



HILLINGDON
LONDON



Pensions Committee

Date: TUESDAY, 26 MARCH 2024

Time: 5.00 PM

Venue: COMMITTEE ROOM 5 -
CIVIC CENTRE

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

To Members of the Committee:

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

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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 13 December 2023 1 - 8
- 4 To confirm that items marked Part I will be considered in public and those marked Part II will be considered in private

PART I - Members, Public and Press

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That the reports in Part 2 of this agenda be declared not for publication because they involve the disclosure of information in accordance with Section 100(A) and Part 1 of Schedule 12 (A) to the Local Government Act 1972 (as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

13 December 2023

Meeting held at Committee Room 5 - Civic Centre



HILLINGDON
LONDON

	<p>Committee Members Present: Councillors Stuart Mathers (Chairman) Tony Burles (Vice-Chairman) Kaushik Banerjee Mohammed Islam John Riley</p> <p>LBH Officers Present: James Lake, Director of Pensions, Treasury & Statutory Accounts Andy Evans, Corporate Director of Finance Tunde Adekoya, Finance Manager, Pensions and Governance Claire Baker, Head of Internal Audit Jack Francis-Kent, Senior Internal Auditor Ryan Dell, Democratic Services Officer</p> <p>Also Present: Roger Hackett, Pensions Board Chair Tony Noakes, Pensions Board Member Anna Beattie, Pension Board Member David O’Hara, Isio Andrew Singh, Isio Clare Scott, Independent Adviser Andy Lowe, Hampshire County Council Silvia Knott-Martin, London CIV Yiannis Vairamis, London CIV</p>
29.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>There were no apologies.</p>
30.	<p>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING (<i>Agenda Item 2</i>)</p> <p>None.</p>
31.	<p>MINUTES OF THE MEETING - 26 SEPTEMBER 2023 (<i>Agenda Item 3</i>)</p> <p>RESOLVED: That the minutes of the meeting dated 26 September 2023 be approved as a correct record.</p>
32.	<p>TO CONFIRM THAT ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THOSE MARKED PART II WILL BE CONSIDERED IN PRIVATE (<i>Agenda Item 4</i>)</p> <p>It was confirmed that items 5–11 were marked as Part 1 and would be considered in public, and that items 12–14 were marked as Part 2 and would be considered in</p>

	private.
33.	<p>ADMINISTRATION REPORT (Agenda Item 5)</p> <p>Officers introduced the Administration Report. Several key achievements and ongoing challenges within the organisation were highlighted. The report painted a positive picture, showcasing consistent 100% performance against the Key Performance Indicators (KPIs). Notably, there had been a significant increase in member portal sign-ups, with the most recent November figures reflecting an almost 40% increase across all three categories, which signified a commendable growth trend.</p> <p>The report detailed a slight improvement from the previous year in specific data scores concerning pensions regulatory requirements, achieving a 90% rating for both common and conditional data.</p> <p>Despite progress, there were persisting issues, particularly regarding lost contacts among historical members and issues with CARE pay, specifically the career average re-valued earnings pay. While notable improvements were made, indicating a nearly halved number of issues compared to the previous year, there were ongoing concerns about rectifying the guaranteed minimum pension, which significantly affected data quality.</p> <p>The annual return benchmarking exercise highlighted a number of performance issues with employers. Performance was recorded last year, but as it was the first year, and employers were getting used to the new system, results were not reported. This year officers had written to senior staff at employers to highlight the results and issues. Overall performance was not good so officers would work with employers to improve the process going forward.</p> <p>Updates were provided regarding benefit statements, which highlighted a positive trajectory, with active benefit statements reaching 99.34% completion by November.</p> <p>Members sought elaboration on cybersecurity measures and the effectiveness of penetration tests. It was clarified that a recent penetration test conducted by Infotech had revealed a limited number of vulnerabilities. The IT department had promptly initiated measures to address these vulnerabilities, working closely with software suppliers to rectify the identified issues. Ongoing external penetration testing, coupled with consistent IT efforts, suggested a positive trend in maintaining robust cybersecurity protocols.</p> <p>The Committee was reassured that identified vulnerabilities were being actively addressed, with plans in place to resolve the few high-level concerns already in progress. Overall, there were no major issues to report at that stage.</p> <p>RESOLVED: That the Pensions Committee:</p> <ol style="list-style-type: none"> 1) Noted the administration update; 2) Noted the Cyber Security Vulnerability Update; and 3) Noted Active Benefit Statements Update
34.	INTERNAL AUDIT - EFFECTIVENESS OF PENSION COMMITTEE (Agenda Item 6)

Officers introduced the Internal Audit Report. Internal Audit had carried out an assessment of the effectiveness of the Pensions Committee, and the report was the culmination of work conducted by the Internal Audit team during August and September, aiming to evaluate the efficiency of the Pensions Committee.

Officers expressed that the audit's overall conclusion was a positive assurance opinion of reasonable assurance, aligning with pre-established expectations. However, it was noted that the outcome was one level down from the highest achievable rating, which was termed "substantial."

There were two medium-level issues and one low-level concern identified. These findings primarily pointed out deficiencies in controls related to training, self-assessment procedures, and Members' comprehension of technical terminology. The audit highlighted the presence of adequate provisions for training, although gaps in the completion of training were identified during the testing phase. This was partially attributed to a new Member joining the Pensions Committee. Additionally, at the time of testing, the absence of implemented self-assessment mechanisms was observed. However, plans were noted to introduce these assessments in the near future.

The Chair of the Pensions Board expressed interest in exploring how the Committee could swiftly address the issues regarding technical terminology comprehension and the implementation of self-assessment measures. In response, differences between the Committee's self-assessment protocols and those of the Pensions Board were noted. It was emphasised that while similarities existed, distinct roles played by these groups necessitated tailored approaches for each. Plans were noted to create a customised assessment tool specific to the Committee's needs.

Members acknowledged the challenges faced by a Committee primarily comprised of new Members. The Chair suggested refraining from the implementation of the recommendation to incorporate an experienced independent member. Members advocated for allowing the Committee time to adapt, grow in confidence, and undergo further training before considering such a step. The Chair was happy to approve all other recommendations. The idea of postponing the inclusion of an experienced independent member was given support, concurring that the Committee needed time to evolve and build confidence.

Members drew attention to the substantial workload they faced in preparing for meetings and suggested the possibility of earlier distribution of the agenda to afford Members more time for in-depth review and comprehension. The Chair suggested that this could be looked at, even if it meant only part of the agenda was distributed earlier.

Additionally, plans were noted about creating a condensed handbook/ resource guide to aid Members in understanding essential concepts. Members further proposed the establishment of a glossary or reference point to support them. Officers noted that efforts were underway to develop a concise handbook offering key information to assist in comprehension.

The Committee collectively agreed to accept the recommendations from the audit report. However, they chose to delay the implementation of incorporating an experienced independent member, aiming to afford themselves additional time for growth, knowledge enhancement, and effective contributions before potentially introducing an experienced independent member.

The Chair expressed gratitude to the internal audit team for their meticulous evaluation

and insightful contributions towards enhancing the effectiveness of the Committee.

RESOLVED: That the Pensions Committee:

- 1) Noted the Internal Audit report; and**
- 2) Considered the implementation of suggested recommendations for the risks highlighted in the report**

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

Officers outlined the fund's performance over the quarter. The report indicated a negative return of -0.55% for the quarter, slightly below the benchmark's flat 0%. Over longer periods, 3 to 5 years, the fund showed positive performance of 3.53% and 2.50% respectively, which were below the 4.1% target set in the Funding Strategy.

An interim funding level update was produced by the actuary on 30 September 2023. It showed that the funds' assets were £1,184m and equated funding level of 113%, a decrease of 1% from the previous quarter. The primary reason for the reduced funding level was a drop in asset value.

Asset allocation was briefly noted, indicating that a more in-depth discussion would be held in Part II. The report highlighted the fund's current underweight positions in multi-asset credit (2.4%) and index-linked gilts (3.6%), with a slight overweight position in global equities (3%).

Members expressed interest in understanding the fund's exposure to China and how the country's economic situation impacted its performance. This prompted a discussion on Bailey Gifford's investment strategies. The Committee delved into the impact of these decisions, emphasising how stock-specific mistakes and a growth-oriented strategy during a period of higher interest rates contributed to underperformance.

Concerns were raised about the fund's underperformance, particularly considering the relatively recent inclusion of Bailey Gifford in the fund. The Committee sought information on the potential timeline for recovery and improvement. However, the response highlighted the complexities of market dynamics, making it challenging to predict the precise duration for recovery and emphasising the importance of maintaining a long-term investment perspective.

Discussions extended to changes in Bailey Gifford's senior management and their influence on the fund's performance. It was highlighted that a generational shift had occurred within the portfolio management team, with a new portfolio manager joining, which had a positive impact on team dynamics.

Members suggested that the Committee should familiarise themselves with specific indicators within the report that could serve as performance metrics for assessing Bailey Gifford's progress. This suggestion aimed to equip the Committee with tools to effectively evaluate the fund's performance.

Overall, the discussion emphasised the intricate interplay of market factors, investment strategies, and the need for the Committee to adopt a long-term perspective while vigilantly monitoring the fund's performance.

	<p>This comprehensive conversation underscored the importance of ongoing engagement with fund managers, understanding key performance indicators, and the need for patience while evaluating the fund's progress and potential recovery.</p> <p>RESOLVED: That the Pensions Committee noted the funding and performance update</p>
36.	<p>RESPONSIBLE INVESTMENT (<i>Agenda Item 8</i>)</p> <p>Officers introduced the Responsible Investment report, giving the usual update on activities conducted by LGIM and LCIV. Additionally, highlights of the activities carried out by the Local Authority Pension Fund Forum, a lobbying partner, were included in the update. It was noted that these initiatives collectively contributed towards a positive Environmental, Social, and Governance (ESG) result.</p> <p>The upcoming necessity to revisit the Stewardship Code was noted. Members were informed that they would be contacted to discuss the most effective approach and required amendments for the submission related to the code.</p> <p>Members were informed that they were halfway through the yearly assessment period for evaluating stakeholders on their ESG performance against the established scorecard. There were six months remaining for stakeholders to present evidence demonstrating their compliance and performance against the set standards. Members noted that Bailey Gifford integrated ESG factors well into their investment process.</p> <p>RESOLVED: That the Pensions Committee:</p> <ul style="list-style-type: none"> 1) Noted the fund managers' ESG activities and compliance efforts; and 2) Noted LAPFF activities
37.	<p>RISK REGISTER REPORT (<i>Agenda Item 9</i>)</p> <p>Officers introduced the Risk Register report. It was noted that the Risk Register had undergone scrutiny by the Chair and officers. Notably, the review revealed no alterations from the previous quarter, resulting in minimal updates or changes to report.</p> <p>It was noted that, considering the prevailing circumstances and the established measures in place, there had not been significant alterations in the last three months. Acknowledging the ongoing work being carried out to enhance governance, there was expressed confidence in the continued progress in those areas.</p> <p>RESOLVED: That the Pensions Committee considered the Risk Register in terms of the approach, the specific risks identified, and the measures being taken to mitigate those current risks</p>
38.	<p>GOVERNANCE (<i>Agenda Item 10</i>)</p> <p>Officers introduced the item. It was outlined that there had not been any significant alterations in the training events since the previous quarter. However, an alignment with the internal audit report was emphasised, highlighting the necessity for a customised training plan to bridge knowledge gaps. It was proposed that the Hyman's assessment tool be used to identify these gaps effectively.</p>

Several policy updates were presented:

The Scheme Pays Policy, which addresses tax burdens and the ability to use future pensions to settle these, underwent a general refresh without significant changes.

The Governance Policy changes were acknowledged, particularly the updates related to LCIV, aligning with its evolving position.

The Training Policy was reviewed, emphasising the training required for Committee Members, officers, and the inclusion of a knowledge assessment framework. An external assessment tool from Hyman's was proposed, supported by discussions highlighting its ability to identify gaps, aid in targeted training, and develop customised plans.

The Administration Strategy was noted, and it was detailed as a set of rules dictating the duties of both the fund as an administrator and the employers. The strategy highlighted the importance of timely information from employers and outlined potential considerations for charging employers in cases where additional costs were incurred due to non-compliance. Discussions involving the Administration Strategy emphasised the need for a balanced approach between support and enforcing compliance among employers.

Regarding cost inquiries for the assessment tool and potential training modules, clarifications were sought and provided, indicating the annual cost and optional additional fees for accessing Hyman's training portal, pending the Committee's needs post-assessment.

RESOLVED: That the Pensions Committee:

- 1) Noted the dates for Pensions Committee meetings;**
- 2) Made suggestions for future agenda items, working practices and/ or reviews;**
- 3) Noted the Committee's training update;**
- 4) Approved the Scheme Pays Policy;**
- 5) Approved the Governance Policy;**
- 6) Approved the Administration Strategy for consultation;**
- 7) Approved the Training Policy; and**
- 8) Approved the use of the Hymans Self-Assessment Tool**

39. PENSION FUND ANNUAL REPORT & 22/23 EXTERNAL AUDIT PLAN (Agenda Item 11)

Officers introduced the Pension Fund Annual Report and the External Audit Plan. It was noted that the presented report followed the format specified by the Chartered Institute of Public Finance and Accountancy (CIPFA) and was presently undergoing scrutiny by the external auditors, EY. The annual report encapsulated the fund's

	<p>activities over the year.</p> <p>Further clarification was offered on the Pension Fund Audit Plan, indicating that its presentation to the Audit Committee occurred in November 2023. The primary change from the prior year's plan was identified as an additional risk related to the fair value level classification, a classification method for specific investments within the accounts.</p> <p>Progress concerning the audit process was shared, highlighting that the audit commenced in October and has been proceeding smoothly without any reported issues up to the current stage. The anticipated outcome of the audit is expected in Quarter 1 of 2024.</p> <p>Members commended the annual report for showcasing the fund's dedication to the stewardship code and ESG factors. Members also emphasised the significance of the fund's commitment to pooling, noting its advantages in managing funds and reducing costs.</p> <p>Members expressed gratitude to the officers, advisors, Board Members, and the Committee Members for their collective efforts and contributions throughout the year, acknowledging the complex nature of the subject matter.</p> <p>RESOLVED: That the Pensions Committee:</p> <p style="padding-left: 40px;">1) Approved the 2022/2023 Draft Fund Annual Report; and</p> <p style="padding-left: 40px;">2) Noted the EY External Audit Plan</p>
40.	<p>INVESTMENT PART II - STRATEGY REVIEW AND MANAGER UPDATES - INCLUDING INVESTMENT STRATEGY STATEMENT (<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>
41.	<p>2023/24 BUDGET UPDATE (<i>Agenda Item 13</i>)</p> <p><i>This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule to the Act).</i></p>
42.	<p>ISIO CMA PERFORMANCE (<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>

43.	<p>VERBAL UPDATES (<i>Agenda Item 15</i>)</p> <p>Officers noted that there would be an update to the Pension Board’s working practices to increase its membership from four to six members. There was a new employer representative and efforts were ongoing to recruit to the scheme member vacancy. This would help to improve the robustness of the Pensions Board.</p>
	<p>The meeting, which commenced at 5.00 pm, closed at 8.05 pm.</p>

These are the minutes of the above meeting. For more information on any of the resolutions please contact Ryan Dell at democratic@hillingdon.gov.uk. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

ADMINISTRATION REPORT	ITEM 6
Committee	Pensions Committee
Officer Reporting	Tunde Adekoya, Finance
Papers with this report	1. January 2024 - Hampshire Pensions Services Partnership Report – on shared drive

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 of January 2024. Historic monthly reports are included in the member shared drive.

RECOMMENDATIONS

1. That the Pensions Committee note the administration 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 January 2024 show 41.67%, 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 1,260 as of 01 February 2024.

Other key updates include:

- Cyber Security: HPS cyber compliance statement was approved in December 2023.
- Active Benefit statements production for 2023 was completed (12,435) in December with 99.38% success rate. There were 77 missing statements due to missing information from employers. These will be addressed as part of the 2024 exercise.
- McCloud: HPS have received 101 of 122 data sets for period 2014-21 and 97 of 118 data sets for period 2021-22, all for active employers. Estimate service based on pay data held on the record will be utilised for calculation of benefits for those employees whose data were not received. So far, 86 data sets for 2014-21 have been uploaded and 65 of 2021-22. The remaining 2014-21 data sets is expected to be uploaded in January 2024, after an expected software delivery, thus leaving HPS to concentrate on 2021-22 upload of McCloud data.
- Member portal has now been changed to mypensionportal@hants.gov.uk. The original URL/website address will redirect to this for at least 15 months, and HPS are in the process of updating our emails, letters, and website.

FINANCIAL IMPLICATIONS

Financial implications have been previously disclosed.

LEGAL IMPLICATIONS

The legal implications are in the body of the report.

Monthly administration report

January 2024



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
OBC	9,020	11,400	7,036	-	27,456
January 2024	10,282	11,729	8,351	1,611	31,973
Growth	13.99%	2.88%	18.68%	-	16.45%

*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 1st January 2024 – 31st January 2024; 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

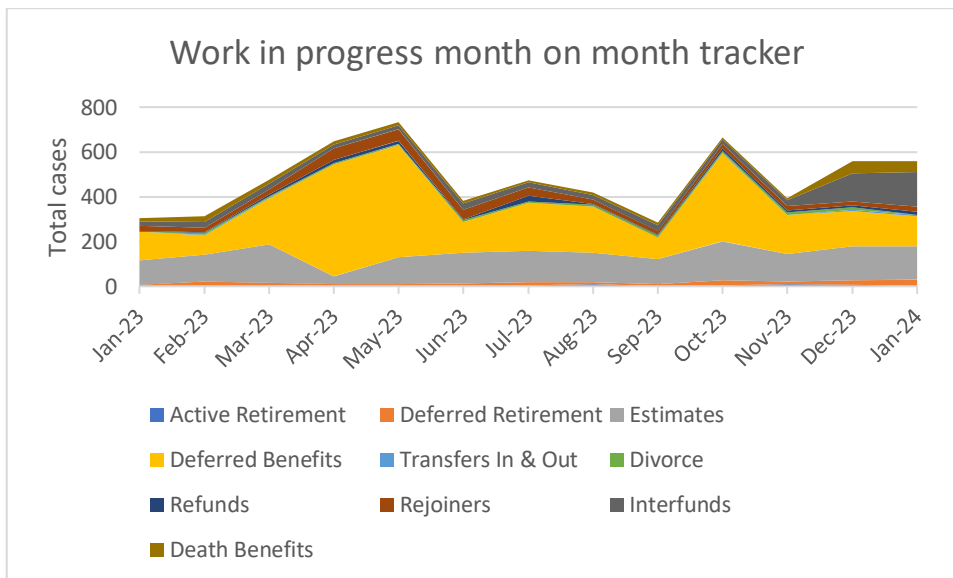
Type of Case	0-5 days	6-10 days	11-15 days	16-20 days	21-30 days	31-40 days	Total	% completed on time	Average days to complete process	Total Cases (previous month)	% completed on time (previous month)
Active Retirement	14	10	1	0	0	0	25	100.00%	6	12	100.00%
Deferred Retirement	3	14	3	0	0	0	20	100.00%	8	20	100.00%
Estimates	2	17	15	0	0	0	34	100.00%	10	36	100.00%
Deferred Benefits	6	3	12	76	51	0	148	100.00%	19	126	100.00%
Transfers In & Out	1	0	0	0	0	0	1	100.00%	5	1	100.00%
Divorce	3	1	9	0	0	0	13	100.00%	10	0	100.00%
Refunds	2	14	0	0	0	0	16	100.00%	7	32	100.00%
Rejoiners	4	4	3	1	0	0	12	100.00%	8	8	100.00%
Interfunds	3	2	21	0	0	0	26	100.00%	11	30	100.00%
Death Benefits	16	2	4	0	0	0	22	100.00%	5	12	100.00%
GRAND TOTAL	54	67	68	77	51	0	317	100.00%		277	100.00%

- 4.3. The table below shows outstanding work as of 31st January 2024. 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	0	1	1	0	0	0	2	8
Deferred Retirement	4	6	3	1	5	8	27	19
Estimates*	25	30	15	5	4	71	150	151
Deferred Benefits	15	48	9	28	8	27	135	159
Transfers In & Out	2	1	0	1	0	0	4	5
Divorce	2	1	0	0	0	0	2	12
Refunds	5	8	0	0	0	0	13	7
Rejoiners	4	4	2	1	3	10	24	17
Interfunds	14	13	8	2	13	102	152	127
Death Benefits	1	5	3	2	7	33	51	53
GRAND TOTAL	72	117	41	40	40	282	567	558

*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. The pensions increase for 2024 has been confirmed as 6.7% from 8th April 2024 and we are currently waiting for Civica to update the various factor tables in UPM so we can process the active and deferred retirements which have been on hold – for Hillingdon this amounts to 16 cases with retirement dates from April 2024 onwards.

5. Call and email volumes

5.1. The table below sets out the call statistics for Hillingdon for the month of January 2024:

Calls Received	194
Calls Answered	192
Calls Answered Percentage	98.97%
Calls Abandoned	2
Abandoned Percentage	1.03%
Average Wait Time	47 seconds
Calls Answered Within 5 Minutes	192
Calls answered waiting for longer than 5 mins	0
Percentage Of Calls Answered Within 5 Minutes	100.00%

5.2. 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.

