessary to allow the Stewardship Team to dedicate resource to a review of the policy and regulatory framework for stewardship which will begin this year. The guidance in our Reviews published in 2020, 2021 and 2022 remains relevant and we encourage you to refer to past Reviews as you prepare your next Stewardship Report.



This letter sets out our final decision for this assessment period and we do not discuss individual assessments. To remain a signatory, asset managers and service providers are required to submit a new report by 30 April 2024, and asset owners are required to submit a new report by 31 May 2024. Details about reporting periods and application deadlines are on the FRC's website.

Yours sincerely



David Styles  
Director, Corporate Governance and Stewardship

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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 are two risks which are red.

### RECOMMENDATIONS

**That the 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.

There has been no change in terms of the status of the risks included in the register. However, Committee should note that the progress comment in Pen11 - Failure of the pool in management of funds / access to funds, has been updated to show commentary relating to the status of the pool and ability to provide the requisite vehicles and associated with the pooling consultation issued in July 2023. In addition, the consultation suggests a minimum pool size of £50b which may prove difficult for LCIV. Furthermore, progress on the 'Value' equity vehicle is progressing slowly.

Lastly, Jason Fletcher, Chief Investment Officer has resigned; CIV has declared it has the resources to manage his departure whilst they actively search for a replacement.

### **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 2023/24**

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Committee Member	Date of last review
<b>PEN 01 - Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term</b>	<ol style="list-style-type: none"> <li>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.</li> <li>2. Analyse progress at three yearly valuations for all employers.</li> <li>3. Undertake Inter-valuation monitoring.</li> </ol>	<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 2022 initial triennial valuation results show a marginal improvement on the 2019 valuation.</p> <p>A revised investment strategy is being developed to be robust in volatile market conditions..</p> <p>The current position should be viewed with caution as there is still much uncertainty relating to economic growth and inflation, however the objectives of the fund are long term and the portfolio is well positioned to withstand volatility over the long term.</p> <p>Officers are closely monitoring developments and liaising with fund managers and advisors.</p> <p>Member cashflow continues to be monitored.</p>	Strategic risk Likelihood = Significant Impact = Large <b>Rating = C2 (Static)</b>	James Lake / Cllr Mathers	26/09/23
<b>PEN 02 - Inappropriate long-term investment strategy</b>	<ol style="list-style-type: none"> <li>1. Set Pension Fund specific strategic asset allocation benchmark after taking advice from investment advisers, balancing risk and reward, based on historical data.</li> <li>2. Keep risk and expected reward from strategic asset allocation under review.</li> <li>3. Review asset allocation formally on an annual basis.</li> <li>4. Asset allocation reported quarterly to committee.</li> <li>5. Officer and advisers actively monitors this risk.</li> </ol>	<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 assessed 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>A revised Investment Strategy Statement will be prepared in line with the triennial valuation process.</p>	Strategic risk Likelihood = Low Impact = Large <b>Rating = E2 (Static)</b>	James Lake / Cllr Mathers	26/09/23
<b>PEN 03 - Active investment manager under-performance relative to benchmark</b>	<ol style="list-style-type: none"> <li>1. The structure includes active and passive mandates and several managers are employed to diversify the risk of underperformance by any single manager.</li> <li>2. Short term investment monitoring provides alerts on significant changes to key personnel or changes of process at the manager.</li> <li>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.</li> <li>4. Investment managers would be changed following persistent or severe under-performance.</li> </ol>	<p>The Fund is widely diversified, limiting the impact of any single manager on the Fund. Active monitoring of each manager is undertaken with Advisors and Officers meeting managers on a quarterly basis and communicating regularly.</p> <p>The LCIV as pool is increasingly managing more assets on the funds behalf as per regulation. The Fund has been in consultation with LCIV regarding improved oversight, reporting and communication; requested improvements have mostly been implemented.</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>	Strategic risk Likelihood = Low Impact = Small <b>Rating = E4 (Static)</b>	James Lake / Cllr Mathers	26/09/23

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Committee Member	Date of last review
<b>PEN 04 - Inflation - Pay and price inflation significantly more than anticipated</b>	<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. Contribution rate setting as part of the triennial valuation process considers 5000 scenarios in achieving a fully funded position.</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>The impact of inflation is reviewed through all strategic investment decision making, however inflation risk is gaining greater prominence and is raising concern with the potential detrimental impact on liabilities and assets.</p> <p>Inflation linked investments form part of the investment strategy and are aimed at balancing this risk and protecting against the impact of inflation.</p> <p>Ongoing monitoring of inflation forms part of business as usual activities.</p> <p>The Fund's cashflow is constantly monitored and additional cash requirements will be factored into the revised Investment Strategy.</p>	Strategic risk Likelihood = Significant Impact = Large <b>Rating = C2 (Static)</b>	James Lake / Cllr Mathers	26/09/23
<b>PEN 05 - Pensioners living longer</b>	<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>	Strategic risk Likelihood = Low Impact = Small <b>Rating = E4 (Static)</b>	James Lake / Cllr Mathers	26/09/23
<b>PEN 06 - Poor Performance of Outsourced Administrator leading to poor quality information supplied to both members and the Fund Actuary</b>	<p>1. New partnership in place with HCC.</p> <p>2. Regular service meetings in place.</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 will be developed and implemented in 2022.</p>	<p>Regular meetings will take place between HCC &amp; LBH to ensure the new partnership is working in accordance with expectations and that any issues are addressed. Performance against KPI's and other metrics are also discussed.</p> <p>KPI's have been at 100% since partnership inception and all other levels of service, reporting and interaction have been positive and pro-active.</p> <p>HCC attend and report directly at Committee and Board meetings to allow first-hand scrutiny.</p>	Strategic risk Likelihood = Low Impact = Large <b>Rating = E2 (Static)</b>	James Lake / Cllr Mathers	26/09/23