5.3. The total number of calls received were 3,653 and the statistics above are included in this number.

5.4. 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*
December 2023	3,836	3,204	632
January 2024	6,013	5,091	922

5.5. Of the emails responded to by PCST, 181 of these were for Hillingdon members.

5.6. In January 2024 we received 96 'My Messages' from Hillingdon members via the member portal, which are dealt with via our normal 5 working day response time.

6. Online services

Member Portal

- 6.1. 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.
- 6.2. The table below shows the total number of current registrations for each status as of 31st January 2024.

Status	Registrations to date	% of total membership	Registrations to 31/12/2023	% of total membership
Active	4,976	48.40%	4,814	45.86%
Deferred	4,220	35.98%	4,015	34.93%
Pensioner	3,457	41.40%	3,402	40.80%
TOTAL	12,653	41.67%	12,231	40.32%

- 6.3. 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
December 2023	532	367	221
January 2024	954	420	309

- 6.4. 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
Portal	4,976	4,220	3,457	12,653
Opt out	40	139	1,857	2,036
No contact	5,266	7,370	3,037	15,673
Total	10,282	11,729	8,351	30,362

Employer Hub

- 6.5. To date we have 118 of 121 LBH employers registered to use the Employer Hub. Of the 121 employers, 195 individual users have access to a Hub account.

Cyber Security

- 6.6. Following November's penetration security test, work to address the outstanding vulnerabilities has continued.
- 6.7. The latest UPM version upgrade is being delivered to our test environment on 6th February and scheduled for delivery to our Live environment on 27th February; and is expected to fix the outstanding 'High' vulnerabilities.
- 6.8. We have a solution for the one remaining 'Medium' vulnerability, which will be implemented in February.
- 6.9. The remaining 'Low' vulnerabilities have been assessed and we will be working with Civica to implement fixes before the next penetration test, which is due in May 2024.

7. Administration budget

- 7.1. The 2023/24 local government pay award was agreed in November 2023. The cost of the award is £2,500 per FTE, representing an additional £24,000 on anticipated BAU staffing costs and just over £1,000 on the McCloud project team.

It was anticipated that a contribution to resource relating to the implementation and maintenance of the Pension Dashboard would be needed in 2023/24. Due to the overall delay in the project, the contribution to the overall software and resource requirement will be from 2025/26. The charge for the ISP software was incurred in 2023/24.

The cost of the GMP rectification exercise was estimated to be £42,000, of which £23,639 will be spent in 2023/24. The remainder of the cost is expected to be in 2024/25.

- 7.2. The budget for BAU administration is rolled forward from the original amount agreed in the OBC. 13.3.2 of the OBC states that staffing costs are uplifted in line with step progressions and any pay awards; other budgets are increased in line with September CPI. However this increase has only been applied to the UPM related lines on which a full increase in the costs is expected. The other non pay budget has been increased by 3%.
- 7.3. Please note for the software development contribution, whilst inflation has been added at 3% the new budget is still rounding down to £12,000. As we apply inflation in later years, the budget will eventually increment to £13,000.
- 7.4. An additional charge will be made in relation to the OHCAT transfer from the Hillingdon Pension Fund to LPPA. This is not shown in the table below but has been detailed in a separate email. Civica are undertaking the transfer of data and have estimated it will take 19 days which is £30,970 + VAT on their current day rates. Hampshire IT are also charging for their part in this work and have estimated this cost as £2,400. We will request a final PO from LBH once the work has been completed and the final costs are known.
- 7.5. The table below shows the revised costs for 2023/24 and sets out the administration budget for 2024/25 and 2025/26.

Budget headings	Original 2023/24 (pre pay award and with PDP resource)	2023/24 (revised for 23/24 pay award)	2024/25 (pre 24/25 pay award)	2025/26 (pre pay award)
Staff	503,000	527,000	527,000	527,000
Non pay (inc contribution to overheads)	69,000	69,000	70,000	73,000
UPM software licence and annual maintenance	62,000	62,000	67,000	69,000
Contribution to future software development	12,000	12,000	12,000	12,000
BAU total	646,000	670,000	676,000	681,000
McCloud - project team	15,232	16,315	16,315	16,315
McCloud - software costs	607	607	647	680
McCloud total	15,839	16,922	16,963	16,995
Historic leaver processing total	129,000	123,625	129,000	0
PDP - software costs	0	1,255	0	8,200
PDP - contribution to resource	6,300	0	0	6,300
PDP total	6,300	1,255	0	14,500
GMP rectification total	42,000	23,639	18,361	0
Grand total	839,139	835,440	840,324	712,495

8. Unprocessed historic casework

8.1. At the point of onboarding, there were 3,840 unprocessed leavers – the date of leaving for these members was prior to 1st September 2021.

8.2. As of 1st February 2024, 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
Total unprocessed leavers	4,158
Leavers processed, and records finalised by HPS	2,898
<i>Leavers processed in the last month*</i>	<i>208</i>
Outstanding leavers to be processed	1,260

*Included in the 'Leavers processed, and records finalised by HPS'.

8.3. Of the 1,260 cases outstanding, 885 of these are with employers who Dataplan provide the payroll service for – we are working closely with Dataplan to ensure progress is made, and have monthly calls in place.

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

Employer	Number of leavers outstanding
Pftrust - Wood End Park Academy	31
Eden Academy Grangewood	21
Frithwood Primary School	21
Oakwood School	21
Swakeleys Academy	21

9. Preserved Refunds

- 9.1. We have written to all members with a preserved refund, who left prior to 1 April 2014 – as their refund is not limited to being paid within 5 years. The current position of this project is as follows:

Pre-1 April 2014 preserved refund members	72
Number of members sent letters	72
Claim forms received	3
Refunds processed	3

10. McCloud

- 10.1. The current position of McCloud service/break data sets is summarised below:

- 10.1.1. To date we have received 101 out of 122 2014-21 returns due for active employers – 21 remain outstanding, and 12 of the returns received are not useable due to the quality of data provided.
- 10.1.2. We have received 97 out of 118 2021-22 returns due for active employers, 21 remain outstanding, and 13 of the returns received are not useable due to the quality of data provided.
- 10.1.3. Hampshire Pension Services are no longer pro-actively chasing employers and have referred outstanding returns to the Fund to obtain (details of these are noted in appendix 1)
- 10.1.4. In the absence of data being received, we will look to estimate service based on pay held on the record.
- 10.1.5. We have fully uploaded:
- **2014-21 data** – 86 returns, 11 of which are the Funds largest employers.
 - **2021-22 data** – 65 returns, 7 of which are for the Funds largest employers.
- 10.1.6. Details of the position of the largest employers in the Fund are noted in appendix 1.

11. Pensions Dashboard Programme (PDP)

- 11.1. On 17th January the PDP held a webinar, which focussed on connection guidance and understanding AVCs and value data – we understand that the PDP are working with Prudential initially, to discuss the best solution for public sector pension schemes and their AVC providers, but guidance is not expected until later this year.
- 11.2. We will contact all AVC providers – either directly or through Partners – to understand if they have any plans, to provide data or connect to the dashboards directly. It is unclear at this stage whether the PDP will insist all AVC providers follow the same solution.
- 11.3. In a recent update from Civica, they explained that they are resuming work on their ISP solution following the PDP’s reset. Initially they need to demonstrate their solution meets all the necessary standards and requirements, as set out by the PDP, and once this work is complete, they can then deliver the ISP software to us.

12. 2023/2024 Software Development

Member Portal

- We will shortly implement the facility for deferred members to request a CETV using an online form which will be submitted via their portal account – this is expected to be available from early March 2024.

13. Audit

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

Audit Area	Timing
Pension Refunds: 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.	Completed – Substantial assurance confirmed
UPM – Application Review: <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.	Completed – Reasonable assurance confirmed.

<p>Pensions Payroll and Benefit Calculations: Annual review to provide assurance that systems and controls ensure that:-</p> <ul style="list-style-type: none"> • Lump sum and on-going pension payments are calculated correctly, are valid and paid to the correct recipients; • All changes to on-going pensions are accurate and timely; • Pension payroll runs are accurate, complete, timely and secure with all appropriate deductions made and paid over to the relevant bodies. 	In progress
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14. Scheme legislation updates

- 14.1. Legislation updates that have been received during January 2024 for the Local Government Pension Scheme, are detailed in Appendix 2, including any actions that Hampshire Pension Services have taken.

15. Employer and Member Communications

- 15.1. **Employer communications** – There were no employer communications issued in January.
- 15.2. **Member communications** – There were no member communications issued in January.
- 15.3. **Data Protection Breaches** – There were no data protection breaches in January.

16. Compliments and Complaints

- 16.1. There were no complaints in January 2024 from members of the LBH LGPS.
- 16.2. We received four compliments in January from members of the LBH LGPS, further detail can be found in appendix 3.

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INVESTMENT STRATEGY and FUND MANAGER PERFORMANCE (Part I)	ITEM 7
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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 December 2023

HEADLINES

The overall investment return of the Fund was 5.52% over the quarter which was 0.89% ahead of the benchmark of 4.63%. Performance over longer-term periods (3 and 5 years) was 3.56% and 4.68% per annum, which are both behind the set benchmark. The 3-year figure is 0.45% below the 4.1% return required in the Funding Strategy Statement, and the 5- year figure 0.58% above this requirement.

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

The Fund's actual asset allocation will require adjustments following the revisions agreed by Committee to the target investment strategy. Differences are also evident in the LCIV Infrastructure and Private Debt Funds which are yet to be fully drawn. There is also a circa 2.5% under-allocation to MAC.

RECOMMENDATIONS

It is recommended that Pensions Committee:

- 1. Note the funding and performance update.**

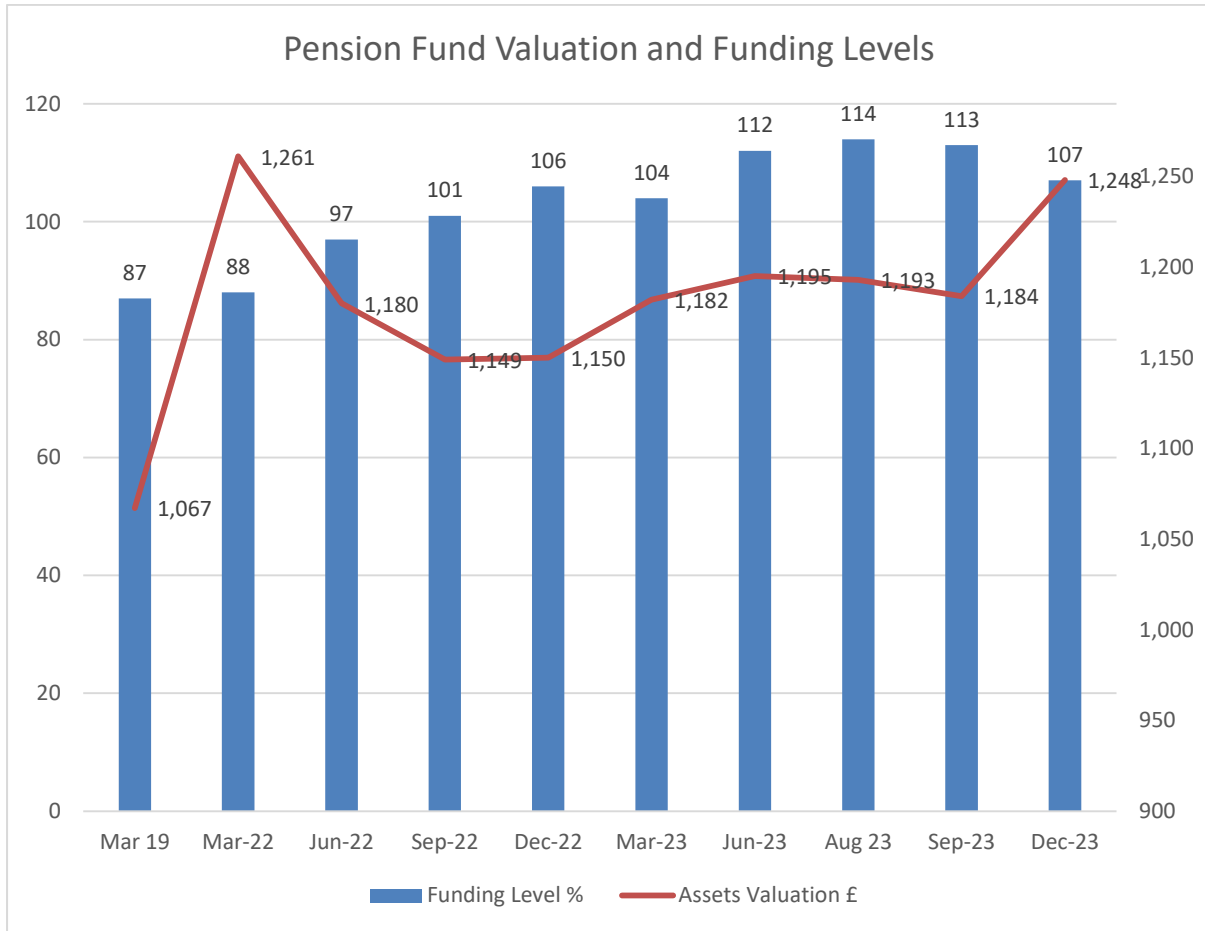
SUPPORTING INFORMATION

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%.

An interim funding level update was produced by the actuary on 31 December 2023. it showed funds' assets were £1.25m and equated funding level of 107%, a decrease of 6% from the previous quarter. The primary reason for the reduced funding level is a decrease in discount rate from 6.4% (September) down to 5.8% (December).

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2. Fund Performance

Over the last quarter to 31 December 2023, the Fund returned 5.52%, outperforming the benchmark return by 0.89%. The Fund value also increased over the quarter by £65m, up to £1,248m. Longer term performance is behind the benchmark in all time periods.

Period of measurement	Fund Return %	Benchmark %	Relative Performance
Quarter	5.52	4.63	0.85
1 Year	9.02	9.84	-0.75
3 Year	3.56	4.33	-0.74
5 Year	4.68	6.11	-1.34
Since Inception (09/1995)	6.42	6.60	-0.17

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

- Two portfolios managed by the LCIV were the best performers in the quarter under review. Both LCIV Private Debt and MAC Funds outperformed their

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respective benchmarks by 5.81% and 3.51%, with portfolio returns of 7.36% and 5.90% respectively.

- Macquarie again was the standout manager over one and three-year performance measurements, with 18.58% & 17.18% returns above its set benchmark for both periods. The performances are attributable to the maturity profile of the funds in the portfolio, which are being wound up and assets disposed at considerable profits.
- Notable significant relative underperformance continues with both private equity portfolios managed by Adams Street and LGT Capital Partners. It is, however, not surprising as the funds are past their investment cycle and just waiting to be completely wound down. Both portfolios underperformed their respective benchmarks overall performance measurement periods of current quarter, one and three-year periods.

Fund Performance by Manager Relative to Benchmark as of 31 December 2023

	3 Months		1 Year		3 Years		Since Inception	
	Manager	Benchmark	Manager	Benchmark	Manager	Benchmark	Manager	Benchmark
Adam Street	-6.27	7.15	-11.83	19.88	5.12	12.77	7.07	0
AEW UK	2.14	-1.16	2.04	-1.40	2.16	2.06	5.92	5.07
LCIV Global Alpha Growth Fund Paris Aligned	8.06	7.22	11.61	19.81	0	0	-4.24	10.98
LCIV Infrastructure Fund	4.77	1.97	7.64	7.82	6.82	5.24	4.91	4.80
LCIV Mac Fund	5.90	2.31	9.94	9.32	0	0	6.10	8.47
LCIV Private Debt	7.36	1.47	7.71	6.00	0	0	7.93	5.99
LCIV Ruffer	2.18	1.33	-6.26	4.77	3.41	2.07	5.01	1.09
Legal & General World Developed Equity	7.32	7.29	17.55	17.47	7.70	7.75	8.51	8.61
Legal & General Index Linked Gilts	8.70	8.72	0.91	0.93	-11.29	-11.29	-1.73	-1.60
LGIM - Future World Equity IND	7.08	6.96	16.52	16.15	8.52	8.32	8.66	8.48
LGIM LPI Income Property	-0.71	0.16	-8.13	5.16	-2.09	8.66	-2.20	7.07
LGT Capital	0.36	7.15	-2.24	19.88	7.60	12.77	10.53	0
M&G Investments	-1.69	2.20	0.26	8.82	14.08	6.24	5.37	5.05
Macquarie	-2.17	1.97	27.85	7.82	23.32	5.24	9.86	4.06
Permira Credit	3.74	2.20	7.54	8.82	6.88	6.24	7.25	5.20
UBS Property	-1.02	-1.16	-4.96	-1.40	3.35	2.06	3.39	3.29

NB: Information from Northern Trust Quarterly performance report

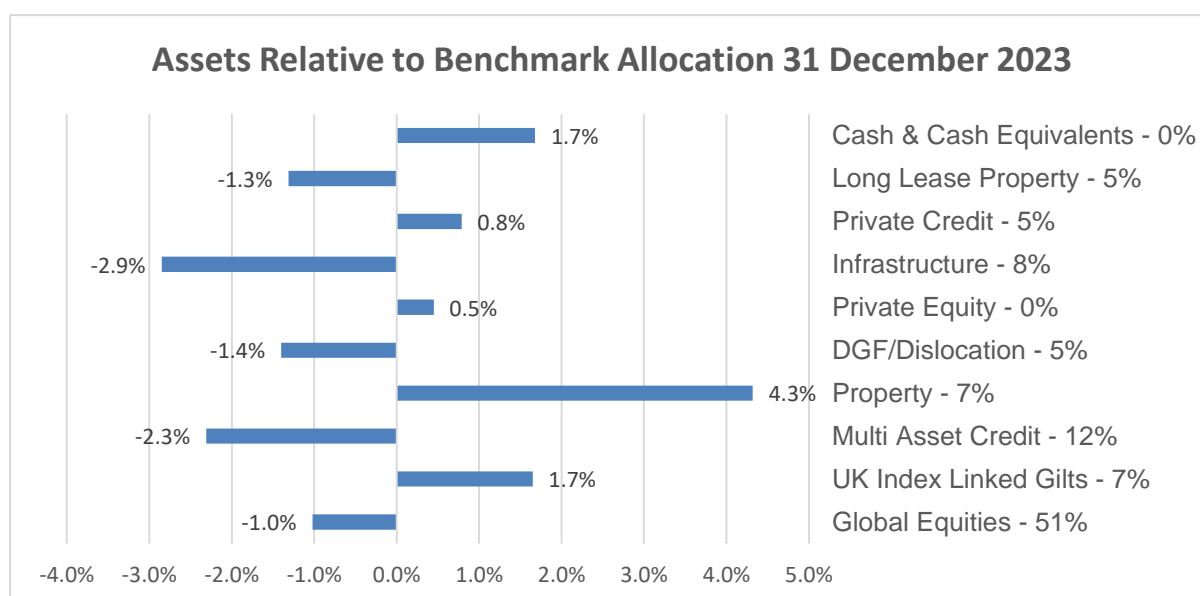
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3. Asset Allocation

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 31 December 2023	Actual Asset Allocation As of December 2023	Benchmark Allocation	Market Value As of 29 February 2024
	£'000	%	£'000	%	%	£'000
Global Equities	562,149	48	623,808	49.98	51.00	631,867
UK Index Linked Gilts	111,642	9	108,014	8.65	7.00	103,159
Multi Asset Credit	110,959	9	120,935	9.69	12.00	116,695
Property	148,291	13	141,285	11.32	7.00	144,486
DGF/Dislocation	47,406	4	44,914	3.60	5.00	43,814
Private Equity	6,666	1	5,659	0.45	0.00	5,517
Infrastructure	54,771	5	64,258	5.15	8.00	64,165
Private Credit	75,923	6	72,285	5.79	5.00	71,379
Long Lease Property	47,386	4	46,021	3.69	5.00	46,372
Cash & Cash Equivalents	16,650	1	21,000	1.68	0.00	23,667
Totals	1,181,843	100.00	1,248,179	100.00	100	1,251,121



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Highlights of transactions during the quarter under review:

Total gross drawdown of £3.3m by LCIV Infrastructure Fund in the period under review.

- During the quarter, distributions received totalled £2.1m from Permira Private Debt, \$353k & Euro 104k from Private Equity and US\$164k & Euro 396k from Macquarie Infrastructure.

Undrawn commitments on 31 December 2023 are as follows:

- £3.2m (8% of commitment) awaiting drawdown on Private Credit (Permira).
- £11.4m (21% 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 £22.9m (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 31 December 2023	Actual Asset Allocation	Market Value As of 29 February 2024
FUND MANAGER	ASSET CLASS	£'000	%	£'000
LGIM	Global Equities	329,951	26.43	332,369
LGIM	Future World	236,905	18.98	239,279
LCIV - BALLIE GIFFORD	Global Equities	56,952	4.56	60,219
LGIM	UK Index Linked Gilts	108,014	8.65	103,159
LCIV MAC Fund	Multi Asset Credit	120,935	9.69	116,695
UBS PROPERTY	Property	75,993	6.09	75,489
AEW	Property	68,694	5.50	72,535
LCIV - RUFFER	DGF/Absolute Returns	44,914	3.60	43,814
ADAMS STREET	Private Equity	3,836	0.31	3,818
LGT	Private Equity	1,864	0.15	1,699
LCIV - STEPSTONE	Infrastructure	49,716	3.98	49,716
MACQUARIE	Infrastructure	14,542	1.17	14,449
M&G	Private Credit	562	0.05	488
LCIV Private Debt	Private Credit	54,689	4.38	54,689
PERMIRA	Private Credit	17,034	1.36	16,202
LGIM	LPI Property	46,021	3.69	46,372
Non-Custody	Cash & Cash Equivalents	17,598	1.41	20,129
		1,248,220	100	1,251,121

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

The strong returns generated from equity and bond investments mask serious issues: high and persistent inflation, rapid tightening of monetary policy, armed conflict, and geopolitical tensions. We should also recall that it is less than a year since the failure of three regional banks in the U.S. and the forced takeover of Credit Suisse by UBS which raised the spectre of contagion in the financial sector.

The final quarter of 2023 was marked by more big movements in capital markets. This was a consistent theme in 2023. The tone was gloomy in October, when investors were resigned to interest rates staying 'higher for longer' to combat persistent inflation. Sentiment then shifted sharply in November when evidence emerged that inflation was decelerating enough to reduce the risk of further tightening of monetary policy.

The positive tone was bolstered on December 13 by comments made by Jerome Powell, the chair of the U.S. Federal Reserve, and data showing that voting members of the Federal Open Markets Committee expect official U.S. interest rates (currently in a target range of 5.25% to 5.5%) to be reduced by about 0.75% over the course of 2024, and continue to decline into 2025.

The Bank of England and European Central Bank left official rates unchanged on December 14th and were more guarded in their comments about the path of monetary policy. Nevertheless, investors in Gilts have priced in reductions in interest rates in 2024, possibly as early as March.

Bond yields fell sharply in Q4 2023. The Bloomberg Global Aggregate Bond Index (hedged to GBP) rose 6.2% in 2023, a good result given the weak and volatile performance of government bonds earlier in the year. Credit indices also performed strongly, with high yield debt being the standout performer. Default rates have increased, but not as much as had been expected, and investors have been attracted by the high single digit/low double digit yields available from sub-investment grade debt.

Equity investors were quick to turn bullish when central bank signalling became less hawkish. The MSCI World Index returned almost 17% in Sterling terms in 2023, despite a 4.4% gain in the value of Sterling against the U.S. Dollar. The surge in enthusiasm for risky assets in 2023 is reflected in the strong outperformance of growth stocks. The MSCI World Growth index was up almost 29% in 2023, whereas the MSCI World Value index returned only 3%.

Despite the surge in 2023, growth stocks have underperformed value stocks by 1% per annum over three years (+7.2% for MSCI World Growth vs. +8.2% for MSCI World Value). As we have seen since the end of the era of exceptionally loose monetary policy, expectations for interest rates, economic growth, and corporate earnings change quickly, and shifts in capital flows have a big impact on the performance of style factors in equity markets.

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Based on market action at the end of 2023, we could conclude that central bankers have succeeded in delivering a ‘Goldilocks’ scenario of weak but positive economic growth, stable inflation, and capacity to reduce interest rates as needed to provide stimulus. This is an exceptionally difficult outcome to achieve, particularly in a period of armed conflict, geopolitical tension, tight labour markets, and big adjustments to global supply chains.

Investors have bought into this story – they have been aggressive in pricing in cuts in interest rates. Spreads on credit instruments, a key measure of perceived default and downgrade risk, are at the low end of historic ranges (but above the low points in mid-2021), despite evidence that impairments are increasing in the high yield debt markets.

Outlook

We are concerned that investors have embraced the ‘soft landing’ narrative with too much enthusiasm. In short, there may not be enough fuel left in the tank, in terms of expectations for official interest rates, credit spreads and corporate earnings to push markets much higher in 2024. And as we experienced in 2022 and 2023, negative news will be picked up in asset prices very quickly.

Unfortunately, the prospects for resolution of wars in the Ukraine and Middle East do not look strong. North Korea has become more belligerent again, and the threat of military action by China should not be discounted. China has been an important engine of growth for a long period, and the deceleration of that economy is a significant headwind. Closer to home, the UK economy contracted by 0.1% in the 3rd quarter of 2023 and is expected to grow by only 0.3% in 2024 based on consensus forecasts (source: Bloomberg).

On a positive note, yields on government bonds are positive in real terms. There is a very large amount of cash invested in money market funds and other short term debt instruments which could be redeployed into bond, credit, and equity markets if sentiment remains positive.

‘Reshoring’ and other adjustments to global supply chains present new avenues to growth, particularly for India, other South Asian economies, and Mexico. American companies are also investing around this theme, and fiscal measures to promote spending on infrastructure and renewal energy have supported growth in the U.S. economy, and in the earnings of companies which are positioned to benefit. The latest iteration of the revolution in technology, which has resulted in spectacular gains for leading players in artificial intelligence, may well deliver big gains in productivity and growth potential.

We also note the strong performance of the Nikkei 225 Index in 2023 (+28.2% in local currency terms), suggesting that leading Japanese companies may be able to play a more significant role again (although Japan only accounted for about 6% of the MSCI World Index at the end of 2023).

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To sum up, and consistent with our previous updates, we think the outlook for capital markets in 2024 is mixed. We expect more twists and turns as investors respond to geopolitical developments and news flow around central bank action, key economic indicators, and earnings. We encourage Partner Funds to review the sources of returns from their pension funds in 2023, both across and within asset classes ('growth' equities for example) and consider opportunities to rebalance the sources of risk in their portfolios.

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

There are no legal implications in the report.

London Borough of Hillingdon Pension Fund

Funding update report at 31 December 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 December 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 December 2023.

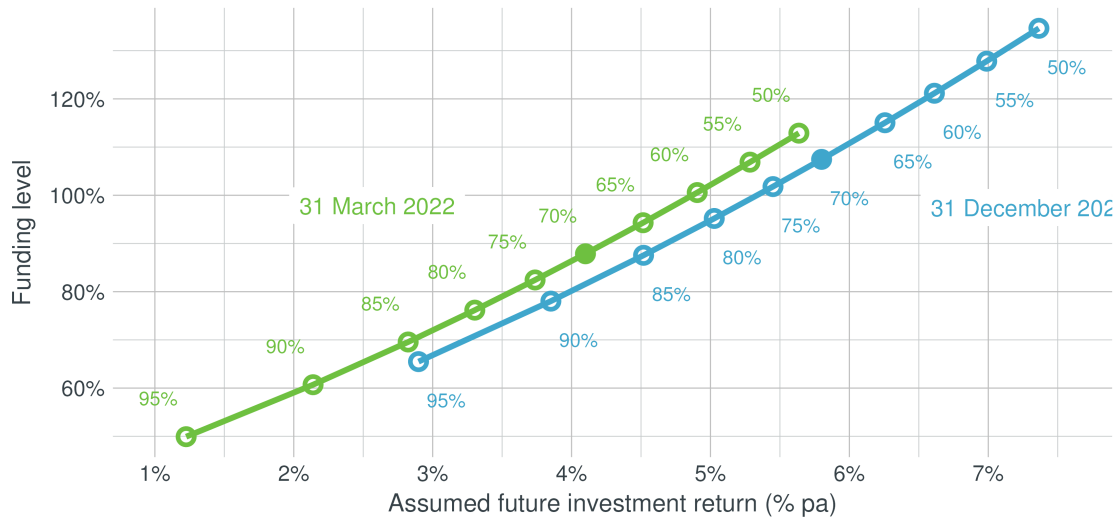
Please note that the asset value at 31 December 2023 shown in this report may differ to the actual asset value at that date because it is an estimate based on estimated cashflows (see section 3.2). However, the estimated value is consistent with the liabilities and therefore gives a more reliable estimate 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 December 2023
Assets	1.26	1.25
Liabilities		
– Active members	0.39	0.32
– Deferred pensioners	0.37	0.27
– Pensioners	0.67	0.57
Total liabilities	1.43	1.17
Surplus/(deficit)	(0.17)	0.09
Funding level	88%	107%
Required return assumption (% pa) for funding level to be 100%	4.9%	5.3%
Likelihood of assets achieving this return	60%	76%

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 December 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 December 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.



2 Next steps

2.1 Understanding the results

The results at 31 December 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 December 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 December 2023
Employer contributions	71,323
Employee contributions	18,580
Benefits paid	93,519
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	31 December 2023	(0.44%)

The total investment return for the whole period is (0.44%).

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 December 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%	5.8%
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%	2.2%

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 December 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 December 2023 include a total adjustment of 11.4% to reflect the difference between actual September CPI inflation values (up to 30 September 2023) and the assumption made at 31 March 2022. The adjustment for each year's actual inflation is applied from 31 October 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 December 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 December 2023 was 1.0% pa lower then the liabilities on the Ongoing basis at that date would increase by 18.2%.

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 4 March 2024 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 4 March 2024 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

ITEM 8

Committee

Pensions Committee

Officer Reporting

James Lake & Babatunde Adekoya, Finance

Papers with this report

Full manager voting - Shared drive.
 LGIM Engagement Report Q4 2023 – Shared drive
 LAPFF Engagement Report Q4 2023 – Shared drive
 LCIV Engagement March 2024 – Shared drive
 Draft LAPFF Workplan – Shared drive

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

It is recommended that Pensions Committee:

1. Note the fund managers' ESG activities and compliance efforts
2. Note LAPFF activities
3. Ratify Pension Subgroup (PSG) Stewardship Code decision
4. Note LAPFF fees for 2024/25 (within Financial Implications)
5. Note LCIV video update

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 97 meetings. LCIV voting was in consensus with LAPFF voting alerts for the period.

Classification: Public

Pensions Committee 26 March 2024

Fund Managers Voting Breakdown Q4, 2023						
LCIV		Meetings	Resolutions	Votes With	Against	Abstention/Non-Voting
	Dec-23					
LCIV - Ruffer		4	48	46	0	2
LCIV - Baillie Gifford		5	78	59	14	5
Eos		97	900	749	151	0
		106	1,026	854	165	7
	%			83.24	16.08	0.68
LGIM		Meetings	Resolutions	Votes With	Against	Abstention
	Dec-23	2,162	12,913	9,381	3,323	209
		2,162	12,913	9,381	3,323	209
	%			72.65	25.73	1.62

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 26% of voting opportunities and supported resolutions on approximately 73% of occasions. The London CIV through Eos and two equities portfolio managers, Ruffer and Baillie Gifford combined to back various management resolutions on 83% of voting opportunities and about 16% against the resolutions proposed by company managements. Abstentions for LGIM and LCIV were 2% & 1% 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.

LCIV

During the quarter under review Federated Hermes (Eos) on behalf of the LCIV engaged various companies on issues such as ESG, Strategy, Risk and Communications, Globally.

Below are examples of engagement with two British companies:

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Tesco (UK)

Status: Progressing

Having first engaged Tesco on plastic waste in 2018, LCIV sought an update. The approach is to minimise everywhere and remove plastic where possible, with branded products easier to control. LCIV pushed the company on whether it would set public targets on this work, especially in light of its growing commercial dominance in the UK. The company argued that the regulatory landscape was uncertain, so setting targets did not feel commercially appropriate. While we sympathised with these challenges, we said that having no target could hinder action.

The manager asked whether the company was aligning its advocacy efforts with ambitious plastic regulation and policy. It pointed to its membership of the UK Plastic Pact for setting standards but indicated that advocacy was challenging given the diversification of the business. LCIV followed up with a request that plastic waste management be properly measured and reported. It welcomed its progress on securing Science Based Targets initiative (SBTi) validation of its forest, land use, and agriculture (FLAG) emissions targets. It was suggested that it could focus on the significant methane emissions in this agricultural supply chain and consider setting targets. Tesco said that it was looking at methane solutions to achieve its FLAG target, but had been disappointed by technology trials, so we asked for communication of this work specific to methane, given the significance and growing regulatory attention.

AstraZeneca (UK)

Status: Complete

In response to the manager's questions, AstraZeneca refuted any notion that the CEO, who has been in the post for 11 years, would leave soon, indicating that he sees himself staying with the company for another five years. It added that some succession planning has been undertaken, including identifying an internal pipeline of possible successors. LCIV asked to hear more about this in a meeting with the chair. Related to the CEO and his retention, the manager raised its concerns over excessive pay and flagged that we will explore this with the company in 2024. Finally, LCIV asked AstraZeneca for its views on antimicrobial resistance (AMR). The company reminded LCIV that it divested its antibiotics business completely in 2016 and has signed up to a UN roadmap on AMR. It acknowledged a suggestion that it attend the UN High-Level Meeting on AMR expected in the latter half of 2024, where industry voices will be key in catalysing policy.

LGIM

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'

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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

Climate

Collaborations in Asia ex-Japan

Climate is one of LGIM core global stewardship themes, and a particular focus for their engagement with companies in the Asia ex-Japan region. Some 70% of energy in the Asia ex-Japan region is currently generated by fossil fuels, and Asian countries are repeatedly identified as the most vulnerable to climate risks,² with 70% of the global population susceptible to sea level rises located there.

LGIM have signed up to the China Climate Engagement Initiative ('CCEI'), which focuses on the China market and aims to facilitate the transition to a net-zero economy by bringing together large institutional investors into targeted, sophisticated dialogue with industries critical to climate change. Currently, the CCEI also focuses on four aspects: governance, goals and strategic priorities, transition pathway and disclosure in seeking to realise its aims. Specifically, CCEI has three working pillars, including company engagement, developing guidance to promote stewardship and engagements with companies in China, and research and capacity building.

Through the CCEI, LGIM is co-leading – together with a large Chinese asset manager – collaborative engagement with a global mining company headquartered in China. Being part of this engagement enables the manager, not only to contribute its own experiences and expectations, but also to learn from peers and from the company itself in exploring how to transition a high-emitting industry to net zero.

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LGIM believe understanding of local contexts when engaging with companies in Asia ex-Japan is pivotal to helping investee companies appreciate the potential benefits of change, and consequently being motivated to do so; our collaborations with like-minded peers and stakeholders will be an important pillar of our Asia-ex Japan engagement approach, which we have set out in our recent blog posts.

Social

Human rights and modern slavery

Human rights have been a key focus area for LGIM for several years. The manager has incorporated screening of companies' performance on human rights, labour, the environment and corruption as covered under UN Global Compact (UNGC)'s in specific LGIM funds since 2018; their proprietary Future World Protection List captures companies that are perennial violators of the UNGC. Furthermore, its Global Research and Engagement Groups (GREGs) have integrated various human rights-relevant topics when evaluating companies held in portfolios and have also established a framework for approaching human rights in the context of sovereigns in their investments. LGIM will continue to review and refine its human rights due diligence approach in evaluating related risks and identifying opportunities within portfolios. LGIM votes against the re-election of the chair or other directors of any company that is on its Future World Protection UNGC violator list for three consecutive years.

AMR: Case studies

FAIRR's Restaurant Antibiotics Engagement Collaboration

Identify and engage

LGIM have joined FAIRR's Restaurant Antibiotics Engagement stream, a collaborative initiative representing over US\$15 trillion in assets, 23 that aims to improve communications and disclosure between fast food restaurants and investors, focussing on the topic of antimicrobial resistance and how these companies are mitigating these risks in their supply chains. This campaign focuses on the 12 largest US fast food brands: Bloomin' Brands Inc, Brinker International, Darden Restaurants, Domino's Pizza Inc, McDonald's Corporation, Papa John's International, Restaurant Brands International, Starbucks, Texas Roadhouse, The Cheesecake Factory, The Wendy's Company, and Yum! Brands.

The campaign is focused on the following three milestones, asking companies to:

- (i) Demonstrate sufficient rigour and scope of existing antibiotic policies
- (ii) Develop antibiotic policies to cover all key proteins
- (iii) Provide evidence of implementation through target setting and auditing

Having signed letters to the 12 companies identified by the campaign, over the quarter, the manager undertook its first engagement call with Restaurant Brands International, a conglomerate owner of a number of fast-food companies, including Burger King and Popeye's Louisiana Kitchen.

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Escalate

The interesting discovery from this call was that the company wanted to follow up with FAIRR to get more information. FAIRR held a follow-up meeting with the company and more in-depth AMR stewardship areas were discussed. LGIM will continue its participation in this collaboration, which it views as an important workstream for gathering investors and the weight of assets they manage to raise the issue of AMR with companies well-placed to tackle it, through the scale and reach of their supply chains. Disclosure is a fundamental element of their engagement requests so that risks can be appropriately identified and priced by the market. As long-term investors, LGIM aim to achieve sustainable returns for its clients.

Governance

Mediobanca: recalling shares on a material vote

LGIM's policy on share lending

Where there are no legal or practical impediments, the manager aims to vote with every share they hold. There is currently no stock lending undertaken by LGIM in the UK market, so all shares are available for voting. For other markets, their stock-lending policies differ, with limits on the number of shares lent per fund and per stock. Nonetheless it always retains a number of shares in each voteable stock to be able to note their approval, or dissent, through a vote via the shareholder meeting. Moreover, LGIM retain the right of immediate recall of our shares, should we deem this necessary or expedient. In practice, LGIM do not typically recall lent stock for voting on routine company meetings. However, where there is an upcoming material vote – for example, a potential takeover situation at unfavourable terms – it will recall stock out on loan in order to apply the full voting power towards a positive outcome in the best interest of clients.

Identify: A material vote at Mediobanca

Mediobanca is a European investment banking boutique, specialising in financial advice, wealth management and consumer credit, offering its services through a number of subsidiaries. At its AGM, which took place on 28 October 2023, there was a tightly contested proxy fight for director appointments to the board. At Italian AGMs, investors must vote for one 'slate' of directors as presented by management and/or dissident shareholders.

This means that votes must be for one whole 'slate' of director appointments, choosing one out of the competing slates, rather than for individual directors. This is a feature particular to the Italian corporate governance system and tends to be supported by posting an alternative slate put forward by *Assogestioni* – the Italian asset manager association – to provide representation of independent investors.

LAPFF

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

In January 2024 LAPFF issued their draft workplan for 2024 which sets out a range of current and anticipated company and policy engagement areas for the coming year. This gives members the ability to comment to ensure that members are content with LAPFF's areas of focus and that engagements align.

The plan covers various themes within:

- Responsible Investment
- Promoting good governance
- Positioning the forum, communication, and member services

LAPFF held its 2023 annual conference in Bournemouth, covering a range of topics with a particular focus on climate-related issues. On the first afternoon, delegates heard from Richard Eadie and Simon Davy on how water companies can better deliver environmental value. This was followed by a discussion panel on how LGPS funds are managing climate-related financial risks. The first day closed with a review of the 2023 shareholder resolutions and a glimpse of the ones to come in 2024.

The second day began with a discussion panel on the significance of proxy voting choices for investors in passive funds and the breakthrough introduction of passthrough voting. This allows asset owners to adopt their own LAPFF Conference voting policies in pooled funds. Delegates then heard from asset managers on how they respond to the recent headline phenomenon of an ESG backlash. This was followed by a deep dive from Sir Philip Augar on whether investors should be concerned about the listing rules review.

The afternoon had a strong climate related focus, opening with a discussion on how clean and equitable EV supply chains can be ensured, an emerging area of importance in the endeavour to decarbonise. This was accompanied by a session on how nature-related risks and the biodiversity crisis are managed and tackled. Another session outlined the role of alternatives in the race to achieving net zero by 2050. Also in the afternoon, delegates engaged in a poignant discussion on investors' role in ending modern-day slavery, highlighting the pressing need and methods to take action and make change.

The final morning of the conference opened with a session with economic commentator, Will Hutton, on the great pay divide between executives and employees, followed by a discussion on the Living Wage with a representative from the Living Wage Foundation. This was followed by a presentation from LGA adviser, Barry Quirk, on levelling up. The conference closed with an inspirational story by

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Dave Fishwick about his journey to creating the Bank of Dave to help local businesses and communities in the wake of the 2008 financial crisis.

Details on the various LAPFF engagements can be found on the members shared drive in the 'LAPFF Engagement Report Q4 2023'

London CIV

LCIV has provided a video update on their Responsible Investment team to give Committee an overview on how each element operates.

The updated LCIV voting tracker allows members to understand where LCIV and LAPFF are aligned and to highlight any differences which Committee may wish to explore.