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Committee Member	Date of last review
<b>PEN 7 - Cyber Security - Pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals</b>	<ol style="list-style-type: none"> <li>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.</li> <li>2. Risk is on the Corporate risk register with risk mitigation in place.</li> <li>3. All member and transactional data flowing from HCC and Hillingdon is sent via encryption software or via the employer portal.</li> <li>4. Data between the fund, HCC and Hymans is distributed via upload to an encrypted portal.</li> <li>5. Systems at Hillingdon and HCC are protected against viruses and other system threats.</li> <li>6. HCC are accredited to ISO27001:2013 and signed up to the Pensions Regulator Pensions Pledge. HCC currently undergoing penetration testing to ensure they are PSN compliant.</li> </ol>	<p>This risk has been recognised in response to recommendations by the Pensions Regulator and work carried out by Pensions Board</p> <p>A Data Mapping exercise has been carried out to understand data transfers and risks in this area. The results and undergone an Internal Audit assessment with a reasonable assessment level applied. Recommendations from the audit have been implemented.</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.</p> <p>The Fund recently participated in the AON LGPS cyber scorecard exercise which is a high level assessment of the Fund's cyber resilience. The results show the Hillingdon Fund is generally either average or above average. No immediate concerns were highlighted.</p> <p>HCC has a number of cyber controls in place, upgraded the member portal security and has produced a cyber compliance statement which sets out for all partners the controls they have in place and detailing areas of improvement. HCC continue with their programme of security updates.</p> <p>HCC apply a policy of continuous improvement as evidenced in they IT improvement road plan. Twice yearly PEN testing was introduced in Q2 2023.</p> <p>The latest HCC internal audit report on cyber security has been issued in 2023.</p>	Strategic risk Likelihood = Medium Impact = Large <b>Rating = D2 (Static)</b>	James Lake / Cllr Mathers	26/09/23
<b>PEN 8 - ESG - Risk of financial loss through the negative impact of ESG matters</b>	<ol style="list-style-type: none"> <li>1. The fund have an ESG policy in place as part of the ISS.</li> <li>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.</li> <li>3. Manger selections take into account ESG policy.</li> <li>4. Mangers are expected to be signed up to the stewardship Code.</li> <li>5. Managers are expected to have signed up to the UN Principles for Responsible Investment (UK PRI)</li> <li>6. ESG Issues are discussed with managers at review meetings.</li> <li>7. The Fund submitted its application report for the new 2020 UK Stewardship Code ahead of the April 2022 deadline.</li> <li>8. The Fund has signed up to support TCFD.</li> </ol>	<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 updated annually through the Stewardship Code 2020 sign-up process. A revised policy was approved by Committee in March 2023.</p> <p>Fund manager engagement now forms part of an annual assessment and engagement process to improve manager ESG credentials.</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. These actions have considerably reduced the carbon metric of the Fund.</p> <p>The Fund aims to work towards UN SDG 7 &amp; 13 objectives and will start to report on complementing TCFD metrics. The Fund will also collaborate and has signed up to TCFD. The Fund has agreed to being reporting against TCFD.</p> <p>The Fund was granted UK Stewardship Code signatory status in September 2022. The 2023 report was submitted in May 2023.</p> <p>In March 2023 the fund joined LAPFF to bolster engagement on ESG issues.</p>	Strategic risk Likelihood = Medium Impact = Medium <b>Rating = D3 (Static)</b>	James Lake / Cllr Mathers	26/09/23
<b>PEN 9 - Liquidity on asset management risk of failure to liquidate assets or meet drawdown calls</b>	<ol style="list-style-type: none"> <li>1. The fund has an active daily cash management process in place to ensure there is sufficient cash available to meet any drawdown requirements.</li> <li>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.</li> <li>3. Officers liaise with managers where commitments have been made to keep track of predicted drawdown timescales.</li> <li>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.</li> </ol>	<p>There is a detailed cash management process in place. This is signed off daily to ensure liquidity.</p> <p>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 has sufficient liquidity should it need to draw on investments or divert income to settle trades.</p>	Strategic risk Likelihood =Low Impact = Large <b>Rating = E2 (Static)</b>	James Lake / Cllr Mathers	26/09/23

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Committee Member	Date of last review
<b>Pen 10 - Liquidity on members dealings risk that the fund is unable to settle member payments</b>	<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. The fund is significantly diversified in different asset classes with the option of distribution portfolios.</p>	<p>There is a detailed cash management process in place. This is signed off daily to ensure liquidity.</p> <p>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 has sufficient liquidity should it need to draw on investments or divert income.</p> <p>As part of the Investment Strategy Review options are being discussed to bolster operational income and set out funding streams for any changes in the investment portfolio.</p>	Strategic risk Likelihood = Low Impact = Medium <b>Rating = E3 (Static)</b>	James Lake / Cllr Mathers	26/09/23
<b>PEN 11 - Failure of the pool in management of funds / access to funds</b>	<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>The LCIV CIO, Jason Fletcher has resigned. LCIV advise they have the resources to manage the gap between his departure and the new appointment.</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 have largely been implemented.</p> <p>The Hillingdon Fund has taken the lead in actively managing its underlying Pool investments with action being taken when necessary.</p> <p>LCIV continue to develop a pipeline of investment offerings based on client demand. The Value Equity offering however, has been put on hold due to lack of demand. This will have an impact on the Fund taking this forward resulting in potentially going off-pool or adjusting the strategy.</p> <p>New shareholder agreement and articles of association signed by all relevant parties 10 May 2023. The FCA and LCIV auditors have been advised.</p> <p>Key items to note following the release of the Pooling consultation include the requirement for Pools to be a minimum £50b in size. LCIV are to provide update as they are unlikely to meet this critical mass. LCIV need to create vehicles to allow for the new levelling up and private equity allocations. Note potential conflict with fiduciary duty.</p>	Strategic risk Likelihood = Low Impact = Small <b>Rating = E4 (Static)</b>	James Lake / Cllr Mathers	26/09/23
<p><b>PEN 12 - Failure of the Fund's governance to comply with statutory requirements and/or The Pension Regulator expectations including:</b></p> <p><b>Failure to ensure that Committee members' knowledge and understanding of pension matters is robust and meets statutory requirements</b></p> <p><b>Failure to ensure that the Pension Board is effective in carrying out its role</b></p>	<p>1. Governance Policy Statement, reviewed every 3 years.</p> <p>2. Policies on range of issues, reviewed regularly.</p> <p>3. Compliance with CIPFA Code of Practice on Public Sector Pensions Finance, Knowledge and Skills.</p> <p>4. Programme of training sessions and access to external events.</p> <p>5. Use of Regulator's on-line toolkit.</p> <p>6. A knowledge self-assessment framework for Committee and Board members to identify training requirements.</p> <p>7. The Fund's Annual Report includes details of Committee and Board members' training activities.</p> <p>8. Fund Governance Adviser in place.</p> <p>9. Access is provided to CIPFA K&amp;S Framework training modules.</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. Training logs are to be brought to Pensions Committee &amp; Board with a mandatory Committee training programme in place.</p> <p>Mandatory training, in line with the CIPFA K&amp;S Framework, is to be undertaken by all Committee members.</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 were approved by Council and a new Operations Manual has been developed. Maximum tenure and staggered terms are 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 (Static)	James Lake / Cllr Mathers	26/09/23



Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Committee Member	Date of last review
<b>PEN 13 - Key officer risk - small team with specialists knowledge in key roles results in the Fund being vulnerable if staff leave</b>	1. The team endeavours to maintain a broad knowledge across the pension function. 2. The Fund has access to specialist support should it be required. 3. The Fund has access to the interim employment market should it be required.	Succession planning is underway to bolster knowledge. Additions to the team are being considered to expand the resource base.	Strategic risk Likelihood = Medium Impact = Small Rating = D4 (Static)	James Lake / Cllr Mathers	26/09/23

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L I K E L I H O O D		Risk rating	Score	Risk rating	Score	Risk rating	Score	Risk rating	Score
	Very High (A)	A4	6	A3	12	A2	18	A1	24
	High (B)	B4	5	B3	10	B2	15	B1	20
	Significant (C)	C4	2	C3	4	C2	6	C1	8
	Medium (D)	D4	1	D3	2	D2	3	D1	4
	Low (E)	E4	0	E3	0	E2	0	E1	0
Very Low (F)	F4	0	F3	0	F2	0	F1	0	
		<b>Small (4)</b>		<b>Medium (3)</b>		<b>Large (2)</b>		<b>Very Large (1)</b>	
<b>Attributes:</b>		<b>IMPACT</b>							
Financial	up to £500k	Between £500k and £10m		Between £10m and £50m		Over £50m			
Reputation	Minor complaint, no media interest	One off local media interest		Adverse national media interest or sustained local interest		Ministerial intervention, public inquiry, remembered for years			

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## GOVERNANCE

Committee	Pensions Committee
Officer Reporting	James Lake, Finance
Papers with report	Internal Audit - Effectiveness of the Pensions Committee Terms of Reference on Members Shared Drive Pension Committee Workplan Governance Update & Initiatives Pension Only Discretions

## HEADLINES

This report is to enable the Pension Committee to review the Committee workplan, note governance updates and approve the updated Pension Only discretions policy.

## RECOMMENDATIONS

**That the Pensions Committee:**

- 1. Note the dates for Pensions Committee meetings;**
- 2. Make suggestions for future agenda items, working practices and / or reviews;**
- 3. Note Committee's training update;**
- 4. Note Internal Audit 'Effectiveness of the Pension Committee' Terms of Reference;**
- 5. Note and agree actions in Governance Update and Initiatives; and,**
- 6. Approve the updated Pension Only Discretions Policy.**

## SUPPORTING INFORMATION

The Pension Committee workplan has been updated and is now shown as an appendix to this report. The revised presentation is designed to assist with planning and prioritisation of actions.

Committee are asked to review the workplan and make suggestions for consideration and inclusion.

Future meeting dates:

- 13 December 2023
- 26 March 2024

Classification: Public  
Pensions Committee 26 September 2023

## **Governance Review**

Currently there are two initiatives which are being prepared for release which are The Pension Regulators General Code and the Scheme Advisory Board's Good Governance Framework. Both pieces are designed to improve Fund governance and operation, however due to various reasons their introduction into legislation and guidance has been delayed.

The Funds overall objective is to be complaint and although there is still some uncertainty on the final outcome, the Fund wishes to progress on a best endeavours basis.

Clare Scott in conjunction with Pension Board and officers has prepared a governance review which sets out key areas on which to focus and assigns a priority level for their development.

Within the high priority items is 'Training' and the need to ensure Committee members and officers to have the requisite knowledge to fulfil their duties. A training plan and needs assessment will be a key deliverable over the next quarter and this along with the revised policy will be set before Committee for approval in December 2023.

The Fund will work through the items shown in the report in order that it can demonstrate compliance earlier than would otherwise be the case if it waited for official Code and Framework publication.

## **Training**

In line with the required competencies set out by CIPFA Knowledge and Skills Framework, Pension Committee members should have a general understanding of areas associated with their LGPS fiduciary role. Upcoming changes in legislation are expected to enforce the need for training and will make it a regulatory requirement for Pension Committee members.

To monitor progress against this requirement a log of member training is shown below. Pension Committee members are asked to complete the AON CIPFA Knowledge & Skills Framework sessions.

## Pensions Committee Training Log 2023/24

Date	Details	Cllr Mathers	Cllr Burles	Cllr Islam	**Cllr Goddard	**Cllr Riley	Cllr Banerjee
<b>Bespoke Sessions</b>							
13 Apr 23	AEW Property	✓	✓	✓	✓	n/a	No
2 May 23	Dislocation Fund and ISS	✓	✓	✓	✓	n/a	✓
10 May 23	LCIV Impact Investing	✓	-	-	-	-	-
12 Jul 23	LAPFF Mid-Year Conference	✓	✓	-	n/a	-	-
22 Aug 23	Pension Fund Pooling	✓	✓	✓	n/a	✓	✓
<b>Mandatory Training (AON CIPFA Knowledge &amp; Skills Framework)</b>							
Introduction to the LGPS	*	*	*	*	*		-
Pension's legislation, guidance, and governance	*	*	*	*	*		*
Local governance and pensions procurement and contract management	*	*	*	*	*		✓
Funding strategy and actuarial methods, and financial, accounting and audit matters	*	*	*	*	*		✓
Investments – Strategy, asset allocation, pooling, performance, and risk management	*	*	*	*	*		✓
Investments - Financial markets and products	*	*	*	*	*		✓
Pensions Administration and Communications	*	*	*	*	*		✓

\*Not applicable as completed Knowledge and Skills training prior to 2023/24 either via AON or the LGA Fundamentals course.

\*\*Cllr Goddard left Pension Committee in May 2023

\*\*Cllr Riley joined Pension Committee in May 2023 – training to be completed.

In line with the expected requirements in the new Single Code and Good Governance Framework, there will be a specific requirement for the Pension Committee, Board, and officers to undertake the appropriate training needed to fulfil their obligations.

As noted in the workplan and Governance Update, officers, along with the Independent Adviser, will develop a training plan and update the Training Policy to incorporate specific items in relation to the expected requirements.

### Effectiveness of the Pensions Committee

The Council's Internal Audit team published the Terms of Reference (ToR) for their 'Effectiveness of Pensions Committee' review in July 2023. In preparing the ToR they held initial meetings with the Chairs for the Committee and Board as well as the Independent Governance Adviser and relevant officer.

The audit has commenced, and officers have provided various pieces of evidence which support the Pensions Committee activities and governance process.

Classification: Public

Pensions Committee 26 September 2023

Furthermore, Councillors have been asked to complete a questionnaire to obtain their perspective in terms of the support and processes of Pensions Committee.

The outcome of the audit will be reported at the December Committee meeting.

### **Pension Only Discretions**

Legislation allows certain discretions when implementation administration of LGPS rules, however these should be documented and published to be enforceable.

Item 12 on the attached Pension Only Discretions has been updated to reinforce that employers are required to pay in full and upfront, the pension strain costs should they take an alternative approach to that recommended by the Independent Registered Medical Practitioner when assessing whether an ill-health retirement should be granted.