Quarter	Date for Vote Alert Issued	AGM Date	Company	Target Resolution	LAPFF Recommendation	London CIV Vote	Deviated from LAPFF Recommendation
3rd	31/08/2023	14/09/2023	Ryanair	2. Approve Remuneration Report	OPPOSE	OPPOSE	N
3rd	31/08/2023	14/09/2023	Ryanair	3. Approve Remuneration Policy	OPPOSE	OPPOSE	N
3rd	07/09/2023	21/09/2023	FedEx	6. Report on Just Transition	FOR	FOR	N
4th	18/10/2023	01/11/2023	BHP	1. Consider Financial Statements and Reports	OPPOSE	OPPOSE	N
4th	18/10/2023	01/11/2023	BHP	4. Re-elect Gary Goldberg	OPPOSE	OPPOSE	N
4th	18/10/2023	01/11/2023	BHP	6. Re-elect Ken MacKenzie	OPPOSE	OPPOSE	N
4th	18/10/2023	01/11/2023	BHP	7. Re-elect Christine O'Reilly	OPPOSE	OPPOSE	N
4th	18/10/2023	01/11/2023	BHP	10. Adoption of Remuneration Report	OPPOSE	OPPOSE	N
4th	18/10/2023	01/11/2023	BHP	11. Approval of Equity Grants to CEO	OPPOSE	OPPOSE	N

UK Stewardship Code

On the 13th of December 2023 the Pension Committee agreed that would endeavour to maintain its signatory status of the UK Stewardship Code.

However, following that meeting, once the full cost and resource requirement was fully known, concerns were raised as to whether value for money was being achieved and also whether this initiative was in the best interest of members.

As such on the 29th of January 2024 the Pension Sub Group met to discuss whether ongoing signatory status of the UK Stewardship Code should be pursued.

Overall, the PSG unanimously agreed that it was not possible to justify the cost and resource allocation in terms of delivering their fiduciary duty to members and that the time and money could be spent more efficiently and deliver tangible results on other ESG initiatives. Furthermore, it was agreed that the Fund was adhering to the underlying requirements of the FRC Code in its day-to-day activities and did not need to be a signatory to achieve this.

The PSG also agreed that should the FRC reduce the reporting burden on LGPS funds and make the process two-yearly rather than annual, the Fund would consider applying for signatory status in the future.

At the meeting PSG agreed the Fund would not continue as a UK Stewardship Code signatory once the 23/24 listing had expired.

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The Corporate Director of Finance approved of the revised decision under delegated authority confirming It would be ratified at the next Pension Committee meeting to be held on 26th March 2024.

Separately, the FRC communicated with the Fund asking for comments on the process. This allowed officers to respond with concerns and requests to make the process less burdensome and more efficient.

FINANCIAL IMPLICATIONS

ESG initiatives included within the Pension Fund budget.

LAPFF membership fee of £11,870 for 2024/25 (£11,125 over 2023/24). This reflects an inflationary increase from 2023 and will cover anticipated cost increases whilst enabling delivery of the workplan envisaged for our members.

LEGAL IMPLICATIONS

Legal implications are included in the report.

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Pension Fund Risk Register		Item 9
Committee	Pension Committee	
Officer Reporting	Tunde Adekoya, 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

It is recommended that Pensions Committee:

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

SUPPORTING INFORMATION

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

There are now 14 risks being reported upon. Whilst there are many more risks which could be identified for the Fund, those identified are the most significant and those which are actively managed.

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

A new risk has been added 'PEN 14 - Failure of employers to deliver accurate and timely employee administration information'. This is a result of continued poor employer performance in terms of, as noted in the title, poor compliance with delivering accurate and timely administration information records which are required in order that members pension records can be recorded properly. There is a considerable burden on the Fund and Hampshire to continually ask for proper records within ongoing requests and queries being raised. This has now been highlighted as a risk as there is potential for these employers to be referred to the Pension Regulator for non-compliance.

This has been rated as B2 as it there is a high likelihood (most employers are not delivering) and large impact (should the Fund report to the Pension Regulator).

There have been no changes to other risks.

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
PEN 01 - Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	<ol style="list-style-type: none"> 1. Anticipate long-term return on a relatively prudent basis to reduce risk of failing to meet return expectations. Funding Strategy outlines key assumptions that must be achieved in agreeing rates with employers for a significant chance of successfully meeting the funding target. 2. Analyse progress at three yearly valuations for all employers. 3. Undertake Inter-valuation monitoring. 	<p>With the assistance of Hymans quarterly funding report, the position is kept under regular review and Pension Committee is informed of the impact of prevailing market conditions on the funding level</p> <p>The 2022 initial triennial valuation results show a marginal improvement on the 2019 valuation. Interim valuations currently show an overfunded position.</p> <p>A revised investment strategy has been produced to be robust but now with a tilt to growth.</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 Rating = C2 (Static)	James Lake / Cllr Mathers	26/03/24
PEN 02 - Inappropriate long-term investment strategy	<ol style="list-style-type: none"> 1. Set Pension Fund specific strategic asset allocation benchmark after taking advice from investment advisers, balancing risk and reward, based on historical data. 2. Keep risk and expected reward from strategic asset allocation under review. 3. Review asset allocation formally on an annual basis. 4. Asset allocation reported quarterly to committee. 5. Officer and advisers actively monitors this risk. 	<p>A separate Officer and Advisor working group regularly monitors the investment strategy and develops proposals for change / adjustment for Pension Committee consideration.</p> <p>The impact of each decision is carefully 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 has been prepared in line with the triennial valuation process.</p>	Strategic risk Likelihood = Low Impact = Large Rating = E2 (Static)	James Lake / Cllr Mathers	26/03/24
PEN 03 - Active investment manager under-performance relative to benchmark	<ol style="list-style-type: none"> 1. The structure includes active and passive mandates and several managers are employed to diversify the risk of underperformance by any single manager. 2. Short term investment monitoring provides alerts on significant changes to key personnel or changes of process at the manager. 3. Regular monitoring measures performance in absolute terms and relative to the manager's index benchmark, supplemented with an analysis of absolute returns against those underpinning the valuation. 4. Investment managers would be changed following persistent or severe under-performance. 	<p>The Fund is widely diversified, limiting the impact of any single manager on the Fund.</p> <p>Active monitoring of each manager is undertaken with Advisors and Officers meeting managers on a quarterly basis and communicating regularly.</p> <p>The LCIV as pool is increasingly managing more assets on the funds behalf as per regulation. The Fund is working closely with LCIV regarding oversight reporting to aid Committee assessment.</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 Rating = E4 (Static)	James Lake / Cllr Mathers	26/03/24

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Committee Member	Date of last review
PEN 04 - Inflation - Pay and price inflation significantly more than anticipated	<p>1. The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. The actuarial basis examines disparity between the inflation linking which applies to benefits of Deferred and Pensioner members as well as the escalation of pensionable payroll costs which only applies to active members, and on which employer and employee contributions are based.</p> <p>2. Inter-valuation monitoring gives early warning and investment in index-linked bonds also helps to mitigate this risk.</p> <p>3. Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p> <p>4. Covenant's are in place with security of a guarantee or bond for admission agreements.</p> <p>5. Inter-valuation monitoring gives early warning.</p> <p>6. Investment in index-linked bonds helps to mitigate this risk.</p> <p>7. 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 inflation is reviewed through all strategic investment decision making, however inflation risk is diminishing as rates fall. The increase in interest rates to counter inflation has had a positive effect on the Fund valuation.</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 are factored into the Investment Strategy.</p>	Strategic risk Likelihood = Significant Impact = Large Rating = C2 (Static)	James Lake / Cllr Mathers	26/03/24
PEN 05 - Pensioners living longer	<p>1. Mortality assumptions are set with some allowance for future increases in life expectancy. Sensitivity analysis in triennial valuation helps employers understand the impact of changes in life expectancy.</p> <p>2. Club Vita monitoring provides fund specific data for the valuation, enabling better forecasting.</p>	<p>The Fund is part of Club Vita, a subsidiary of the Fund Actuary, which monitors mortality data and feeds directly into the valuation.</p> <p>Results also feed into the quarterly funding position which is reported to and assessed by Committee Members and officers.</p>	Strategic risk Likelihood = Low Impact = Small Rating = E4 (Static)	James Lake / Cllr Mathers	26/03/24
PEN 06 - Poor Performance of Outsourced Administrator leading to poor quality information supplied to both members and the Fund Actuary	<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 & 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 Rating = E2 (Static)	James Lake / Cllr Mathers	26/03/24
PEN 7 - Cyber Security - Pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals	<p>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.</p> <p>2. Risk is on the Corporate risk register with risk mitigation in place.</p> <p>3. All member and transactional data flowing from HCC and Hillingdon is sent via encryption software or via the employer portal.</p> <p>4. Data between the fund, HCC and Hyman's is distributed via upload to an encrypted portal.</p> <p>5. Systems at Hillingdon and HCC are protected against viruses and other system threats.</p> <p>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.</p>	<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 their IT improvement road plan. Twice yearly PEN testing is now fully embedded.</p> <p>The latest HCC internal audit report on cyber security has been issued in 2023.</p>	Strategic risk Likelihood = Medium Impact = Large Rating = D2 (Static)	James Lake / Cllr Mathers	26/03/24

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Committee Member	Date of last review
PEN 8 - ESG - Risk of financial loss through the negative impact of ESG matters	<ol style="list-style-type: none"> The fund have an ESG policy in place as part of the ISS. 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. Manager selections take into account ESG policy. Managers are expected to be signed up to the stewardship Code. Managers are expected to have signed up to the UN Principles for Responsible Investment (UK PRI) ESG Issues are discussed with managers at review meetings. The Fund submitted its application report for the new 2020 UK Stewardship Code ahead of the April 2022 deadline. The Fund has signed up to support TCFD. 	<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 regularly.</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 & 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 and again in August 2023.. The fund however has decided not proceed with the 2024 application. The Fund will respond to a consultation issued by the FRC regarding the Code.</p> <p>In March 2023 the fund joined LAPFF to bolster engagement on ESG issues.</p>	Strategic risk Likelihood = Medium Impact = Medium Rating = D3 (Static)	James Lake / Cllr Mathers	26/03/24
PEN 9 - Liquidity on asset management risk of failure to liquidate assets or meet drawdown calls	<ol style="list-style-type: none"> The fund has an active daily cash management process in place to ensure there is sufficient cash available to meet any drawdown requirements. 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. Officers liaise with managers where commitments have been made to keep track of predicted drawdown timescales. The fund is significantly diversified in different asset classes and asset managers to ensure if there is a stop on any one holding then the portfolio will continue to operate as normal. 	<p>There is a detailed cash management process in place. 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 Rating = E2 (Static)	James Lake / Cllr Mathers	26/03/24
Pen 10 - Liquidity on members dealings - risk that the fund is unable to settle member payments	<ol style="list-style-type: none"> The fund has an active daily cash management process in place to ensure there is sufficient cash available to meet all beneficiary payments. The fund is significantly diversified in different asset classes with the option of distribution portfolios. 	<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 Rating = E3 (Static)	James Lake / Cllr Mathers	26/03/24

Description	Actions in Place	Progress Comment	Risk Category / Rating / DOT	Lead Officer / Committee Member	Date of last review
PEN 11 - Failure of the pool in management of funds / access to funds	<ol style="list-style-type: none"> Quarterly review meetings held with the pool. Regular reporting out of the pool informing the fund of manager performance. Swift communications received from the pool with staff turnover and concerns the fund may need to be aware. Independent adviser carried out a review of governance for manager selection and manager monitoring to add assurance and discussion points with the pool. Active Shareholder representation at General meeting and AGM. Pool to attend Committee meetings where required, to provide assurance over progress and activity. 	<p>Aoifinn Devitt has been appointed as new LCIV CIO. It is expected Aoifinn will during 2024 meet the Committee so she may introduce herself and so the Committee may ask any questions.</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 is due to be available around the end of Q2 2024.</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. FCA has approved.</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 Rating = E4 (Static)	James Lake / Cllr Mathers	26/03/24
PEN 12 - Failure of the Fund's governance to comply with statutory requirements and/or The Pension Regulator expectations including: Failure to ensure that Committee members' knowledge and understanding of pension matters is robust and meets statutory requirements Failure to ensure that the Pension Board is effective in carrying out its role	<ol style="list-style-type: none"> Governance Policy Statement, reviewed every 3 years. Policies on range of issues, reviewed regularly. Compliance with CIPFA Code of Practice on Public Sector Pensions Finance, Knowledge and Skills. Programme of training sessions and access to external events. Use of Regulator's on-line toolkit. A knowledge self-assessment framework for Committee and Board members to identify training requirements. The Fund's Annual Report includes details of Committee and Board members' training activities. Fund Governance Adviser in place. Access is provided to CIPFA K&S Framework training modules. 	<p>The Fund has undergone a COP14 Governance review and implementing changes to be either fully or partially compliant. Regular monitoring is required to ensure this is maintained. 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 & Board with a mandatory training plan in place.</p> <p>Mandatory training, in line with the CIPFA K&S Framework, is to be undertaken by all Committee members. A knowledge and skills assessment took place with result being discussed in Q1 2024. A training plan has been developed in line with the assessment and Fund requirements.</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. Work will begin in terms of a gap analysis against the new code.</p>	Strategic risk Likelihood = Low Impact = Very Large Rating = E1 (Static)	James Lake / Cllr Mathers	26/03/24
PEN 13 - Key officer risk - small team with specialists knowledge in key roles results in the Fund being vulnerable if staff leave	<ol style="list-style-type: none"> The team endeavours to maintain a broad knowledge across the pension function. The Fund has access to specialist support should it be required. The Fund has access to the interim employment market should it be required. 	Succession planning is underway to bolster knowledge.	Strategic risk Likelihood = Medium Impact = Small Rating = D4 (Static)	James Lake / Cllr Mathers	26/03/24
PEN 14 - Failure of employers to deliver accurate and timely employee administration information	<ol style="list-style-type: none"> Training provided to educate and empower employers. Regular updates at Schools' Forum on the importance of accurate and timely information. Regular newsletters and update from Hampshire. Benchmarking and escalation to Head Teachers. Regular meetings with payroll providers on behalf of schools to escalate and manage backlog work.. 	<p>Work continues as described to embed good behaviour.</p> <p>Director of SEND and Education will include pension matters in regular briefings.</p> <p>Board members may begin to visit Head Teachers in person to escalate.</p> <p>24/25 benchmarking to assess progress and highlight delinquent offenders.</p> <p>Consideration to report repeat offender to the Pension Regulator.</p>	Strategic risk Likelihood = High. Impact = Large Rating = B2 (New)	James Lake / Cllr Mathers	26/03/24

Attributes:		L I K E L I H O O D	Risk rating	Score	Risk rating	Score	Risk rating	Score	Risk rating	Score	
Greater than 90%	This week		Very High (A)	A4	6	A3	12	A2	18	A1	24
70% to 90%	Next week / this month		High (B)	B4	5	B3	10	B2	15	B1	20
50% to 70%	This year		Significant (C)	C4	2	C3	4	C2	6	C1	8
30% to 50%	Next year		Medium (D)	D4	1	D3	2	D2	3	D1	4
10% to 30%	Next year to five years		Low (E)	E4	0	E3	0	E2	0	E1	0
Less than 10%	Next ten years		Very Low (F)	F4	0	F3	0	F2	0	F1	0
			Small (4)		Medium (3)		Large (2)		Very Large (1)		
			IMPACT								
Attributes:			Financial		Reputation						
			up to £500k		Between £500k and £10m		Between £10m and £50m		Over £50m		
			Minor complaint, no media interest		One off local media interest		Adverse national media interest or sustained local interest		Ministerial intervention, public inquiry, remembered for years		
THREATS:											

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GOVERNANCE

Item 10

Committee	Pensions Committee
Officer Reporting	James Lake, Finance
Papers with report	Pension Committee Workplan Knowledge and Skills Assessment Training Plan Administration Strategy Conflicts of Interest Policy

HEADLINES

This report is to enable the Pension Committee to review the Committee workplan, note governance updates as well as approval of various triennial and interim policy updates.

RECOMMENDATIONS

That the 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. **Approve Conflicts of Interest Policy**
5. **Approve Administration Strategy.**
6. **Approve Training Plan**

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:

5 June 2024

25 September 2024

10 December 2024

26 March 2025

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Pensions Committee 26 March 2024

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. As a foundation requirement, 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
Bespoke Sessions							
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	✓	✓
29 Nov 23	AEW & ESG	✓					
13 Dec 23	Equity Styes	✓	✓	✓	n/a	✓	✓
28 Feb 24	Baillie Gifford Investment Forum	✓					
Mandatory Training (AON CIPFA Knowledge & Skills Framework)							
	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.

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Knowledge & Skills Assessment and Training Plan

In line with the new Pension Regulator General Code of Practice Pension Committee, Board, and officers should ensure they the requisite knowledge to fulfil their obligations.

In December 2023, Pension Committee agreed the updated Training Policy and further agreed to undertake a Knowledge and Skills self-assessment along with Pension Board Members. The output of this exercise would highlight knowledge gaps and allow for a Training Plan to be developed.

In January 2024 the members of the Pension Committee and Board were invited to complete an online knowledge assessment. All members of the Committee and Board responded which shows an excellent level of engagement. Each respondent was given the same set of 48 questions on the 8 areas below:

Section Names

Section 1 Committee Role and Pensions Legislation

Section 2 Pensions Governance

Section 3 Pensions Administration

Section 4 Pensions Accounting and Audit Standards

Section 5 Procurement and Relationship Management

Section 6 Investment Performance and Risk Management

Section 7 Financial Markets and Product Knowledge

Section 8 Actuarial Methods, Standards and Practices

Under each subject heading, there were 6 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct.

Participants were also given the option of selecting "I have no knowledge of this area", where they were unsure. This allowed Hymans Robertson to build a picture of the knowledge levels of each individual member in each of the topics, but crucially to help inform the overall levels of knowledge in each area.

The performance of the Committee showed an average overall score of 48.75% whilst the Board had an average overall score of 63.75 %.

Both groups ranked broadly similar to a benchmark comparison with the 2022 National Knowledge Assessment average score for Committees at 51% and Boards 61%.

Page 3 of the attached assessment shows respective average scores for Committee and the Board within the 8 categories.

Hymans Robertson also point out in their report It is not just the overall average scores which are important, but also the collective knowledge of members. All Committee and Board members will bring different experience and perspectives, and will feel more comfortable providing challenge in areas they are more knowledgeable

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in. As such, the spread of detailed knowledge in each subject is important for the robust governance of the Fund.

Page 7 of the report refers to 'Collective Knowledge' stating a well-rounded Committee or Board will have a number of members scoring highly in each topic. The analysis showed the number of members who correctly answered at least 5 of the 6 questions in each topic. A spread of individuals with detailed knowledge across different topics, is more likely to create an effective Committee or Board. For the Committee there were 4 members who scored highly in at least 1 topic. For the Board there were also 4 members who scored highly in at least 1 topic. In terms of a spread of knowledge this is a positive result with different people having knowledge in different areas.

However, the assessment clearly shows there are gaps in knowledge and although not recorded in this report, individual scores did highlight a polarisation in knowledge between the 10 participants.

The Training Plan has been designed to cover the 8 categories to improve general knowledge but will also incorporate elements specific to Hillingdon and members of the Committee and Board.

Committee and Board members are asked to revisit the induction modules where their individual assessment results highlighted areas of weakness. Furthermore, the plan references the 'Handbook' which has been developed as a quick guide to pensions and specific elements relating to the Hillingdon Fund. Members are asked to read and refer to this as an 'aide-memoire' (an aid to the memory).

Administration Strategy

At the December 2023 meeting the Committee agree the revised draft of the Administration Strategy and confirmed it should be sent to all employers in the Fund for consultation and comment.

Over the one-month consultation period no responses or comments were received from employers in the Fund. As such Committee are now asked to approve the revised Administration Strategy for publication.

Conflicts of Interest Policy

Following the issue of the Pensions Regulator General Code as noted in the December Governance report, work has begun to assess the new requirements and for the Fund to move towards compliance. This will be a major project and the Board will be ensuring the Fund meets the revised governance standards.

Along with progress relating to training, the Conflicts of Interest Policy has been scheduled for review. The attached update has been prepared for approval by the Committee. A tracked changes version is included in the shared drive for reference.

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The main updates include a general rationalisation of the document to be more concise, undated terminology and categorisation on content and changes to relevant legislation and example references.

Other items to note include:

- the removal of the reference to the Stewardship Code which required an annual review of this policy. Following the decision not to pursue continued signatory status, the Conflicts of Interest policy will now revert to triennial reviews.
- New introduction paragraph to add definitions of Council etc.
- Added requirement for annual interest declaration and gifts/hospitality from Board members.
- Page numbers added.

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

The legal implications included within the body of the report.

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2023 LGPS Knowledge Progress Assessment

London Borough of Hillingdon Pension Fund

Overview

This Knowledge Progress Assessment (KPA) allows a direct insight into the knowledge and skills of the key decision makers and oversight body of the London Borough of Hillingdon Pension Fund.

Participants answered a series of questions covering a broad spectrum of topics, for which they should be familiar to effectively perform their role. Based on their answers, a score is recorded for each member, and also collectively for both the Committee and Board.

This information can be incredibly valuable in helping shape and plan training sessions at both group and individual level.

This assessment sits alongside the LGPS National Knowledge Assessment (NKA). Unlike the NKA, there is no benchmarking provided against the results of all other participating Funds. The results focus solely on your Fund.

Background

The London Borough of Hillingdon Pension Fund agreed to participate in the KPA using our online assessment.

This report provides an overview of the participants' results broken down into 8 key areas.

The online assessment opened in January 2024, and there were weekly progress updates provided to the Fund confirming participation levels.

Each participant received their individual results report following completion of the assessment.

The questions posed in the assessment are split into 3 categories:

- Technical questions
- Roles and responsibilities
- Decision making

Technical questions, made up around two thirds of the questions. The remaining questions were split between the categories of Roles and Responsibilities as well as Decision Making. This helps to provide more in-depth analysis of the results and provides further context to the proposed training plans.

The Knowledge Progress Assessment is a challenging multiple-choice assessment of participants' knowledge and understanding of key pension areas. There was no expectation that participants would score 100% on each subject area tested. Rather, the goal was to gain a true insight into members' knowledge in the areas covered by the CIPFA Knowledge and Skills Framework and the Pensions Regulator's (TPR) Code of Practice.

Why Does this Matter?

While fund officers may deal with the day-to-day running of the funds, members of the Committee play a vital role in the scheme as decision makers.

To execute their roles effectively, Committee members must be able to address all relevant topics such as investment matters, issues concerning pension funding, pension administration and governance.

All topics which require a level of knowledge and understanding from the Committee. Similarly, the Pension Board members must have a sound knowledge of these topics in order to be able to offer critical challenge in the oversight of Fund decisions.

The Assessment

The members of the London Borough of Hillingdon Pension Fund Committee and Board were invited to complete an online knowledge assessment. In total there were 5 respondents from the Committee and 5 respondents from the Board.

Each respondent was given the same set of 48 questions on the 8 areas below:

Section	Names
Section 1	Committee Role and Pensions Legislation
Section 2	Pensions Governance
Section 3	Pensions Administration
Section 4	Pensions Accounting and Audit Standards
Section 5	Procurement and Relationship Management
Section 6	Investment Performance and Risk Management
Section 7	Financial Markets and Product Knowledge
Section 8	Actuarial Methods, Standards and Practices

Under each subject heading, there were 6 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct.

Participants were also given the option of selecting “I have no knowledge of this area”, where they were unsure.

This allows us to build a picture of the knowledge levels of each individual member in each of the topics, but crucially to help inform you of the overall levels of knowledge in each area.

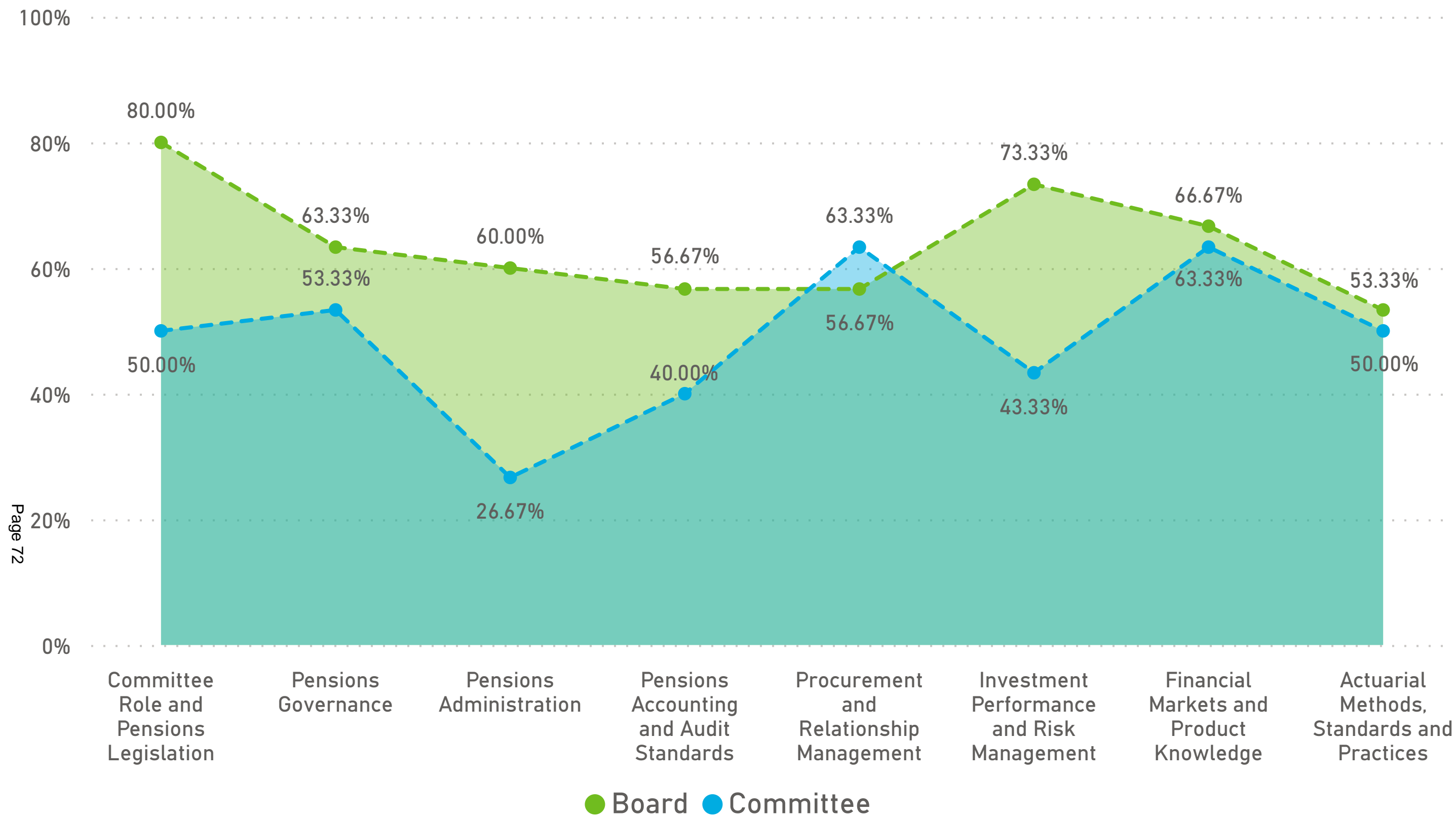
Results

The responses for all members who participated have been collated and analysed. For each section we have shown:

- The average score for each of the 8 subject areas, for both the Committee and Board.
- Results split by the categories of “**technical**”, “**roles and responsibilities**” and “**decision making**”.
- Engagement levels for both the Committee and Board
- The most requested topics for training.

Based on the results and the responses received from participants, we have included the “next steps” to consider.

Average Score for Board & Committee



For each of the assessment's 8 areas we have shown the results of both the Committee and Board.

These have been shown in the order in which the sections appeared in the survey.

There is also a summary showing the average scores across all sections for the Committee and Board.

- The performance of the Board (average overall score of 63.75 %) was stronger than that of the Committee (average overall score of 48.75 %).
- The performance for the Committee and Board diverged the most in the Pensions Administration section, when Board were 33.33% higher than the Committee.
- The Committee performed most strongly in the areas of Procurement and Relationship Management and Financial Markets and Product Knowledge.
- The Board areas of strongest knowledge were Committee Role and Pensions Legislation and Investment Performance and Risk Management.

Commentary on results

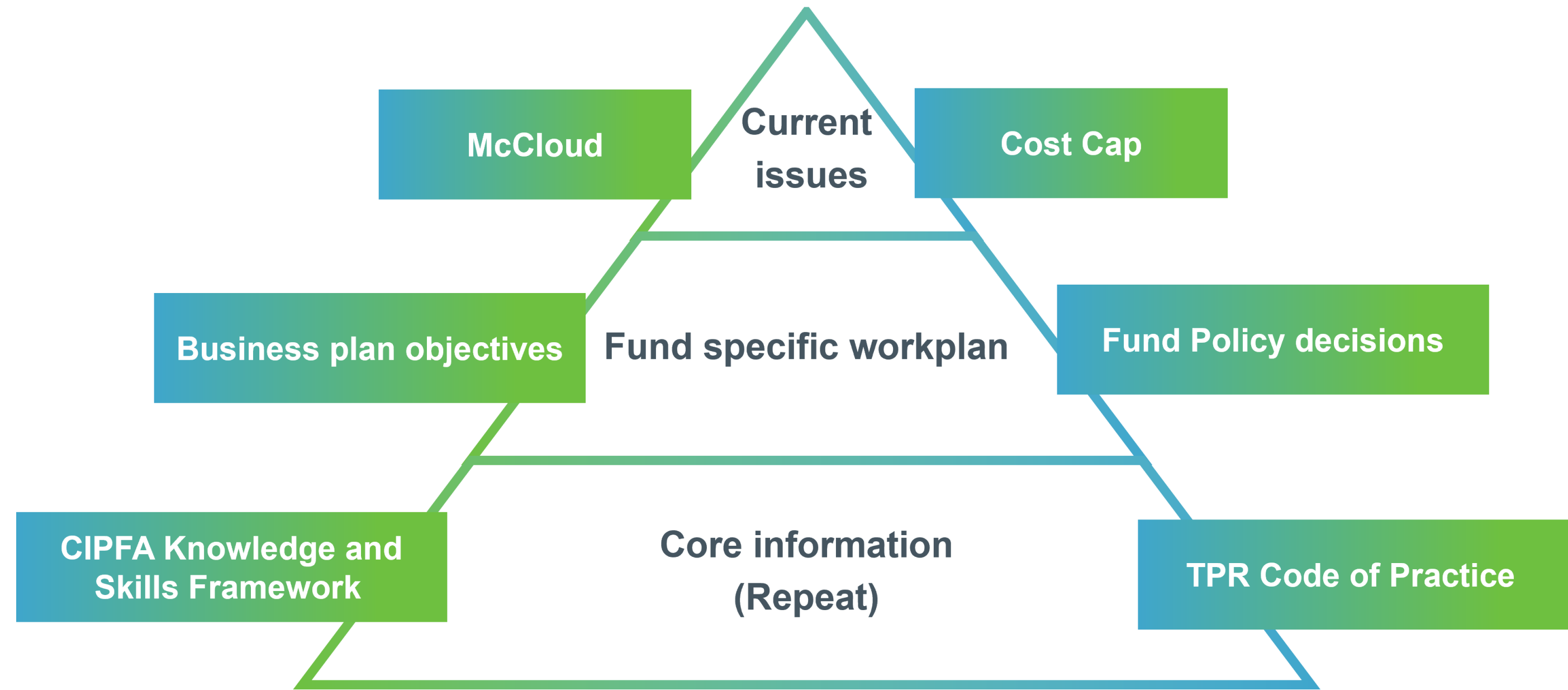
It's very encouraging that 10 participants from your Fund took part in the assessment. Overall, the results were positive and it's clear that there are areas of greater knowledge levels as well as areas in which knowledge should be developed over time.

We would fully expect there to be gaps in the knowledge of all members, no matter their role on the Committee/Board, their tenure or indeed their background in terms of pensions experience.

The most important thing to emphasise is that not everybody needs to be an expert in all areas, rather there should be a spread of knowledge across your Committee and Board which is supported by advice from officers and professional advisors.

Just as important as gaining the relevant knowledge and understanding expected of a Pension Committee or Board, is the application of that knowledge and understanding, including the utilisation of an individual's own background and perspective.

Many funds have implemented training plans that follow the pyramid diagram of LGPS training areas. Fundamentally, a plan based on this example pyramid would provide a LGPS fund with a robust training program for its Committee and Board.



Committee

The results show that Procurement and Relationship Management and Financial Markets and Product Knowledge have the highest levels of knowledge. But the areas to focus any specific training on might be Pensions Administration and Investment performance and Risk Management for the Committee.

In general, the Committee's performance was similar to the level found in the 2022 National Knowledge Assessment which had an average score of 51% for Committee participants.

Local Pension Board

The results show that Committee Role and Pensions Legislation and Investment Performance and Risk Management have the highest levels of knowledge, but the areas to focus any specific training on might be Actuarial Methods, Standards and Practices for the Board.

The average Pension Board participant score for the Hillingdon Pension Fund - 64% - was above the average Pension Board member score in the 2022 National Knowledge Assessment of 61%.

The next step would be to try and develop the knowledge of the lower scoring areas. You might already have a training plan in place, in which case you could use these results to tailor the specific training and with the knowledge of these results, ensuring it aligns with your priorities.

Further Analysis

In order to gain further insight into the knowledge and understanding, the questions posed covered 3 distinct areas. These were:

- **Technical** – 66% of questions
- **Decision Making** – 17% of questions
- **Roles and responsibilities** – 17% of questions

The purpose of this was to drill deeper into the collective understanding of these categories, and to provide further analysis on which areas to target when creating training plans. The following chart shows the average score for each of these sections, for the Committee and Board combined.



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From this chart, the lowest scoring area was Decision Making . Bearing this in mind, a particular focus could be put on this over the coming months.

Some next steps to consider are:

Decision making – A review of the Fund's decision-making procedures, and updating/creating a decision-making matrix, and sharing this with the Committee and Board to ensure visibility of the role of each group in across a broad spectrum of potential decisions.

Roles and responsibility – A specific training session covering the roles and responsibilities of different parties covering different points in the annual cycle of the Fund. This could include preparation of annual report, annual benefit statements, business planning and investment performance reviews for example. It would also be good to cover more niche topics such as the IDR process, review of suppliers and cyber risk.

Technical – The majority the questions in the assessment were technical and related to core areas of knowledge and skills for Committees and Boards. We would expect the Fund's training strategy and training plan to reflect requirements here.

Collective Knowledge

It is not just the overall average scores which are important, we realise that you need to be aware of the collective knowledge of your members. All committee and Board members will bring different experience and perspectives, and will feel more comfortable providing challenge in areas they are more knowledgeable in. As such, the spread of detailed knowledge in each subject is important for the robust governance of the Fund.

For this reason we feel it is important to understand how many members scored highly in each of the topics, to provide an insight into the breadth of knowledge. Where a Committee or Board have individuals with high knowledge levels in each of the topics, you can feel more assured that members will be able to provide challenge or guidance, as and when required.

A well rounded Committee or Board will have a number of members scoring highly in each topic. To measure this, we have analysed:

- The number of members who correctly answered at least 5 of the 6 questions in each topic.

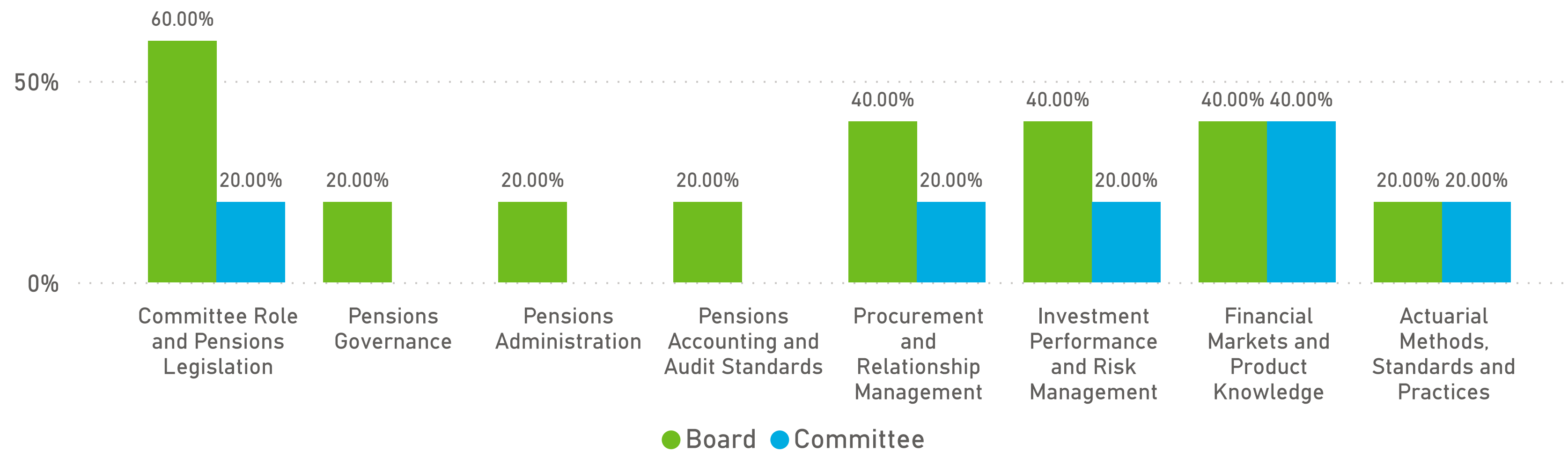
It is also important that it is not just the same individuals who score highly in each topic. A spread of individuals with detailed knowledge across different topics, is more likely to create an effective Committee or Board.

We have analysed the number of members who correctly answered 5 or 6 questions in at least one topics. This gives an indication of the spread of knowledge. The chart below shows the respondents who correctly answered 5 or 6 questions in each particular section.

- For the Committee there were 4 of members who scored highly in at least 1 topic.
- There were 4 Board members who scored highly in at least 1 topic.

This is a positive result, as you would hope that most members would have specialist, detailed knowledge in at least one subject area.

Knowledge Spread



Engagement

One of the key areas that we recommend funds focus on is Committee and Board training engagement.

With the ever-increasing pace of change in the pensions and investments world, Committee and Board engagement is critical to maintaining strong collective knowledge. There is an expectation that they need not only be willing, but keen to develop their knowledge and understanding across the raft of topics upon which they will need to make, or ratify, decisions.

One measure of the engagement of members is their willingness to participate in training. As such, we have used the participation level of this survey to measure the engagement of your Committee and Board members.

The chart below shows the breakdown of the total number of participants from the London Borough of Hillingdon Pension Fund, as a proportion of those who could have responded.

Role	Participants	Possible Participants	Participation Rate	Previous Participation Rate
Board	5	5	100.00%	
Committee	5	5	100.00%	
Total	10		100.00%	

That all 10 participants from your Fund took part in the assessment is highly encouraging. With the number of changes to the LGPS in recent years, it is vital that Committee and Board members remain abreast of the latest developments and feel confident that they have the knowledge required to make the decisions required of them.

Their level of engagement is a key driver of this. Overall engagement seems to be high; however, it is important to maintain this, particularly in the current climate where face-to-face meetings and delivery of training sessions might be in Hybrid format for some time to come.

One of the biggest challenges in this area is how to improve engagement. The move to online learning and tackling topics in bitesize chunks can help.

The way in which information is shared with the Committee and Board can also promote engagement.

There have been moves by some funds to issuing short timely bulletins and newsletters to increase training knowledge and engagement, which we very much encourage.

Training Feedback from Participants

One of the final sections of the survey asked participants to indicate which topics they would like to receive training on.

There was a list of options available, covering a broad spectrum of the topics we believe are most relevant to allowing Committee and Board members to effectively perform their roles. Members were also given the option to indicate any other areas in which they would benefit from further training.

The table on the right summarises the areas in which members indicated training would be beneficial.

Training requirements

● Board ● Committee

Actuarial Methods, Standards and Practices

Pensions Governance

Good Governance

Investment Performance and Risk Managem...

LGPS Code of transparency

Pension Regulator Code of Practice

Committee Role and Pensions Legislation

Cyber security

Pensions Accounting and Audit Standards

Pensions Administration

Environmental, Social and Governance / Res...