The section has been adjusted from:

- LBH PF requires employers to make upfront payment of strain charges following any decision to allow early payment of benefits (other than ill health).

To:

- LBH PF requires employers to make upfront payment of strain charges following any decision to allow early payment of benefits. In case of Ill-health benefits, if an employer, against the recommendation of an IRMP (Independent Registered Medical Practitioner) decides to bring an employee's Pension into payment they will be liable to pay the whole strain cost upfront. If the ill-health decision is aligned with the IRMP decision the strain costs will form part of the employer's contribution rate.

### **FINANCIAL IMPLICATIONS**

Continued training will incur fess dependant on the platform and events attended.

### **LEGAL IMPLICATIONS**

The legal implications included within the body of the report.



## London Borough of Hillingdon Pension Fund - Pensions Committee agenda plan

	Frequency	Last review	Sep-23	Dec-23	Mar-24	Jun-24
<b>Governance</b>						
Business Plan & Budget	Annual		Y		Y	
Business Plan & Budget - Update on progress/outturn	Quarterly		Y	Y	Y	Y
Annual Report and Accounts Draft - unaudited	Annual			Y		
External audit plan	Annual			Y		
External audit results report	Annual				Y	
Internal audit - outcomes	As required			Y		
Internal audit opinion	Annual					
Local Pensions Board Operating Procedures	Every 3 years	Nov-21				
Local Pensions Board - Annual Report	Annual				Y	
Compliance with Pensions Regulator Code of Practice	Annual				Y	
Benchmarking - Investment/CTI; Admin?; Funding (Section 13)	Various					
Procurement of services	As required					
Governance Update	Quarterly		Y	Y	Y	Y
Business Plan Update	Annual		Y		Y	
Risk register	Quarterly		Y	Y	Y	Y
<b>Policies</b>						
Governance Policy & Compliance Statement inc Governance Compliance Statement		Sep-20		Y		
Conflicts of Interests Policy		Mar-23				
Risk Management Policy		Mar-22				
Procedure for Reporting Breaches of the Law		Oct-21				
Funding Strategy Statement		Mar-23				
Investment Strategy Statement	At least every 3 years	Apr-20	Y			
Responsible Investment Policy		Mar-23			Y	
Training Policy		Jul-19		Y		
Pensions Administration Strategy		Sep-21				
Scheme pays policy		Oct-20		Y		
Internal Disputes Resolution Procedure (IDRP) Employees Guide		Oct-22				
Communications Policy		Sep-21				
Discretions Policy		Jun-22				
<i>Others on the website???</i>						
- Contributions banding?	Annual	Mar-23				
-Employer discretions - is this for LBH as employer?						
<b>Pensions Administration</b>						
Pensions Administration Performance	Quarterly		Y	Y	Y	Y
Breaches, Complaints and Appeals???	Annual				Y	
<b>Funding</b>						
Actuarial Valuation	Every 3 years	Mar-23				
<b>Investment</b>						
Review of Investment Strategy	Every 3 years	Jun-23				
Investment update and manager review	Quarterly		Y	Y	Y	Y
Responsible Investment Update	Quarterly		Y	Y	Y	Y
Stewardship Code	Annual				Y	
Climate Risk Dashbaord (TCFD) Currently based on triennial cycle	Every 3 years					

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# **London Borough of Hillingdon Pension Fund**

## **Pensions Committee meeting – 26 September 2023**

### **Introduction**

Over recent years, the Local Government Pension Scheme and London Borough of Hillingdon Pension Fund ('the Fund') have faced increasing standards and scrutiny on governance partly as a result of The Pensions Regulator beginning to oversee the LGPS and the introduction of local pension boards in 2015. These increasing standards and scrutiny are expected to continue with changes to The Pensions Regulator's new general (single) code of practice, increased reporting requirements outlined in the recent government consultation on investment pooling and the Scheme Advisory Board's Good Governance recommendations expected to be incorporated into legislation and/or guidance.

The Fund's overall objective is to be compliant with legislation, guidance and codes of practice. There remains some uncertainty of new requirements but despite this, the Fund wants to progress governance matters (where possible and practical), because it is in the interests of members and employers. Making progress now should ensure the Fund is able to demonstrate compliance earlier than would otherwise be the case.

Draft priorities for governance reviews over the coming months are outlined in this paper. They are based on the new (expected) requirements taking into account the current issues facing the Fund.

Feedback on these draft priorities was sought from the Local Pension Board at their meeting in July 2023.

### **Scheme Advisory Board's Good Governance Review**

The LGPS Scheme Advisory Board concluded its Good Governance review in 2021. The review looked at governance improvements within the current structure (i.e. with local councils administering the LGPS). The recommendations are summarised in the table below.

<b>Good Governance Recommendations</b>	<b>Proposed priorities for the Fund</b>
<b>A General</b>	
A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).	Officers should ensure the Fund’s annual report incorporates areas described by the review (e.g. meeting attendance, training). <b>Priority – MEDIUM</b>  Otherwise, wait until more information is available.
A.3 Each administering authority must publish an annual governance compliance statement (GCS) that sets out how they comply with the governance requirements for LGPS funds, as per statutory Guidance. This statement must be co-signed by the LGPS senior officer and S151.	
A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund (“the LGPS senior officer”).	Committee should consider resourcing, officer responsibilities and delegations for the Fund (including the role of LGPS senior officer). <b>Priority - HIGH</b>
<b>B Conflicts of Interest</b>	
B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance.	The Fund already has a Conflicts of Interest policy. Await legislation and/or guidance before reviewing policy.  In the meantime, put in place training for Committee and Board on potential conflicts of interest incorporating the specific conflicts mentioned in the review. <b>Priority – MEDIUM</b>
B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.	
<b>C Representation</b>	
C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.	Discuss representation of scheme members and non-administering authority employers, and voting rights, in the Fund’s governance. (This could be combined with a review of The Pensions Regulator’s code of practice on Equality, Diversity and Inclusion review – see below). <b>Priority MEDIUM</b>  Await legislation and/or guidance before drafting policy.
<b>D Skills and Training</b>	
D.1 Introduce a requirement via the Guidance for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.	The Fund has a Training Policy.  Review delivery of training policy – review and develop (where necessary) induction material, training plans, knowledge assessments, record keeping, reporting. <b>Priority – HIGH</b>
D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.	

<b>Good Governance Recommendations</b>	<b>Proposed priorities for the Fund</b>
D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.	Review how key officers are covered by training policy. <b>Priority – HIGH</b>  Review Training Policy in light of Good Governance recommendations more broadly and any changes to guidance. (See also link to TPR Code of Practice later). <b>Priority – MEDIUM</b>
D.4 CIPFA should be asked to produce appropriate guidance and training modules for s151 officers.	Await progress.
<b>E – Service Delivery for LGPS</b>	
E.1 Each administering authority must document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority’s scheme of delegation and constitution, and be consistent with role descriptions and business processes.	Review documentation of roles/responsibilities relating to the Fund (also considering LGPS Senior Officer recommendation above). <b>Priority – HIGH</b>
E.2 Each administering authority must publish an administration strategy.	The Fund has an Administration Strategy. Await legislation and/or guidance before reviewing policy.
E.3 Each administering authority must report the fund’s performance against an agreed set of indicators designed to measure standards of service.	Await clarity on common set of indicators. Ensure third party administrator is engaged in this work to ensure they are capable of delivering. <b>Priority – MEDIUM</b>
E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.	Pensions Committee approves the Fund’s budget. The Fund should develop a business plan, to be approved by Committee, to ensure objectives and priorities are agreed, and the resource and budget is adequate. <b>Priority – HIGH</b>
<b>F Compliance and Improvement</b>	
F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.	Monitor status. (Preparatory work on governance should ensure the Fund’s governance continues to improve).
F.2 LGA to consider establishing a peer review process for LGPS Funds.	

## **The Pensions Regulator**

### ***The General Code***

Since 2015, The Pensions Regulator has had responsibility for regulating governance and administration of the LGPS. It issues Codes of Practice to outline its expectations of how pensions schemes should be managed. Codes of Practice are not statement of law but if the regulator takes enforcement action against a fund/scheme, it will point to aspects of the codes to highlight shortcomings.

Code of Practice 14 (Governance and administration of public service pension scheme) is currently the main code which applies to the LGPS.

In the spring of 2021, The Pensions Regulator consulted on the draft content for the first phase of a new code of practice which will replace 10 existing codes including the current Code of Practice 14. The new code (expected to be called the 'General Code') will apply to both public and private pension schemes despite various responses to the consultation requesting separate code(s) for the LGPS/public schemes.

As the draft Code uses the term 'governing body' to apply to different types of pension scheme in both the private and public sector, it is currently unclear what this means for LGPS funds. The draft code defined this body as 'scheme manager and pension board' which could lead to confusion and/or duplication because the role of the pension board is to 'assist'. It is hoped the final version will provide clarity on this matter.

The 51 modules of the draft code are listed in the appendix to this document. The Pensions Regulator recognised that some modules would not be applicable to the LGPS but others would be classed as 'best practice'. However, in its response to the consultation the LGPS Scheme Advisory Board also challenged the applicability of other modules. As local government legislation applies to the scheme manager (i.e. the Council) it could be that some modules of the Code are applicable only to the Pension Board and not the Pensions Committee. Again, it is hoped the final version will provide clarity on this matter.

The timing of introduction of the General Code is also uncertain. It is understood the code is ready to be implemented but needs to be laid in parliament for 40 days.

The appendix shows the modules of the draft code and recommends priorities for governance reviews for the Fund focussing on those where:

- There is little uncertainty on whether the module(s) are applicable,
- Modules which are new, or specific, for the LGPS.

### ***Equality, Diversity and Inclusion (EDI)***

The Pensions Regulator has published guidance for pension scheme governing bodies and employers with the aim of improving equality, diversity and inclusion and

hence improving governance. The guidance covers both private and public schemes, including both the Pensions Committee and Local Pension Board.

The Fund should review the guidance and consider potential areas for improvement. It will be important to recognise the small size of the Fund. **Priority – MEDIUM**

### **Recommended Priorities for Governance Reviews**

The proposed areas for governance reviews over the coming months are outlined below. These priorities should be reviewed when there is news of changes to legislation/guidance and when The Pensions Regulator's General Code of Practice becomes available.

#### **High priority**

- Develop a Business Plan for the Fund for the Committee to agree objectives consistent with resource and budget.
- Review delivery of the Fund's training policy – review and develop (where necessary) induction material, training plans, assessments, record keeping and reporting. (This is particularly relevant given the recent changes to the Committee membership.) Incorporate into the training plan:
  - o Potential conflicts of interest;
  - o Reporting to The Pensions Regulator;
  - o Governance of training for senior officers;
  - o Any relevant findings from and internal audit reviews.
- Committee to consider resourcing and LGPS senior officer and ensure delegations are documented appropriately.
- Review the Fund's approach to investment monitoring recognising the significant investments managed by London CIV, changes in the roles of advisers and the new contract with the investment consultant.
- Cyber Security. This continues to be a key risk for the Fund, despite significant work having been done in this area. Review The Pensions Regulator's new requirements and seek additional assurances from the third-party providers and the Council as necessary.

#### **Medium priority**

- Include reporting as recommended by the Good Governance review in the Fund's annual report.
- Review Equality, Diversity and Inclusion including representation of scheme members and non-administering authority employers, and voting rights, in the Fund's governance.
- Review Training Policy considering Good Governance recommendations and the regulator's general code.
- Review Communications and Disclosures requirements from the General Code.
- Ensure third party administrator is engaged in consideration of the pensions administration requirements of the regulator's code and is capable of complying.

## **Next Steps**

Following discussion with the Pensions Committee, work will progress on the high priority areas and a more detailed timetable for the governance reviews will be produced. Progress will be reported to the Pensions Committee and Local Pension Board on a regular basis.

**Clare Scott**  
**Independent Adviser**

## **July 2023**

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## Appendix – Modules of The Pensions Regulator’s Draft General Code of Practice

	Module Title	Applicable to LGPS? [1]	Recommended Priorities
<b>Governing body</b>	Role of governing body		LOW – wait for clarity on applicability
	Recruiting to the governing body	?	
	Member nominated trustee appointments	N/A	
	Role of the chair	?	
	Meetings and decision-making	?	
	Remuneration policy	?	
	Working knowledge of pensions	?	HIGH
	Governance of knowledge and understanding	N/A	
	Building and maintaining knowledge		
	Value for members	N/A	LOW – wait for clarity on applicability
	Managing advisers and service providers	?	
	Identifying and assessing risks.		MEDIUM
	Managing risk using internal controls		
	Assurance of governance and internal controls		
	Continuity planning		
	Conflicts of interest	?	
Own risk assessment	N/A		
Scheme governance	?		
<b>Funding &amp; Investment</b>	Investment governance	?	LOW – although be cognisant of principles when reviewing investment monitoring
	Investment decision making	N/A	
	Implementation report	N/A	
	Investment monitoring	?	
	Stewardship	N/A	
	Climate change	N/A	
	Statement of Investment Principles	N/A	
	Default arrangements and charge restrictions	N/A	