Financial Markets and Product Knowledge

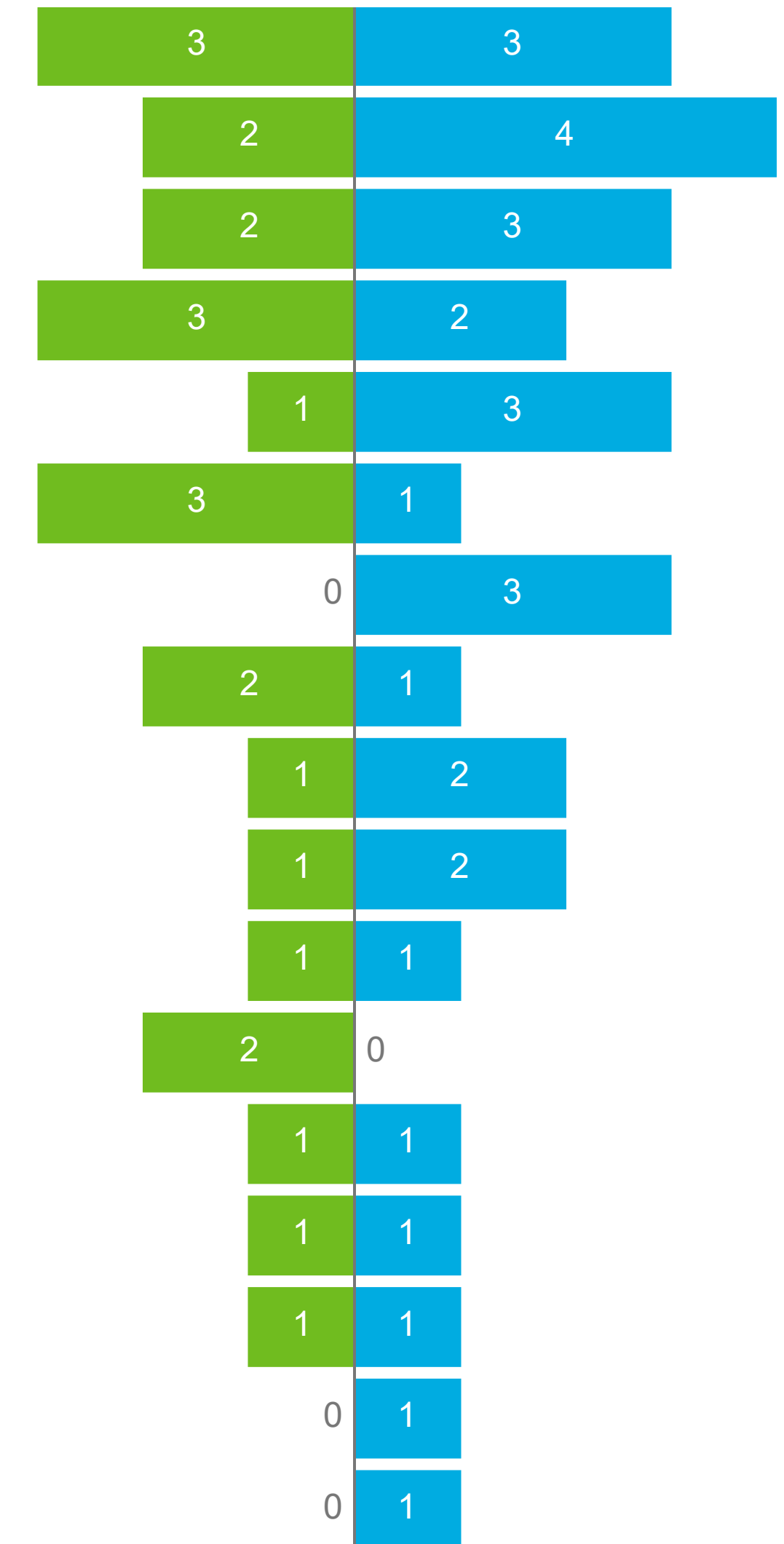
Pensions Dashboards

Procurement and Relationship Management

Section 13

Illiquid asset training

McCloud impacts



Next Steps

Based on the results, we would suggest that there should be consideration to the following next steps:

- This report should be **reviewed** by the Fund's officers and results shared with the Committee and Board.
- Set up a **structured training plan** or adjust the existing training plan for the next 18 months covering the main areas highlighted in this report.
- Plan for the **delivery** of training over the immediate 6-month period following these results and communicate that intention with the Committee and Board.
- Consider the most **pressing** training requirements in the coming months. Importantly, look at the **frequency** of training engagement with your Committee and Board.
- **Assess** the tools available to the Fund to assist with training, and whether any new methods should be deployed.
- Consider ways of **maintaining** and **increasing** the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes etc.
- Ensure that the Fund's training strategy is up to date and **appropriate** for purpose.

If you wish to discuss the contents of this report further, please get in touch.

Prepared by Hymans Robertson LLP.

Andrew McKerns



Senior LGPS Governance, Administration and Projects (GAP) Consultant

Alan Johnson



LGPS Governance, Administration and Projects (GAP) Consultant

Reliances and Limitations

This report has been prepared for the London Borough of Hillingdon Pension Fund.

This report must not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety.

Hymans Robertson LLP do not accept any liability to any party unless we have expressly accepted such liability in writing.

This report has been prepared by Hymans Robertson LLP, based upon its understanding of legislation and events as of February 2024.

London Borough of Hillingdon Pension Fund

Conflicts of Interest Policy



HILLINGDON
LONDON

March 2024

1. Introduction

The London Borough of Hillingdon ('the Council') is the administering authority of the London Borough of Hillingdon Pension Fund ('the Fund'). The Council delegates the management of the Fund to its Pensions Committee ('the Committee') which is assisted by the Local Pension Board.

This Conflict of Interest Policy applies to all members of the Pensions Committee , Local Pensions Board , all managers in the Council's Pension Fund Management Team, and the Corporate Director of Finance (Section 151 Officer) who are, from hereon in, collectively referred to as the senior officers of the Fund .

The Head of Pension, Treasury & Statutory Accounts will monitor potential conflicts for less senior officers involved in the daily management of the Fund and highlight this Policy to them as appropriate.

This Policy will be regularly reviewed in accordance with the requirements of the Pensions Regulator's codes and any other regulations that apply. It will be reviewed every three years or more frequently if deemed necessary.

2. Legislative Context

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. These are considered further below.

The Public Service Pensions Act 2013, Section 5(4) requires that any member of a Pension Board must not have a "conflict of interest", which is defined in Section 5(5) as a "financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board, but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme."

This policy should be considered in the context that the Local Pension Board assists in complying with regulations and is not a decision making body. It is not therefore anticipated that any significant conflict of interest will arise. This policy has been established as the agreed framework for the Council, as the administering authority of the Fund to effectively apply the three step approach of identifying, monitoring and managing conflicts of interest including but not limited to the consideration of actual or potential conflicts related to stewardship matters.

The Pension Regulators General Code of Practice (the Code) requires funds to have an agreed documented conflict of interest policy for managing actual and perceived conflicts of interest and to publish on the fund's website. The Code also requires the fund to have processes in place to ensure that their decision-making is not compromised by actual or potential conflicts.

Scheme regulations and the Code require that the Fund must be satisfied that a prospective member of the Local Pension Board does not have a conflict of interest and must remain satisfied that none of the members has a conflict of interest.

3. CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance

The CIPFA governance principles guidance states "the establishment of investment pooling arrangements creates a range of additional roles that committee members, representatives, officers and advisers might have." It includes some examples of how conflicts of interest could arise in these new roles.

It highlights the need for Administering Authorities to:

- update their conflicts policies to have regard to asset pooling;
- remind all those involved with the management of the fund of the policy requirements and the potential for conflicts to arise in respect of asset pooling responsibilities; and
- ensure declarations are updated appropriately.

4. Localism Act 2011

All members of the Pensions Committee are required by the Localism Act 2011 to declare 'disclosable pecuniary interests' and to abide by the Council's Code of Conduct for Members, which contains provisions relating to disclosure of interests.

5. The Seven Principles of Standards in Public Life

Sometimes referred to as the 'Nolan Principles', the seven principles of public life applies to anyone who holds public office. This includes people who are elected or appointed to public office, nationally and locally, and all people appointed to work in:

- the civil service;
- local government;
- the police;
- the courts and probation services;
- non-departmental public bodies; and
- health, education, social and care services.

The principles also apply to all those in other sectors that deliver public services.

Many of the principles are integral to the successful implementation of this Policy. The principles are as follows:

- selflessness;
- integrity;
- objectivity;
- accountability;

- openness;
- honesty; and
- leadership.

6. Advisers Professional Standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries.

Any agreement or other document entered into between an adviser and the Council in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

7. Senior Officers

In addition to the requirements of this Policy, officers of the Council are required to adhere to the Council's Code of Conduct, its Declarations of Interest Policy and its Gifts and Hospitality Policy which includes requirements in relation to the disclosure and management of potential or actual conflicts of interest or relationships (financial and non-financial) that may impact on their work.

Senior officers of the Fund will, as a matter of course provide advice and support on pension fund matters.

8. Advisers

The Fund appoints its own advisers and agreements with advisers include clauses on the declaration of actual or perceived conflicts of interest. Advisers will be required to declare interests on an annual basis.

There may be circumstances where these advisers are asked to give advice to scheme employers, or even to scheme members or member representatives such as the Trades Unions, in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the Hillingdon Pension Fund and on which advice is required or to a supplier or organisation providing services to the Hillingdon Pension Fund.

An adviser can only continue to advise the Fund and another party where there is no conflict of interest in doing so.

An adviser appointed to advise the Pensions Committee, Local Pensions Board or Fund officers can be the same person, as long as there is no conflict of interest between the multiple responsibilities.

The Fund will adopt the three stage approach to Identify, monitor and manage potential conflicts of interest as recommended in Cop14.

9. Identifying Conflicts of Interest

A conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Committee or Local Pension Board, or a senior officer. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the Committee or Board is established.

Prospective Local Pension Board members must complete a declaration of interest form . The forms are available on the Fund's website.

The register of interests for members of the Pensions Committee are available on the Council's website.

Monitoring and Reporting Conflicts of Interest

A register of interests will be maintained, monitoring dual interests, conflicts in relation to stewardship and other responsibilities. Members of the Local Pension Board will be required to update their declaration of interests and declare any gifts or hospitality on an annual basis.

Decisions about how to manage potential conflicts of interest will be recorded in the register of interests. The register will be published on the pension fund website and considered in each Committee/Board meeting.

Declaration of conflicts of interest is included as an opening agenda item at each Pensions Committee and Local Pension Board meeting. This will provide an opportunity for all those present to declare any changes in interests, including other responsibilities, which have the potential to become conflicts of interest, and to minute discussions about how they will be managed to prevent an actual conflict arising. This conflict could be with a general subject area or a specific item on the agenda.

As part of their risk assessment process, Pensions Committee and Local Pension Board members should be able to identify, evaluate and manage dual interests which have the potential to become conflicts of interest and pose a risk to the scheme and possibly members, if they are not mitigated. The Fund will evaluate the nature of any dual interests and assess the likely consequences were a conflict of interest to materialise.

11. Managing conflicts of Interest

Pensions Committee and Local Pension Board members are required to have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest, and should know how potential conflicts should be managed.

The Pensions Committee and Local Pension Board are required to evaluate the nature of any dual interests and responsibilities, assess the impact on operations and governance were a conflict of interest to materialise, and seek

to prevent a potential conflict of interest becoming detrimental to their conduct.

The Pensions Committee and Local Pension Board may consider seeking independent legal advice from a nominated officer (for example, the monitoring officer) or external advisers where necessary on how to deal with these issues, if appropriate.

Individual members of the Pensions Committee and Local Pension Board must know how to identify where they have a conflict of interest which needs to be declared and which may also restrict their ability to participate in meetings or decision making. They must also appreciate their legal duty under the Regulations to provide information to the Administering Authority in respect of such conflicts of interest.

Any individual who considers that they have a potential or actual conflict of interest which relates to an item of business at a meeting, must advise the Chair of the Committee or Board and the Head of Finance – Statutory Accounts & Pension Fund prior to the meeting where possible, or state this clearly at the earliest possible opportunity in the meeting. A decision should then be reached on whether further action needs to be taken.

Options for managing an actual conflict of interest, should one arise, include:

- A member withdrawing from the discussion and any decision-making process;
- The Committee or Board establishing a sub-board to review the issue (where the terms of reference give the power to do so); or
- A member resigning from the Committee or Board if the conflict is so fundamental that it cannot be managed in any other way.
- Consider taking independent legal advice to help decide the best approach to manage an actual or perceived conflict of interest.

12. Examples of Conflicts of Interest

- Any commercial relationships between the administering authority and other employers in the fund/or other parties which may impact decisions made in the best interests of the Fund. These may include shared service arrangements which impact the Fund operations directly or outsourcing relationship and companies related to or wholly owned by the Council, which do not relate to pension fund operations.
- Setting of employer contribution rates for the administering authority and other employers.
- Cross charging for services or shared resourcing between the administering authority and the Fund and ensuring the service quality is appropriate for the Fund.
- Dual role of the administering authority as an owner and client of London CIV.
- Local investment decisions.
- How the pension fund appropriately responds to Council decisions or policies on wider issues such as climate change.

- Any other roles within the Council being carried out by Pensions Committee members or officers which may result in a conflict either in the time available to dedicate to the Pensions Committee or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or cabinet should be disclosed.
- An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pensions Committee or Local Pension Board. He or she has to consider whether to share this information in the light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pensions Committee or Local Pension Board.
- An employer representative on the Local Pensions Board works for an employer who is not providing member information to the Fund in line with legislative requirements and the Board is considering whether this breach is reportable to The Pensions Regulator.
- A member representative (who is also a trade union representative) on the Board, only acts in the interests of their union rather than in the interest of all Fund members.
- A member of the Committee/Board has a personal or family relationship with an employee of a company tendering for services.
- Stewardship related conflicts may arise as a result of business relationships between asset owners and asset managers, ownership structure of invested companies, differences between the stewardship policies of asset managers and their clients, cross-directorships, and client and other beneficiary interests which differ from each other.

Approval, Review and Consultation

This Conflict of Interest Policy was approved on 26 March 2024 by the Pensions Committee. It will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant regulations or guidance which need to be taken into account.

Further Information

If you require further information about anything in or related to this Conflict of Interest Policy, please contact James Lake, Director of Pensions, Treasury & Statutory Accounts

London Borough of Hillingdon, Civic Centre, High Street, Uxbridge, UB8 1UW
 E-mail - jlake@hillingdon.gov.uk
 Telephone - 01895 277562

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London Borough of Hillingdon Pension Fund

Training Plan 2024-25



HILLINGDON
LONDON

This Training Plan for 2024-25 is based on the Training Policy agreed by Pensions Committee in December 2023.

The Training Policy requires each member of the Pensions Committee, Local Pension Board and pension fund officers to undertake no less than 2 days (14 hours) of training in each financial year which will include a combination of the delivery methods outlined below.

The annual Training Plan is based on an assessment of the current level of knowledge and understanding, together with the consideration of business which the Fund will need to consider over the coming year(s). Specific learning needs for individuals can be addressed through 1:1 or small group sessions with the Fund's officers/advisers and these can be organised separately.

Costs associated with delivering the Training Plan are included in the Fund's budget.

Members must ensure that they properly record and provide details of their attendance at events to Fund officers.

We hope that member will embrace the learning and development programme.

Induction Refreshers

The assessment of the current level of knowledge and understanding of Committee and Board members undertaken during January 2024 has shown that revisiting induction training may be helpful for some members. Pensions administration and governance/legislation are deemed to be the priority subjects. However individual members should prioritise the subject matter(s) which their personal knowledge assessment shows (the largest) gaps in knowledge.

The table below shows a timetable for:

- revisiting induction material – within the timescales, members can have flexibility how/when they review the material;
- an internal discussion session supported by officers and/or advisers to provide an opportunity to discuss the induction material, consider any Fund-specific issues and to ask questions.

Subject Matter	Timescale for revisiting induction material	Internal discussion/Q&S session – date to be confirmed
Pensions Administration & Communications	April -May 2024	June 2024
Pensions legislation		
Funding and actuarial standards	Sep 2024	H2 (with preparations for 2025 actuarial valuation – see overleaf)
Procurement and contract management	Jul-Aug 2024	Sep 2024
Investment strategy	Oct – Nov 2024	Dec 2024
Financial products		

Reading Material

- The Fund’s Handbook (including glossary) provides an overview of how the Fund is managed. This is a newly created document and feedback from Committee and Board members is welcome.
- PLSA Made Simple Guides (<https://www.plsa.co.uk/Resources/Made-Simple-guides>) – the following may be particularly relevant:
 - o Indices and Benchmarks
 - o Cyber Risk
 - o Cost Transparency
 - o ESG
 - o Climate Indices
 - o GMP Equalisation
 - o General Data Protection Regulation
- LGPS Scheme Advisory Board website (<https://lgpsboard.org/index.php/welcome>)

In-house Sessions (generally provided by officers and/or the Fund's providers)

Subject	H1 2024/25	H2 2024/25	Focus
Governance			
The Pensions Regulator and Code of Practice	Y		Breaches & Reporting to TPR
Annual report and accounts including Governance Compliance Statement		Y	Include investment cost transparency
Risk framework	Y		
In-depth review on specific risks		Y	Cyber. (Others may be indirectly covered in other sessions e.g. TPR code)
Funding			
Actuarial valuation		Y	Preparation for 2025 valuation
Benchmarking of funding - Section 13		Y	When Section 13 report available
Investment			
Investment manager selection and monitoring	Y		Property/LCIV role
The Fund's investment managers - London CIV, LGIM & managers with >5% - Managers with <5%	Y	Y	See LCIV market and fund updates below
Investment cost transparency		Y	Include with annual report
Responsible investment - General including LCIV and LGIM - LAPFF - Climate reporting		Y	
Benchmarking of investments	Y		Comparison with other LGPS funds
Pension Administration			
Regulatory requirements	Y		Covered in revisiting induction material (above)
Benefits	Y		
Communications	Y		

Approved External Sessions

The following external events are deemed to be most suitable for members' training plans but the suitability of the content for individual's learning should be considered before registering. Members may receive invitations to other events directly and attendance should be agreed with officers beforehand.

Provider	Event details	Date(s)
London CIV	Annual Conference	5 September 2024
London CIV	Investor Updates [1]	<p>Market updates (Equities, Fixed Income, Multi Asset) Q1 – 30/4, 1/5, 2/5 Q2 – 30/7, 31/7, 1/8 Q3 – 29/10, 30/10, 4/11</p> <p>LCIV Fund updates 11 April – Equity (Global Alpha) 16 May – Multi Asset Credit 10 July - Multi Asset Credit 11 July – Absolute Return 17 Sept – Equity (Value) Date TBC - Private Debt</p>
Pensions and Lifetime Savings Association	Local Government Conference https://www.plsa.co.uk/Events/Conferences/Local-Authority-Conference	11-13 June 2024 Cotswolds
DG Publishing	LGPS webinars, regularly featuring news from the Scheme Advisory Board https://lgps-live.com/	Bi-monthly (see website for details)
Local Authority Pension Fund Forum	Annual conference Mid year seminar	December 2024, Bournemouth To be confirmed

[1] : recordings of London CIV events are generally made available.

For more **advanced learning** for Committee members, the following may be suitable:

Provider	Event details	Date(s)
London CIV	Monthly Business Updates [1]	Generally at 10am on the last Thursday of the month
London CIV	Coffee with the CIO	Generally 11am on Wednesdays
Pensions and Lifetime Savings Association	Investment Conference	Likely to be February 2025 in Edinburgh
DG Publishing	LGPS Pooling Symposium https://www.dgpublishing.com/lgps-pooling-symposium/	23-24 April 2024
Local Government Chronicle	Investment related conferences/seminars https://www.lgcplus.com/	Held throughout the year
Local Authority Pension Fund Forum	Quarterly Business meetings	Details available from officers

[1] recordings of London CIV events are generally made available on their client portal.

Other relevant external sessions will be added as details become available.

London Borough of Hillingdon Pension Fund

Pensions Administration Strategy

Date approved: 26 March 2024

Administration Strategy

Introduction and Background

This is the statement outlining the Pension Administration Strategy for the London Borough of Hillingdon Pension Fund (“the Fund”) and has been developed following consultation with the Fund's third-party administrators, employers in the Fund, Local Pension Board members and other interested stakeholders.

The aims of the Pension Administration Strategy are to:

- ensure that the parties to which it relates are fully aware of their responsibilities under the Local Government Pension Scheme (LGPS), and outline the quality and performance standards expected of the Fund and its employers to ensure the delivery of a high-quality, timely and professional administration service. London Borough of Hillingdon (the "Administering Authority") is responsible for the local administration of the Fund, which is part of the the LGPS. Operationally, the administration of the Fund is undertaken through a formal delegation agreement by the Hampshire Pensions Services (HPS) team at Hampshire County Council (HCC). HPS and the Fund’s officers work together to provide a seamless service to scheme employers and members.

This Pension Administration Strategy does not supersede any formal agreements between the Administering Authority and the administrators or between the Administering Authority and the employers. However, is it intended to complement such arrangements and provide greater clarity in relation to each party's role and responsibilities.

This Strategy applies to all existing employers in the Fund, and all new employers joining the Fund after the effective date of 13 December 2023. This Statement sets out the expected levels of administration performance of both the Administering Authority and the employers within the Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

Implementation

This Strategy outlines the level of service the Administering Authority aims to provide to scheme members and employers, as well as the role employers will need to play in providing that quality of service. It is recognised that the aims and objectives in this Strategy are ambitious in some cases and meeting these is dependent on the implementation of some changes in the existing ways of working. This Strategy is being implemented during a period which continues to present a number of challenges, not least:

- the need to carry out a major scheme reconciliation exercise as a result of the introduction of the new State Pension – GMP reconciliation project
- Changes to the scheme as a result of the legal ruling in the landmark McCloud judgement, which found the 2015 pension reforms affecting firefighters and judges to be discriminatory based on age..

- The unknown impact and implementation of the Local Government Pension Scheme Advisory Board (SAB) cost cap management process
- Implementation of pensions dashboard

This Strategy will be effective from 13 December 2023 and the performance indicators mentioned herein will demonstrate ongoing progress towards the Strategy's aims and objectives.

Regulatory Basis

The LGPS is a statutory scheme, established by an Act of Parliament. The Local Government Pension Scheme Regulations 2013 provide the conditions and regulatory guidance surrounding the production and implementation of Pensions Administration Strategies.

In carrying out their roles and responsibilities in relation to the administration of the LGPS, the Administering Authority and employers will, as a minimum, comply with overriding legislation, including:

- Local Government Pension Scheme Regulations
- Pensions Acts 2004 and 2011 and associated disclosure legislation
- Public Service Pensions Act 2013 and associated record keeping legislation
- Freedom of Information Act 2000
- Equality Act 2010
- Data Protection Act 2003
- Finance Act 2013 and
- Relevant Health and Safety legislation.

As a result of the Public Service Pensions Act 2013, the Pensions Regulator now has responsibility for oversight of a number of elements of the governance and administration of Public Service pension schemes including the LGPS. The Regulator has the power to issue sanctions and fines in respect of failings of the Administering Authority, and also where employers in the Fund fail to provide correct or timely information to the Administering Authority. Should this happen, the Administering Authority would recharge any costs back to employers as set out later in this strategy.

More information relating to the requirements of the Local Government Pension Scheme Regulations is included in Appendix A. This statement has been developed with those provisions in mind and describes the Administering Authority's approach to meeting these requirements in the delivery of administration.

Aims and Objectives

The primary objectives of the London Borough of Hillingdon Pension Fund are:

- to be known as forward thinking, responsive, proactive, and professional; providing excellent customer focused, reputable and credible service to all customers.
- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality, distinctive services within the resource budget.
- to work effectively with partners, being solution focused with a ‘can do’ approach.

In addition, there are specific aims and objectives in relation to administration responsibilities as set out below.

Administration Aims and Objectives

The purpose of this Strategy is to set out the quality and performance standards expected of London Borough of Hillingdon in its role as Administering Authority and employer, as well as all other employers within the Fund.

The Administration Strategy has a number of specific objectives, as follows;

- Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund
- Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- Maintain accurate records and ensure data is protected and has authorised use only.

Delivery of Administration

London Borough of Hillingdon Pension Fund has delegated responsibility for the management of the Pension Fund to the

Pensions Committee, assisted by the Local Pensions Board. The Committee will monitor the implementation of this Strategy on a regular basis as outlined below.

Operationally, the administration of the Fund is undertaken by Hampshire Pensions Services (HPS) through a delegation agreement with Hampshire County Council (HCC), supported by a small ‘in-house’ capacity within London Borough of Hillingdon Pension Fund.

The London Borough of Hillingdon Pension Fund will look for opportunities to work collaboratively with other Administering Authorities to reduce the quality of information such as:

- working with other administering authorities through the Pensions Officer Group networks to produce communications, which can then be customised further

where necessary to the needs of the London Borough of Hillingdon Pension Fund

- Utilising economies of scale through procurement of services with other HCC managed funds
- participating in joint training sessions with other administering authorities.

Performance Standards – Quality

Local Standards

In addition to the legislative and regulatory standards, the Administering Authority and employers ensure that all administration functions and tasks are carried out to agreed standards. In this respect the standards to be met are:

- compliance with all requirements set out in the employer admission agreement
- information to be provided in the required format and/or on the appropriate forms.
- information to be legible and accurate
- communications to be in a plain language style
- information provided or actions carried out to be checked for accuracy by an appropriately trained member of staff
- information provided or actions carried out to be authorised by an agreed signatory, and
- actions carried out, or information provided, within the timescales set out in this strategy statement.

Secure Data Transfer

The Administering Authority and employers follow London Borough of Hillingdon's data security guidelines when sending any personal data. The pension administration function uses a secure email system to send data when required to prevent any sensitive information from being accidentally sent to unauthorised recipients.

One of the key methods of data transfer relating to the Fund's administration is the submission of information from employers in relation to scheme members. In order to meet the requirements set out in this document in a secure and efficient way (for both employers and the Administering Authority), employers are strongly encouraged to use the HPS 'Employer Hub'. Any submission of data outside of this method should use a secure means for example encryption to mitigate the risk of compromising data security.

Oversight of Compliance and Quality

Ensuring compliance is the responsibility of the Administering Authority and the employers in the Fund. The Administering Authority has a range of internal controls in place to assist with ensuring compliance and which are articulated in the Fund's risk register and risk management policy. However, there are ways in which the Administering Authority is subject to elements of scrutiny and/or oversight:

Audit

The Fund is subject to a regular annual audit which includes elements of processes and internal controls. The Administering Authority and the employers are expected to

fully comply with any reasonable requests for information from both internal and approved external auditors. Any subsequent recommendations made will be considered by London Borough of Hillingdon, in its role as Administering Authority, and where appropriate duly implemented (following discussions with employers where necessary).

Local Pension Board, the national Scheme Advisory Board and the Pensions Regulator

The Public Service Pensions Act 2013 introduced greater oversight of LGPS Funds. As a result, the Local Pension Board of the London Borough of Hillingdon Pension Fund was established from 1 April 2015. In addition, the Pensions Regulator's remit was extended to include the public sector, and a national Scheme Advisory Board was created. The Administering Authority and the employers are expected to fully comply with any guidance produced by the Scheme Advisory Board and the Pensions Regulator.

Performance Standards – Timeliness and Accuracy

Overriding legislation, including The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended), dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. Further, the LGPS itself sets out a number of requirements for the Administering Authority or employers to provide information to each other, to scheme members and to prospective scheme members, dependants, other pension arrangements or other regulatory bodies. In addition to the legal requirements, local performance standards have been agreed which cover all aspects of the administration of the London Borough of Hillingdon Pension Fund. In many cases these go beyond the overriding legislative requirements.

The locally agreed performance standards for the Fund are set out in Appendix B. These standards are not an exhaustive list of the Administering Authority's and employers' responsibilities. Employers' responsibilities are provided in more detail in the employers' admission agreement.

Although all the locally agreed performance standards will be monitored on an ongoing basis by the administering authority, the key standards which will be publicly reported on are extracted and shown in the table below. These elements are measured against:

1. Any legal timescale that should be met ("legal requirement")
2. The overall locally agreed target time ("fund target")
3. The locally agreed target time for the Administering Authority or administrator to complete that task ("LBHPF element target").

Generally, the LBHPF element target will be a sub-section of the overall process, and hence will have a shorter target timescale than that being measured by the legal and Fund targets. This is because the legal and fund targets will generally include periods of time when the Administering Authority is waiting for information to be provided by an employer or scheme member.

For the avoidance of doubt "accuracy" in this strategy is defined as when the

administrators have received information, for example from an employer, with;

- no gaps in the required areas *and*
- with no information which is either contradictory or which needs to be queried.

Process maps to explain the flow of information from Schools to the Administrator are in the final stages of development and will be included as Appendix C shortly.

Hillingdon Pension Fund Key Performance Indicators

Process	Legal Requirement	LBHPF Administration element target
To send a Notification of Joining the LGPS to a scheme member	2 months from date of joining, or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled ¹	Within 20 working days of receipt of all relevant information
To inform members who leave the scheme of their deferred benefit entitlement	As soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member) ²	Within 30 working days of receipt of all relevant information
Obtain transfer details for transfer in, and calculate and provide quotation to member	2 months from the date of request ¹	Within 20 working days of receipt of all relevant information
Provide details of transfer value for transfer out, on request	3 months from date of request (CETV estimate) ³ or within a reasonable period (cash transfer sum) ⁴	Within 20 working days of receipt of all relevant information
Notification of amount of retirement benefits and payment of tax free cash sum	1 month from date of retirement if on or after Normal Pension Age ¹ 2 months from date of retirement if before Normal Pension Age ¹	Within 15 working days of receipt of all relevant information
Providing quotations on request for retirements	As soon as is practicable, but no more than 2 months from date of request unless there has already been a request in the last 12 months ¹	Individual request within 15 working days of receipt of all relevant information
Calculate and notify dependant(s) of amount of death benefits	As soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request ¹	Within 15 working days of receipt of all relevant information

1 - The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as amended

2 - The Occupational Pension Schemes (Preservation of Benefit) Regulations 1991

3 – Occupational Pension Schemes (Transfer Value) Regulations 1996

4 – Pension Schemes Act 1993

Employer Support and Performance Monitoring

This Strategy is focussed on good partnership working between the Administering Authority and the Fund's employers. The day-to-day relationship with employers will be supported by HPS and reported to Hillingdon through the 'Employer measurement and improvement' process. The strategic relationship with employers for example admissions, exits and triennial valuation will be managed by the Hillingdon Council.

HPS will support employers in carrying out their statutory role through ongoing communication, guidance and training including:

- six-monthly Employer focus group – covering specific topics and feedback and discussion around key issues/changes. Attended by representative employers from across the Fund.
- regular liaison meetings with key employers and other employers as required
- attendance at local Employer group meetings to provide updates on key Fund and Scheme issues/changes
- supporting and attendance at the Annual Employer Meeting (AEM)
- where required, specific workshops or meetings with groups of employers.

The HPS team will also proactively review Employer performance to ensure that data quality issues are addressed, that contributions are paid on a timely basis and that employers return member information (e.g. new starters, leavers) in a timely fashion. HPS will report to the Administering Authority on employer performance.

As part of this proactive approach HPS will:

- undertake the annual return process with all Scheme Employers
- address data concerns with Scheme Employers, resulting in reducing outstanding queries
- benchmark Scheme Employers annual returns based on timeliness, financial control and data quality. Scheme Employers receive a formal letter outlining this and the consequences of no improvement in future years
- request a data validation exercise be carried out by Scheme Employers who are highlighted as a 'significant' concern due to 'major data quality issues' with their previous annual return
- liaise with Finance Team in LBH in respect of any concerns they have about the timeliness of the payment of contributions by employers

Circumstances where the Administering Authority may levy costs associated with the Employers' poor performance

The Administering Authority will work closely with all employers to assist them in understanding all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, or in this Administration Strategy. The Administering Authority will also work with them to ensure that overall quality and timeliness is continually improved.

The Regulations provide that an Administering Authority may recover from an employer any additional costs associated with the administration of the scheme incurred as a result of the unsatisfactory level of performance of that employer. Where an Administering Authority wishes to recover any such additional costs they must give written notice stating:-

- The reasons in their opinion that the employer's level of performance contributed to the additional cost
- The amount the Administering Authority has determined the employer should pay
- The basis on which this amount was calculated, and
- The provisions of the pension administration strategy relevant to the decision to give notice.

Commitment to the principles of this statement should mean that any non-compliance is addressed promptly, with no need to resort to levy costs. However, the following actions are possible:

- Where payment of contributions is late more than once in any 12 month period, the Fund will issue the employer with a written notice of unsatisfactory performance and may levy a charge of £150 for the late payment as well as charge interest on the late payment at a daily rate equal to the Bank of England's base rate plus 1%.
- As required of Scheme Administrators by the Pensions Act 2004, the Fund will report to the Pensions Regulator, failure of an employer to comply with requirements where they are persistent and material.
- Where the employer fails to comply with their scheme duties, including failure to pay contributions due, the Fund reserves the right to notify the member(s) involved and to notify all members employed by the employer in the event of serious or persistent failure.
- If additional and disproportionate resources are deployed by the Fund because of an employer's poor performance, the cost of the additional resources may be re-charged to the employer according to powers available under scheme regulations. Written notice will be given of the reasons for the re-charge, how the cost was calculated, and the part of this statement which, in the Fund's opinion, was contravened. The following table of charges applies to the annual return and employer performance benchmarking process.

Event	Charge levied
Failure to provide a complete annual return by 30 April	£150 per return, increasing by £150 for each further month this is late
Failure to provide full responses to queries raised through the annual return process within 10 working days	£50 per chaser communication
For Employers who are rated red for data quality as part of annual return benchmarking for 2 or more consecutive years a charge will be incurred on all queries raised	£25 per query
Additional work to correct records due to incorrect submission of annual return data	£35 per hour

- Where orders or instructions issued by The Pensions Regulator, the Pensions Ombudsman or other regulatory body require financial compensation or a fine to be paid by the Fund, or by any officer responsible for it, and it is due to the default, omission or otherwise negligent act of the employer, the sum concerned will be recharged to the employer.
- Where, as a result of the employer's failure to notify the Fund of the final retirement details in a timely manner, payment of any retirement lump sum is not made within 30 days from the date of the member's retirement, the Fund may issue the employer with a written notice of unsatisfactory performance and may charge the employer for the interest payment made.
- Where it is proven that the employer is not responsible for any fine or penalty imposed by The Pensions Regulator or any other statutory body as a result of non-compliance of this Service Level Agreement, any such charge will automatically default to the Fund.
- From time to time, the Fund will offer training and support to employers through 'Employer Days' and workshops. There is no charge made to an employer for attending this event, however the Fund reserves the right to charge a late cancellation fee of £100 + VAT, where at least one week's notice has not been given of non attendance.

Measuring whether the Administration Objectives are met

The Administering Authority will monitor performance in carrying out its responsibilities in relation to the scheme and will regularly monitor performance by benchmarking against other administering authorities, using benchmarking clubs and other comparators where available. How well the Fund performs will be reported in the Fund's Annual Report based on the statistics available at that time.

In addition, the Administering Authority will monitor success against its administration objectives in the following ways:

Objectives	Measurement
Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders.	Key target service standards (highlighted in table above) achieved in 95% of cases*.
Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money.	Cost per member is not in upper quartile when benchmarked against all LGPS Funds using national data (either SF3 or SAB)
Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund.	<p>Annual data checks (including ongoing reconciliations) resulting in few issues that are resolved within 2 months.</p> <p>Key target service standards (highlighted in table above) achieved in 95% of cases*.</p> <p>Issues included in formal improvement notices issued to employers resolved in accordance with plan.</p>
Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.	<p>Mainly positive results in audit and other means of oversight/scrutiny.</p> <p>Key target service standards (highlighted in table above) achieved in 95% of cases*.</p>
Maintain accurate records and ensure data is protected and has authorised use only.	<p>Annual data checks (including ongoing reconciliations) resulting in few issues that are all resolved within 2 months</p> <p>No breaches of data security protocols</p> <p>Mainly positive results in audit and other means of oversight/scrutiny</p>

*Employers are expected to meet their targets in 95% of cases.

An overview of performance against these objectives and in particular against target standards for turnaround times will be reported within the Fund's annual report and accounts and also reported on regularly to the Pensions Committee and Pension Board.

Where performance is substantially below standard (whether by a large margin for a short period of time or a small margin for a longer period of time) the Administering Authority will formulate an improvement plan. This will be reported to the Fund's Pensions Committee and Pension Board together with an ongoing update on achievement against the improvement plan.

Key Risks

The key risks to the delivery of this Strategy are outlined below. The London Borough of Hillingdon Officers will work with the Pensions Committee and the Local Pension Board in monitoring these and other key risks and formulate a response to them.

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members and also staff absence due to sickness
- Significant increase in the number of employing bodies causes strain on day to day delivery
- Significant external factors, such as national change, impacting on workload
- Incorrect calculation of members' benefits resulting in inaccurate costs (to employer), through for example, inadequate testing of systems
- Failure of employers to provide accurate and timely information resulting in incomplete and inaccurate records, which could lead to incorrect valuation results and incorrect benefits, which in turn could lead to complaints
- Failure to administer scheme in line with regulations and policies, including due to delays in enhancement to software or regulation guidance (e.g. transfers).
- Failure to maintain proper records leading to inadequate data, which could lead to increased complaints and errors
- Issues in production of annual benefits statements, e.g. wrong address and printing errors due to external supplier
- Unable to deliver a service to pension members due to system unavailability or failure
- Failure to maintain employer database leading to information not being sent to correct person
- Impact of COVID-19 on human resources and employer covenant.

Key Risk areas will be discussed as part of the quarterly liaison meetings with Hampshire Pensions Services

Approval and Review

This Strategy Statement was approved for consultation with stakeholders on 13 December 2023 by the London Borough of Hillingdon Pensions Committee. It will be

reviewed following consultation with a view to the final strategy being agreed by Pension Committee on 26 March 2024, to become effective from that date.

It will be formally reviewed and updated at least every three years or sooner if the administration management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS Regulations or other relevant Regulations or Scheme Guidance which need to be taken into account.

In preparing this Strategy the Administering Authority has consulted with the relevant employers, the scheme member and employer representatives on the Local Pension Board and other persons considered appropriate.

This Strategy Statement will be included within the Fund's Annual Report and Accounts and available on the Administering Authority's website at: <http://www.hillingdon.gov.uk/pensions>.

Further Information

Any enquiries in relation to the day-to-day administration of the Fund or the principles or content of this Strategy should be sent to:

James Lake, Director of Pensions Treasury & Statutory Accounts
London Borough of Hillingdon
Civic Centre
High Street
Uxbridge
UB8 1UW

e-mail - jlake@hillington.gov.uk
Telephone - 01895 277562

Administration Legal Requirements within the LGPS

Regulations 72, 74 and 80 of Local Government Pension Scheme Regulations 2013 require the following:

Employer Responsibilities:

- To decide any rights or liabilities of any person under the LGPS (for example, what rate of contributions a person pays and whether or not a person is entitled to any benefit under the scheme) as soon as is reasonably practicable*
- To formally notify that person of the decision in relation to their rights or liabilities in writing as soon as is reasonably practicable (including a decision where a person is not entitled to a benefit and why not), including information about their internal dispute resolution procedure
- To inform the Administering Authority of all such decisions made
- To provide the Administering Authority with such information it requires so it can carry out its functions including, within three months of the end of each Scheme year**, the following information in relation to any person who has been an active member of the scheme in the previous year:
 - name and gender
 - date of birth and national insurance number
 - a unique reference number relating to each employment in which the employee has been an active member
 - in respect of each individual employment during that year:
 - the dates during which they were a member of the scheme
 - the normal pensionable pay received and employee contributions paid
 - the pensionable pay received and employee contributions paid whilst there was any temporary reduction in contributions
 - the normal employer contributions paid
 - any additional employee or employer contributions paid
 - any Additional Voluntary Contributions paid by the employee or employer
- To appoint a person to consider complaints under stage 1 of the internal dispute resolution procedure relating to employer decisions (or a lack of a decision)***

**And at the latest within 1 month of the need for a decision*

***Note that, in practice, the Administering Authority will require this information by a specific date as outlined in the specific correspondence requesting information in order to meet statutory deadlines on benefit statements*

****Note that, in practice, employers in the London Borough of Hillingdon Pension Fund may use the same person to consider stage 1 IDRPs complaints as used by the Administering Authority*

Administering Authority Responsibilities:

- To decide the amount of benefits that should be paid, including whether the person is entitled to have any previous service counting towards this for LGPS purposes, as soon as is reasonably practicable
- To formally notify that person of the decision in relation to the amount of their benefits in writing as soon as is reasonably practicable, including a statement showing how they are calculated and information about their internal dispute resolution procedure
- To appoint a person to consider complaints under stage 1 of the internal dispute resolution procedure relating to Administering Authority decisions (or a lack of a decision)
- To appoint a person to consider complaints under stage 2 of the internal dispute resolution procedure (which covers both employer and Administering Authority decisions or lack of decisions)
- To provide on request any information to an employer about a complaint under the internal dispute resolution procedure that may be required by an employer

Regulation 59(1) enables an LGPS Administering Authority to prepare a written statement ("the pension administration strategy") to assist in delivering a high-quality administration service to its scheme members and other interested parties, by setting out local standards which often go beyond the minimum requirements set out in overriding legislation as outlined above, and which the Administering Authority and employers should comply with. The statement can contain such of the matters mentioned below as they consider appropriate:-

- Procedures for liaison and communication with the relevant employers in their Fund.
- The establishment of levels of performance which the Administering Authority and the employers are expected to achieve in carrying out their functions under the LGPS by-
 - i. the setting of performance targets;
 - ii. the making of agreements about levels of performance and associated matters; or
 - iii. such other means as the Administering Authority consider appropriate;
- Procedures which aim to secure that the Administering Authority and the employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance.
- Procedures for improving the communication by the Administering Authority and the employers to each other of information relating to those functions.
- The circumstances in which the Administering Authority may consider giving written notice to an employer on account of that employer's unsatisfactory performance in carrying out its functions under the LGPS Regulations when measured against the desired levels of performance.

- The publication by the Administering Authority of annual reports dealing with—
 - i. the extent to which the Administering Authority and the employers have achieved the desired levels of performance, and
 - ii. such other matters arising from its pension administration strategy as it considers appropriate
- Such other matters as appear to the Administering Authority to be suitable for inclusion in that strategy.

Regulation 59(2)e allows an Administering Authority to recover additional costs from an employer where they are directly related to the poor performance of that employer. Where this situation arises the Administering Authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

In addition, regulation 59(6) also requires that, where a pension administration strategy is produced, a copy is issued to each of their relevant employers as well as to the Secretary of State. It is a requirement that, in preparing or revising any pension administration strategy, that the Administering Authority must consult its relevant employers and such other persons as it considers appropriate.

Both the Administering Authority and employers must have regard to the current version of the pension administration strategy when carrying out their functions under the LGPS Regulations.