	<b>Module Title</b>	<b>Applicable to LGPS? [1]</b>	<b>Recommended Priorities</b>
<b>Administration</b>	Administration		Cyber HIGH  Other Administration modules. Engage with third party administrator. MEDIUM
	Financial transactions		
	Transfers		
	Scheme records		
	Data monitoring		
	Maintenance of IT systems		
	Cyber controls		
	Receiving contributions		
	Monitoring contributions		
	Resolving overdue contributions		
<b>Communications &amp; Disclosure</b>	General principles for member communications		MEDIUM Engage with third party administrator where applicable.
	Statutory financial statements (DC)	N/A	
	Statutory financial statements (DB)	N/A	
	Statutory financial statements (Public Sector Pension Schemes)		
	Retirement risk warnings and guidance	N/A	
	Short service refunds / refunds of contributions		
	Chair's statement	N/A	
	Scams		
	Publishing information about public service pension schemes		
	Audit requirements	N/A	
	Dispute resolution procedures		
<b>Reporting to The Pensions Regulator</b>	Registrable information and scheme returns		MEDIUM – include in training for Committee
	Who must report		
	Decision to report		
	How to report		

[1] As per DRAFT Code of Practice

## Further Information

**Good Governance** report and recommendations from Scheme Advisory Board.

<https://lgpsboard.org/index.php/good-governance>

including various appendices:

- Appendix 1 – Senior officer organisational structures
- Appendix 2 – New areas to be included in the Fund's Governance Compliance Statement
- Appendix 3 – Key Performance Indicators for annual report
- Appendix 4 – Independent Governance Review
- Separate annex report with summary of action points

## The Pensions Regulator

Code of Practice 14

<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice>

Consultation on new General Code

<https://www.thepensionsregulator.gov.uk/en/document-library/consultations/new-code-of-practice>

Guidance on Equality, Diversity & Inclusion

<https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2023-press-releases/guidance-launched-to-help-improve-pension-schemes-equality-diversity-and-inclusion>

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# London Borough of Hillingdon Administering Authority discretions and delegated authority

26 September 2023

The table below sets out how the London Borough of Hillingdon Pension Fund (LBH PF) chooses to exercise its discretions under the LGPS regulations, together with the delegated authority for approval where a further decision exists.

	Discretion	Regulation	Policy	Delegated authority for approval
1.	Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority, Care Quality Commission or any other body applying to be an admission body	R4(2)(b), R5(5) & RSch 2, Part 3, para 1	LBH PF will enter into an admission agreement where the requirements that it has set down and issued to prospective bodies are met.	LBH Pension Services
2.	Whether to terminate a transferee admission agreement in the event of: <ul style="list-style-type: none"> <li>- Insolvency, winding up or liquidation of the body</li> <li>- Breach by that body of its obligations under the admission agreement</li> <li>- Failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so</li> </ul>	RSch 2, Part 3, para 9(d)	LBH PF will decide any case on its merits.	Corporate Director of Finance
3.	Define what is meant by 'employed in connection with'	RSch 2, Part 3, para12(a)	LBH PF admission agreements specify this as the employee spending at least 50% of his time employed by the admission body carrying out duties relevant to the provision of the services.	N/A
4.	Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment)	R16(1)	As a general rule the Hillingdon Pension Fund will not turn down any requests, however, it reserves the right to do so.	N/A
5.	Whether to require a satisfactory medical before agreeing to an application to pay an APC / SCAPC	R16(10)	The Administering Authority may require a satisfactory medical report to be submitted, at your cost, before your application is accepted.	N/A

	<b>Discretion</b>	<b>Regulation</b>	<b>Policy</b>	<b>Delegated authority for approval</b>
6.	Whether to turn down an application to pay an APC / SCAPC if not satisfied that the member is in reasonably good health.	R16(10)	Where this is the case you will be notified of the process to be followed after submitting your application to pay APC's	Director of Pensions, Treasury & Statutory Accounts
7.	Whether to charge member for provision of an estimate of additional pension that would be provided by the Scheme in return for transfer in of in house AVC /SCAVC funds (where AVC / SCAVC arrangement was entered into before 1 / 4/ 14)	TP15(1)d & A28(2)	LBH PF charges for estimates based on the current rate payable by the Fund.	N/A
8.	Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member	R17(12)	LBH PF will decide each case on its merits, after assessing all potential beneficiaries, but will take into account the member's valid expression of wish form.	LBH Pension Services
9.	Pension account may be kept in such form as considered appropriate	R22(3)(c)	LBH PF will decide the form in which pension accounts are kept based on any published guidance, best practice and in an efficient manner.	N/A
10.	Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits from the concurrent employment which has ceased should be aggregated (where there is more than one ongoing employment)	TP10(9)	LBH PF will aggregate with the earliest remaining employment.	N/A

	Discretion	Regulation	Policy	Delegated authority for approval
11.	If an Employer has become defunct, the administering authority is required to make decisions on ill health and early payment of benefits. Including whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement or on benefits which a member voluntarily draws before normal pension age.	R30(8) TP12(6) R38(3) R38(6) B30(2) B30(5) B30A(3) B30A(5) B31(4) B31(7) TPSch 2, para 1(2) & 1(1)(c) TP3(1), TPSch 2 para 2(1)	LBH PF will exercise this discretion in accordance with, and to the extent of (if any) the policy and practice of the former employer. If no policy exists, LBH PF will not waive any reduction or otherwise agree to a retirement which would incur an employer strain charge. LBH PF will assess ill health retirement decisions, including the use of 2008 certificates, on a case by case basis.	Director of Pensions, Treasury & Statutory Accounts
12.	Whether to require any strain on Fund costs to be paid 'up front' by employing authority following payment of benefits under: Ill-Health retirement, flexible retirement; redundancy / business efficiency; the waiver (in whole or in part) of any actuarial reduction that would have otherwise been applied to benefits which a member voluntarily draws before normal pension age.	R68(2) TPSch 2, para 2(3) L80(5) B30 or B30A	<i>LBH PF requires employers to make upfront payment of strain charges following any decision to allow early payment of benefits. In case of ill-health benefits, if an employer, against the recommendation of an IRMP (Independent Registered Medical Practitioner) decides to bring an employee's Pension into payment they will be liable to pay the whole strain cost upfront. If the ill-health decision is aligned with the IRMP decision the strain costs will form part of the employer's contribution rate.</i>	Director of Pensions, Treasury & Statutory Accounts
13.	Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement.	R32(7)	No extension will be granted, unless appropriate to the individual circumstances of a case.	Director of Pensions, Treasury & Statutory Accounts
14.	Decide whether to commute small pension	R34(1) R39 (1) (b) & (c) B39 T14(3) L49 & L156	LBH PF will allow commutation of eligible small pension pots.	N/A

	<b>Discretion</b>	<b>Regulation</b>	<b>Policy</b>	<b>Delegated authority for approval</b>
15.	Approve medical advisors used by employers (for ill health benefits)	R36(3) L97(10)	The Administering Authority will only accept an approved, registered medical practitioner.	Director of Pensions, Treasury & Statutory Accounts
16.	Decide to whom death grant is paid	TP17(5) to (8) R40(2) R43(2) R46(2) B23(2) & B32(2) B35(2) TSch1 L155(4) L38(1) L155(4) E8	The Administering Authority shall exercise absolute discretion in determining the recipient(s) of any death grant payable from the Scheme.  As required, the Council shall exercise absolute discretion in determining the recipient(s) of any death grant payable from the Fund. Decisions on the payment of a death grant will be made after taking in to account all relevant considerations and documentary evidence, including the deceased's Expression of Wish and will.	Director of Pensions, Treasury & Statutory Accounts
17.	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	R49(1)(c) B42(1)(c)	LBH PF will choose the benefit entitlement that yields the highest level of benefits for the member.	HCC Team Manager - Member Services
18.	Whether to set up a separate admission agreement fund	R54(1)	LBH PF has decided not to set up a separate admission agreement fund.	Corporate Director of Finance
19.	Maintain a governance policy which contains the information set out in the regulations	R55	LBH PF has a written governance policy which contains the required information and is regularly reviewed.	Pension Committee
20.	Decide on Funding Strategy for inclusion in funding strategy statement	R58	LBH PF has a funding strategy which is included in the funding strategy statement.	Pension Committee
21.	Whether to have a written pensions administration strategy and if so, the matters it should include	R59(1) and (2)	LBH PF has a written pensions administration strategy.	Pension Committee



	<b>Discretion</b>	<b>Regulation</b>	<b>Policy</b>	<b>Delegated authority for approval</b>
22.	Maintain a communication policy which contains the information set out in the regulations	R61	LBH PF has a written communication policy which contains the required information and is regularly reviewed.	Pension Committee
23.	Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer	R64(4)	LBH PF will decide each case on its merits, with advice from the Fund Actuary.	Corporate Director of Finance
24.	Decide whether to obtain a new rates and adjustments certificate if the Secretary of State amends the Benefits Regulations as part of the 'cost sharing' under R63	R65	LBH PF will make this decision as it arises, with advice from the Fund Actuary.	Corporate Director of Finance

	<b>Discretion</b>	<b>Regulation</b>	<b>Policy</b>	<b>Delegated authority for approval</b>
25.	Decide the frequency of payments to be made over to the Fund by employers and whether to make an admin charge	R69(1) L81(1) L12(5)	<p>LBH PF has determined the interval for payment of employer contributions to be monthly (other than for employers who make advance payment of their contributions on 1 April). Payments are due monthly by 19<sup>th</sup> of the month (22<sup>nd</sup> if electronic) following deduction.</p> <p>However if in exceptional circumstances an employer makes a request to defer payment of employer contributions, consideration to this will be given on a case by case basis. Factors which will be considered include, but are not limited to; the overall financial security of the organisation making the request, the likelihood that deferring may lead to contributions not being paid within the year, the support of any guarantor or related local authority to the deferment. If a request is agreed, then deferred payments will be subject to interest at the underlying discount rate for the employer.</p> <p>LBH PF reserves the right to ask the Fund Actuary to take into account the timing of deferred payments when determining the allocation of assets. This is so that any material increase in markets is not unfairly attributed to employers during a period of non payment.</p> <p>Administration costs are taken into account by the actuary when setting employer contribution rates.</p>	Director of Pensions, Treasury & Statutory Accounts

	<b>Discretion</b>	<b>Regulation</b>	<b>Policy</b>	<b>Delegated authority for approval</b>
26.	Decide the form and frequency of information to accompany payments to the Fund	R69(4) L81(5)	Employers are required to complete a monthly remittance form with their payment showing a breakdown of contributions.	HCC Team Manager – Finance
27.	Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance	R70 and TP22(2)	LBH PF will work with employers to improve performance but if additional and disproportionate resources are deployed by LBH PF because of an employer's poor performance, the cost of the additional resources may be re-charged.	Director of Pensions, Treasury & Statutory Accounts
28.	Whether to charge interest on payments by employers which are overdue	R71(1) L82(1)	LBH PF will charge interest on payments which are more than one month overdue.	Director of Pensions, Treasury & Statutory Accounts
29.	Decide whether to extend six month period to lodge a stage one IDRPs to be heard by the administering authority	R74(4)	LBH PF will not extend the 6 month period, unless the circumstances of the individual case warrant an extension.	Director of Pensions, Treasury & Statutory Accounts
30.	Decide procedure to be followed when exercising its IDRPs functions and decide the manner in which those functions are to be exercised	R74(6) R76(4) L99	LBH PF has a documented and compliant IDRPs process.	N/A
31.	Whether admin authority should appeal against employer decision (or lack of a decision)	R79(2) L105(1)	LBH PF would take the decision to appeal based on the merits of the individual case.	Director of Pensions, Treasury & Statutory Accounts
32.	Specify information to be supplied by employers to enable admin. authority to discharge its functions	R80(1)(b) & TP22(1)	LBH PF provides employers with full guidance as to the information they must supply.	N/A
33.	Whether to pay death grant due to a personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in the Administration of Estates (Small Payments) Act 1965.	R82(2) A52(2) L95	LBH PF will pay death grants that are under the amount specified in the Administration of Estates (Small Payments) Act 1965 without the need for grant of probate / letters of administration.	N/A

	<b>Discretion</b>	<b>Regulation</b>	<b>Policy</b>	<b>Delegated authority for approval</b>
34.	Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	<b>R83 A52A</b>	LBH PF will decide who should receive payment of benefits, based on the circumstances of the individual case.	Director of Pensions, Treasury & Statutory Accounts
35.	Date to which benefits shown on annual benefit statement are calculated.	<b>R89(5) L106A(5)</b>	LBH PF uses 31 March, but will revise this if regulatory requirements, administrative efficiency or best practice demand it.	N/A
36.	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS.	<b>R100(6)</b>	The Administering Authority will extend the limit where it is determined that maladministration has occurred as a result of affected employees not having been given any or sufficient details about the pension scheme of transfer option.	Director of Pensions, Treasury & Statutory Accounts
37.	Allow transfer of pension rights into the Fund.	<b>R100(7)</b>	LBH PF will allow transfers into the Fund.	N/A
38.	Where member to whom <b>B10</b> applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member.  Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1.4.08.).	<b>TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) TSch 1 L23(9) B10(2)</b>	LBH PF will choose the pay figure that would yield the highest overall level of benefits for beneficiaries.	HCC Team Manager – Member Services
39.	Decide to treat child as being in continuous education or vocational training despite a break.	<b>RSch 1 &amp; TP17(9) B39 T14(3)</b>	LBH PF will treat a child as being in continuous education or vocational training despite a break.	N/A

	<b>Discretion</b>	<b>Regulation</b>	<b>Policy</b>	<b>Delegated authority for approval</b>
40.	Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member.	<b>RSch 1 &amp; TP17(9)(b) B25</b>	LBH PF will decide the evidence required to determine financial dependence, based on guidance and best practice. For most cases, utility bills, bank statements or mortgage documentation in joint names will be accepted.	HCC Team Manager - Member Services
41.	Decide policy on abatement of pensions following re-employment, including the pre April 14 element for post 14 leavers.	<b>TP3(13) &amp; A70(1)* &amp; A71(4)(c) T12 L109 L110(4)b</b>	The Administering Authority has decided <b>not</b> to suspend or reduce pre 2014 pension payments following re-employment.	N/A
42.	Extend time period for capitalisation of added years contract	<b>TP15(1)(c) &amp; TSch1 &amp; L83(5)</b>	If applicable, LBH PF will not extend the time limit for applications to pay off added years contracts.	N/A
43.	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	<b>A45(3) L89(3)</b>	LBH PF will look at each case on its merits but will usually recover as a deduction from benefits.	LBH Pension Services
44.	Whether to pay the whole or part of a child's pension to another person for the benefit of that child.	<b>B27(5) L47(2) G11(2)</b>	All pensions due to children under 16 will be paid to another person for the benefit of the child. After age 16, LBH PF will normally pay to the child, unless the circumstances of the individual case mean that the payments should continue to be made to another person.	N/A
45.	Extend normal 12 month period following end of relevant reserve forces leave for "Cancelling notice" to be submitted by a councillor member requesting that the service should not be treated as relevant reserve forces service.	<b>L17(4),(7),(8), &amp; L89(4) &amp; Sch 1</b>	LBH PF will not extend the 12 month period.	N/A
46.	Select appropriate final pay period for deceased non-councillor member (leavers post 31.3.98. / pre 1.4.08.).	<b>L22(7)</b>	LBH PF will choose the appropriate pay period that would yield the highest overall level of benefits for beneficiaries.	HCC Team Manager - Member Services

	<b>Discretion</b>	<b>Regulation</b>	<b>Policy</b>	<b>Delegated authority for approval</b>
47.	Apportionment of children's pension amongst eligible children (children of councillor members and children of post 31.3.98 / pre 1.4.08. leavers).	L47(1) G11(1)	LBH PF will apportion children's pension equally amongst eligible children.	N/A
48.	Commute benefits due to exceptional ill-health (councillor members, pre 1.4.08. leavers and pre 1.4.08. Pension Credit members).	L50 and L157	LBH PF will commute benefits due to exceptional ill health, provided regulatory conditions are met.	N/A
49.	Retention of CEP where member transfers out (councillors and pre 1.4.08. leavers).	L118	CEP will be paid with transfers out rather than being retained in the Fund.	N/A
50.	Discharge Pension Credit liability (in respect of Pension Sharing Orders for councillors and pre 1.4.08. Pension Sharing Orders for non-councillor members).	L147	LBH PF will discharge its liability by conferring pension credit rights on the person entitled to the pension credit.	N/A
51.	Whether to pay spouse's pensions for life for pre 1.4.98 retirees / pre 1.4.98 deferreds who die on or after 1.4.98. (rather than ceasing during any period of remarriage or co-habitation).	F7	LBH PF will pay spouse's LGPS pensions for life.	N/A
52.	Agree to pay annual compensation on behalf of employer and recharge payments to employer.	DC31(2)	LBH PF will pay compensation on behalf of an employer, subject to acceptable recharge arrangements.	Director of Pensions, Treasury & Statutory Accounts
53.	Whether to agree to that an admission agreement may take effect on a date before the date on which it is executed.	RSch2, Part 3, para 14	As set out in the Employer Policy, LBH PF requires employers to notify the Fund of any outsourcing as soon as possible and complete an admission agreement with sufficient time before the contract start date. However each case will be decided on its merits, with advice from the Fund Actuary.	Director of Pensions, Treasury & Statutory Accounts
54.	Whether to extend the period beyond 6 months from the date an Employer ceases to be a Scheme Employer, by which to pay an exit credit	R64 (2ZA)	As set out in the Employer Policy, LBH PF will agree a later date with an employer if circumstances mean that an exit credit cannot be paid within 6 months of the employer exiting the Fund.	Director of Pensions, Treasury & Statutory Accounts

	<b>Discretion</b>	<b>Regulation</b>	<b>Policy</b>	<b>Delegated authority for approval</b>
55.	To determine the amount of an exit credit, which may be zero	R64 (2ZAB)	LBH PF will determine the amount of any exit credit to be paid in accordance with the terms set out in the Funding Strategy Statement .	Director of Pensions, Treasury & Statutory Accounts
56.	Whether to suspend (by way of issuing a suspension notice) for up to 3 years an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension.	R64(2A)	LBH PF will exercise this discretion in relation to Town or Parish Councils. Any other circumstance will be considered on its merits with advice from the Fund Actuary.	Director of Pensions, Treasury & Statutory Accounts
57.	To decide whether it is legally able to offer voluntary scheme pays and, if so, to decide the circumstances (if any) upon which it would do so.	RPS 2	LBH PF will allow a request for Voluntary Scheme Pays (VSP) where the tax charge is over £1,000 in relation to an excess over the standard annual allowance. Any request for VSP below this minimum will be considered on a case by case basis with regard for the administration cost of administering a small pension debit. In addition, LBH PF will allow a request for VSP in relation to a tax charge of £1,000 or more which has arisen in relation to an excess over a tapered annual allowance over the standard annual allowance if the total tax charge is more than £1,000).	Director of Pensions, Treasury & Statutory Accounts

**Key to regulations:**

<b>Prefix</b>	<b>Regulation</b>
<b>R</b>	Local Government Pension Scheme Regulations 2013
<b>TP</b>	Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
<b>A</b>	Local Government Pension Scheme (Administration) Regulations 2008
<b>B</b>	Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
<b>T</b>	Local Government Pension Scheme (Transitional Provisions) Regulations 2008
<b>L</b>	Local Government Pension Scheme Regulations 1997 (as amended)
<b>None</b>	Local Government Pension Scheme Regulations 1995
<b>DC</b>	Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000
<b>RPS</b>	The Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011





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# Agenda Item 11

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# Agenda Item 12

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