Detailed Performance Standards

New Scheme Members	
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	Within 20 working days from receipt of all relevant information
To apply for any transfer value details from a previous fund or scheme	Within 15 working days from receiving all information
To send a Notification of Joining the LGPS to a scheme member	Within 20 working days from receiving all information

Changes in circumstances	
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	Within 15 working days from receiving all information
To send a Notification of Change (or equivalent) if legally required	Within 20 working days from receiving all information

Retirement Estimates (including ill-health)	
Administering Authority's Responsibility	
Providing quotations on request for retirements	Within 15 working days from receipt of all relevant information

Actual Retirements (including ill-health)	
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	Within 15 working days from receipt of all relevant information
Notification of amount of retirement benefits and payment of tax free cash sum	Within 15 working days from receipt of all relevant information
Notification of amount of recalculated retirement benefits and payment of any balance tax free cash sum following updated information	Within 15 working days from receipt of all relevant information

Members leaving before retirement	
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	Within 15 working days from receipt of all relevant information
To inform members who leave the scheme of their deferred benefit entitlement	Within 30 working days from receipt of all relevant information
Provide a refund of contributions where requested	Within 15 working days from receipt of all relevant information
Provide a statement of current value of deferred benefits on request	Within 15 working days from receipt of all relevant information

Death Benefits	
Administering Authority's Responsibility	
Write to next of kin or other contact requesting information following the death of a scheme member	Within 5 working days from notification
Calculate and notify dependant(s) of amount of death benefits	Within 15 working days from receipt of all relevant information
Decide who should be recipient(s) of death grant and pay death benefits appropriately as directed	Within 10 working days from receipt of all relevant information

Transfers	
Administering Authority's Responsibility	
Obtain transfer details for transfer in, and calculate and provide quotation to member	Within 15 working days from receipt of all relevant information
Request transfer value upon acceptance of transfer in	Within 10 working days
Notify scheme member of benefits purchased by transfer in on receipt of payment	Within 20 working days from receipt of all relevant information
Provide details of transfer value for transfer out, on request	Within 15 working days from receipt of all relevant information
Provide payment of transfer value to appropriate recipient.	Within 10 working days

Additional Benefits (APCs and AVCs)	
Employer's responsibility	Target Service Standard
Commence, cease or amend (as appropriate) deduction of APCs and AVCs	In month following election
Administering Authority's Responsibility	
To provide information on APCs / AVCs on request to members and employers.	Within 15 working days from request

Various Financial Obligations	
Administering Authority's Responsibility	
To allocate the received contributions to each employer's cost centre	Prior to closing month end
Issue invoice in relation to additional fund payments in relation to early payment of benefits	Within 10 working days of employer costs being confirmed
Inform the employers of any new contribution banding	At least 1 month prior to the new contribution bands being introduced
Notify calculation and new value of pension following annual pensions increase	No longer than 2 working days before payment of revised pension

Annual Returns, Valuation and Annual Benefit Statements	
Administering Authority's Responsibility	
Process employer year end contribution returns	By 31 July each year
Produce annual benefit statements for all active and deferred members.	In line with LGPS regulation timescales Currently by 31 August
Provide Pension Saving Statement to members who have exceeded their annual allowance(Legislative)	By 6 October each year
To provide P60 statements to pensioners (HMRC requirement)	By 31 May each year
Provide information to the Actuary (or GAD as appropriate) for both the triennial valuation and for accounting purposes.	As agreed between the Fund and the Actuary
Provide an electronic copy of the valuation report and associated certificate to each employer, and to answer any questions arising.	Within 10 working days from publication of report

General	
Administering Authority's Responsibility	
Arrange for the setting up of an admission agreement where required	As soon as possible following receipt of information and prior to the start of any contract
Publish (on-line) and keep up to date the Short Scheme Guide and Employers' Procedural Guide.	Updates made as soon as possible from notification of any legislation changes but preferably before effective date
Publish and keep up to date all forms that members, prospective members and employers are required to complete.	Updates made as soon as possible from notification of any legislation changes but preferably before effective date
Publish the Fund's annual report and accounts and any report from the auditor	In line with CIPFA Guidance
Provision of other responses to general enquiries from scheme members and employers	Within 10 working days to provide initial response
Put in place a Stage 1 Internal Dispute Resolution Procedure	Before the effective date of any change to the existing procedure (e.g. an appointed person leaving)
Put in place a Stage 2 Internal Dispute Resolution Procedure	Before the effective date of any change to the existing procedure (e.g. an appointed person leaving)

Pension Payments	
Administering Authority's Responsibility	Target Service Standard
Issue pension payments to designated bank accounts	To arrive on due date
Issue payslips to home addresses for those pensions where net pay has changed by £10 or more	Posted so as to arrive on the due date
Investigate returned payments and action appropriately	Within 10 working days from receipt of return
Respond to pensioner queries in writing	Within 10 working days from receipt of query
Implement a change to pension in payment	By next payroll period where change occurs more than 5 days prior to the payment date

The main duties of the employers as set out in the Regulations are set out in the table below, together with timescales for completion where appropriate.

Employer responsibility	Timescale
Decide who is eligible to become a member of the LGPS and the date from which membership of the LGPS starts). Notify HPF of the new member details and provide employee with details of the pension scheme.	Within 10 working days following the end of the month in which the employee joined the LGPS.
Determine the rate of employee contributions to be deducted from the employee's pensionable pay and, where the employee holds more than one post, the rate that should be applied to each post. This should be reviewed at least annually or more often where employer policy states	For the first pay period in which the employee joins the LGPS
Move employees into the 50:50 section Provide an amendment form to advise of change to/from 50:50 section	From the next pay period after receiving the employee's request Within 10 working days following the change

Employer responsibility	Timescale
Collect and pay to the HPF the deduction of the correct rate of pension contributions payable by the employee and the employer, including any additional employee contributions of any kind.	Payment over to HPF by 22 nd of the month following deduction
Complete monthly remittance form containing detail of the contributions payment.	Send to Pension Services with payment of contributions every month
Collect and pay over AVC contributions to the specified AVC provider in accordance with statutory timescales Notify HPF of a member's election to pay, vary or cease AVCs.	Payment over to HPF by 22 nd of the month following deduction
Refund contributions through the payroll to any employee who opts out of the scheme with less than 3 months membership. Notify HPF of opt out and refund through payroll by providing a copy of the opt out form	From the next pay period after receiving the employee's request to opt out Within 10 working days following the end of the month in which the employee left the scheme
Calculate assumed pensionable pay for any employees who met this requirement under the regulations.	As required
Leavers (excluding retirements/casuals) When an employee's LGPS membership ends, determine the reason for leaving and entitlement to benefit and notify the HPF, supplying timely and accurate information to HPF so that benefits payable from the LGPS are calculated correctly.	Within 10 working days following the end of the month in which the employee was last paid
Leavers (casuals) When an employee's LGPS membership ends, determine the reason for leaving and entitlement to benefit and notify the HPF, supplying timely and accurate information to HPF so that benefits payable from the LGPS are calculated correctly.	Within 10 working days following the end of the month the employer is aware they have left or were last paid
Retirements	

Employer responsibility	Timescale
When an employee's LGPS membership ends on the grounds of retirement, determine the reason for retirement and entitlement to benefit and notify the HPF, supplying timely and accurate information to HPF so that benefits payable from the LGPS are calculated correctly.	Within 20 working days before an employee's retirement date
Use an independent registered medical practitioner qualified in occupational health medicine in determining requests for ill health retirement.	As required
Write, publish and maintain a policy on areas of the regulations in which employers can exercise their discretion.	In accordance with regulations and then regular review. Notify HPF and members of any changes to those policies within one month of setting a policy and the changes taking effect.
Appoint a person to consider applications from members regarding decisions, acts or omissions and to decide on those applications.	On entry to the HPF and review as required
Provide annual information to HPF with full details of the contributions paid by members in the year. Respond to queries on the annual return raised by HPF.	By 30 April each year Respond to queries within 10 working days of receipt
The employer will maintain employment records for each member for the purposes of determining membership and entitlement to benefits. The employer must keep a full pay history for the 13 years, ending 31 March, before the member leaves the scheme.	As required
Notify HPF of a member's death and next of kin's details.	Within 5 working days of the member's death.
Supply details required for completion of an estimate.	Within 10 working days of the member's request
Distribute information relating to the publication of annual benefit statements and any other notifications to active members as requested by HPF.	Within 20 working days of receipt

Employer responsibility	Timescale
<p>Notify HPF of any TUPE transfer.</p> <p>Complete TUPE forms for each member transferring.</p>	<p>Notify HPF of the transfer as soon as possible in advance of the transfer date.</p> <p>Part A of the TUPE form completed within 10 working days following the end of the month in which the transfer took place.</p>
<p>Notify HPF of any outsourcing arrangements which impact on employees eligible to the LGPS</p> <p>Where an admission agreement is required, the Scheme employer should complete an 'Outsourcing data capture' form, transferring 'staff data capture' form and 'Undertaking of costs' form</p> <p>Ensure admission agreement is finalised</p> <p>Provide individual TUPE forms for transferring staff to HPF</p>	<p>As soon as possible but no later than 20 working days before change</p> <p>As soon as possible but no later than 20 working days before change</p> <p>No later than date of transfer</p> <p>Part A of the TUPE form completed within 10 working days following the end of the month in which the transfer took place</p>

Employer responsibility	Timescale
<p>Notify HPF of a change of payroll provider by completing a 'Employer Change of payroll provider' form</p> <p>Submit individual 'Change of payroll provider' forms to HPF for all transferring employees</p> <p>Provide notification of new payroll numbers (if applicable) to HPF</p> <p>Complete a mid year return if date of change is not 1 April</p>	<p>As soon as possible but no later than 20 working days before change</p> <p>Within 20 working days post transfer</p> <p>Within 20 working days post transfer</p> <p>Within 40 working days post transfer</p>
<p>Designate a named individual to act as the main contact for any aspect of administering the LGPS</p>	<p>Within 30 days of becoming a scheme employer or within one month of the change in officer role.</p>
<p>Complete and return an 'Employers contact form' detailing authorised signatories. Form available by emailing pensions.employer@hants.gov.uk</p>	<p>Within 30 days of becoming a scheme employer or within one month of the change in officer role.</p>
<p>Fully respond to all queries relating to data submitted to the Fund within 10 working days (or such shorter timescale as required for queries relating to annual returns which are received after the deadline)</p>	<p>Within 10 working days of receipt of the request.</p>

London Borough of Hillingdon Pension Fund - Pensions Committee agenda plan

	Frequency	Last review	Mar-24	Jun-24
Governance				
Business Plan & Budget	Annual			Y
Business Plan & Budget - Update on progress/outturn	Quarterly		Y	Y
Annual Report and Accounts Draft - unaudited	Annual			
External audit plan	Annual			Y
External audit results report	Annual			Y
Internal audit - outcomes	As required			
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; Admin; Funding (Section 13)	Various			
CTI	Annual			Y
Procurement of services	As required			
Governance Update	Quarterly		Y	Y
Risk register	Quarterly		Y	Y
Policies				
Governance Policy & Compliance Statement inc Governance				
Compliance Statement		Sep-20		
Conflicts of Interests Policy		Mar-23	Y	
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	Dec-23		
Responsible Investment Policy	3 years	Mar-23	Y	
Training Policy		Jul-19		
Pensions Administration Strategy		Sep-21	Y	
Scheme pays policy		Oct-20		
Internal Disputes Resolution Procedure (IDRP) Employees Guide		Oct-22		
Communications Policy		Sep-21		
Discretions Policy		Jun-22		
Pensions Administration				
Pensions Administration Performance	Quarterly		Y	Y
Breaches, Complaints and Appeals	Annually			Y
Data Quality Improvement Plan??	Ad-hoc			
Funding				
Actuarial Valuation	Every 3 years	Mar-23		
Investment				
Review of Investment Strategy	Every 3 years	Jun-23		
Investment update and manager review	Quarterly		Y	Y
Responsible Investment Update	Quarterly		Y	Y
Stewardship Code	Annual		Y	
Climate Risk Dashbaord (TCFD)	Every 3 years			

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ANNUAL REPORT OF THE LOCAL PENSIONS BOARD **Item 11**

Committee	Pensions Committee
Reporting Board Member	Roger Hackett – Chair of the Local Pensions Board
Papers with report	Annual Report of the Pensions Board

RECOMMENDATION

1. That the Pensions Committee note the annual report of the Local Pension Board for the year 2023

REASON FOR ITEM

The Scheme Advisory Board's LGPS Guidance on the Creation and Operation of Local Pension Boards in England and Wales recommends that the Board produces a report to the Pensions Committee on the work undertaken during the year and future work plans.

This report has been compiled to provide feedback to Pensions Committee on the work undertaken by the Local Pension Board during the year 2023.

FINANCIAL IMPLICATIONS

The financial implications are included in the annual report.

LEGAL IMPLICATIONS

The legal implications are included in the report.

Classification: Public
Pensions Committee 26 March 2024

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Pension Board Annual Report 2023

Contents

1. Chair's Foreword
2. Introduction
3. Summary of the Work of the Board
4. Areas of investigated by the Board
5. Details of Conflict of Interest
6. Areas of Concern or Risk
7. Training
8. Work Plan
9. Expenses

DRAFT

1 Chair's Foreword

Welcome to the Annual Report of the Local Pension Board (LPB) of Hillingdon Pension Fund (HPF). This report covers the period from January to December 2023. At the Board meeting in January 2023, I was privileged to be elected to serve a second term as Chair of the Board during the calendar year 2023.

The Board met face-to-face for all four meetings during 2023. The Fund's administration partner, Hampshire Pension Services (HPS), also began to attend virtually in April 2023, and now present to the Board at each meeting. This is a welcome development which not only shows the commitment of HPS to work collaboratively with the Fund, but also an extra layer of governance as the Board can now directly scrutinise and monitor the partnership administration arrangement and satisfy themselves that all day-to-day and ongoing administration requirements are being delivered.

Some of the key achievements the Board oversaw in addition to the regular review of the Pensions Committee reports were:

- Maintaining full compliance with the Pension Regulators code of Practice 14
- Assisting with the development of the Governance Plan ahead of formal updated Pensions Regulator General Code and SAB Good Governance framework
- Ongoing monitoring of cyber security issues
- Assessment of the effectiveness of the Pension Board which acted as a catalyst for the same exercise to be undertaken by the Pensions Committee
- Monitoring breaches and ensuring corrective actions were implemented
- Undertaking targeted training
- Keeping abreast of Pension Dashboard progress
- Monitoring progress against McCloud, GMP and data cleansing projects
- Closely monitoring service provision of Hampshire Pension Services.
- Monitoring progress and implementation of Investment Strategy Statement
- Scrutinising and challenging investment and adviser performance
- Supporting the development of the Administration Strategy
- Supporting with the Pensions Committee and Officers

The year ahead continues to be met with governance and compliance challenges and the resulting uncertainties in terms of changes in rules that the government may implement.

There are upcoming regulatory changes with which the Fund has to comply and that the Board will oversee, many of which continue to roll forward from the previous year; these include:

- The Pensions Regulator's Single Code of Practice
- Good Governance Framework
- The Pensions Dashboard Programme
- The Data Improvement Programme
- Continued implementation of McCloud & GMP

In closing I would like to thank the Pensions Committee, Officers, Advisers and fellow Board Members for their cooperation and support during my time as Chair and I look forward to helping the Fund address the challenges we expect to face in 2024.

Roger Hackett - Chair of Hillingdon Local Pension Board (2023)

2 Introduction to the Local Pension Board

The Public Service Pensions Act 2013 introduced the requirement to have a Local Pensions Board to assist in the good governance of the Local Government Pension Scheme 'Scheme'.

The purpose of the Board is to assist the Administering Authority in its role as a Pension Fund Manager of the Scheme. Such assistance is to:

- Secure compliance with the regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme; and
- To ensure the effective and efficient administration of the Scheme.

London Borough of Hillingdon Council established the with effect from 1st April 2015 with subsequent amendments to Board structure and Board flexibilities being approved in the intervening years.

The Board meets four times a year and for 2023 consisted of two Employer representatives, and two scheme member representatives.

Membership of the Board

Employer Representatives	Scheme/Fund Member Representatives
Marie Stokes	Roger Hackett
Shane Woodhatch	Tony Noakes

Record of Attendance

Name	Jan -23	Apr-23	Jul-23	Nov-23
Roger Hackett	Y	Y	Y	Y
Tony Noakes	Y	Y	Y	Y
Marie Stokes	N	Y	N	N
Shane Woodhatch	N	N	Y	N

The Scheme Advisory Board's LGPS Guidance on the Creation and Operation of Local Pension Boards in England and Wales recommends that the Board produces a report to the Pensions Committee, on the work undertaken during the year and future work plans. This report covers the work of the 2023 period.

Governance advisers AON Hewitt (Q1 2023) and Clare Scott (Q2-Q4 2023) assisted the Fund on Governance issues and supported the development and work of the Board and attended meetings.

3 Summary of the Work of the Board

Administration Partnership.

2023 saw the second full year with Hampshire Pension Services; our partner in delivering administration services for the Hillingdon Fund.

The Board were heavily involved in monitoring of their performance and governance. The Board continue to provide robust challenge to ensure all aspects relating to ongoing issues such as McCloud and Pension Dashboard projects are sufficiently resourced and remain on track.

The Board's direct involvement in terms of monitoring was enhanced during the year as HPS now attend Board meetings which allows direct engagement and the ability scrutinise all areas of the administration service and compliance with all governance items.

The Board are pleased to report that HPS continues to deliver a high level of service, remained at 100% against all key performance indicators and has been pro-active and at the forefront in all governance requirements. Attendance at Board meeting has strengthened the partnership and demonstrates a high level of good practice.

TPR code compliance review

During 2023, the Board has collaborated closely with officers and the Fund remained in at 100% compliance across all Code of Practice areas.

Furthermore, the Board has been fully supportive in terms of preliminary steps taken by the Fund to ascertain where there may be gaps based on what is expected of the new General Code and Good Governance Framework. This has enabled the Fund to highlight key areas of focus and implement improvements ahead of any formal regulatory guidance being issued.

Effectiveness of the Board

During the year the Board assessed its effectiveness against SAB guidance. The process highlighted two recommendations. The first related to additional reporting on Internal Dispute Resolution Procedures (IDRP) which was subsequently implemented. The second outcome was the need to improve succession planning and Board resilience; in this regard work will be taken into 2024 to increase and strengthen Board membership.

Cyber Security & Pension Scams

The Board has continued to focus on cyber security to ensure all possible measure are in place to protect the IT infrastructure from malicious behaviour.

Other key areas of work have been undertaken as outline below

- Monitoring of the data quality and breaches
- Review of Policy documents to ensure they are kept up to date
- Monitoring the performance of the Pension Administration and observing Fund investment performance
- ESG – Stewardship Code and TCFD progress

Future Work of the Board

As partly noted in the Chair's foreword, a number of key areas will to be monitored in 2024 including:

- The Pensions Regulator's General Code of Practice
- Good Governance Framework
- The Pensions Dashboard Programme
- The Data Improvement Programme
- Implementation of McCloud and GMP
- Funding Strategy and Investment Strategy implementation
- ESG issues including the UK Stewardship Code and TCFD reporting
- Review and update of the Board's function and responsibilities.
- Board resilience and succession planning
- Review of the risk register
- Knowledge Assessment

4 Areas Investigated by the Board

No official investigations were required or undertaken by the Board.

5 Details of any Conflicts of Interest

The SAB guidance recommends that the Board reports details of any conflicts of interest that have arisen in respect of individual Local Pension Board members and how these have been managed.

Declaration of interest remains on the agenda at the start of each meeting and in addition to the register of interest Pension Board members have been requested to renew their declaration of interest form in line with best practice.

A Conflicts of Interest Policy was also introduced following the TPR CoP review which provides guidance to the Board on how to identify and manage conflicts of interest. No major conflicts of interests have arisen other than the declarations made at the start of each meeting.

Board members and officers continue to monitor conflicts of interest.

6 Areas of Concern or Risk

6.1 Regulatory changes – The Board recognises that there are currently many regulatory changes to be implemented in the LGPS. These include McCloud

Judgement; Goodwin Judgement; GMP reconciliation and Pensions Dashboard and potentially a new iteration of the Exit Cap.

In addition, the framework under which the Fund will need to operate is also expected to change with the new General Code of Practice and Good Governance implementation when it is issued.

The Board will continue to monitor and seek assurance from Officers that the changes can be effectively delivered in compliance with the regulatory deadlines.

7 Training

7.1 Regular training has been made available to the Board and is a standing item on the quarterly work programme. As a result of the move to virtual meetings, training has been delivered separately from the meetings. The schedule below outlines the training undertaken by the Board.

Training events will be carried out in conjunction with Pension Committee where viable.

	Date	Roger Hackett	Tony Noakes	Shane Woodhatch	Marie Stokes
The Pensions Regulator Public Sector Toolkit	On-demand	*	*	*	*
AON CIPFA Knowledge & Skills Areas of Training (7 Modules)	On-demand	*	*	*	Y
LCIV TCFD	19 Jan 23	Y			
LGIM Equity & Long Lease Property	19 Jan 23	Y			
Investment Strategy Construction	8 Mar 23			Y	
Hymans Robertson Managing Risk in LGPS (Part 1)	23 May 23	Y			
Hymans Robertson Managing Risk in LGPS (Part 2)	22 June 23	Y			
Sackers Quarterly Legal Update	13 July 23	Y			
Hymans Robertson LGPS Next Steps o Investment	14 Sep 23	Y			
Pensions Dashboard Programme Introduction to Pensions Dashboards	4 Oct 23	Y			
Hymans Robertson Managing Risk In the LGPS- Longevity	5 Oct 23	Y			
LCIV – Equity Styles	13 Dec 23	Y	Y		

*Following the training needs assessment suitable knowledge was either demonstrated in these areas or completed in previous years.

7.2 The Board will continue training as required during 2024 to address any emerging issues and to ensure it is up to date with any regulatory or guidance requirements or outcome from the governance review.

7.3 In January 2024 the Board will undertake a knowledge assessment which will form part of the Training Plan which is to be developed in Q1 2024. In line with the revised Training Policy, Board members have committed to undertake 14 hours of training annually from 2024.

8 Work Plan

The workplan below sets out the tasks undertaken by the Pension Board during 2023

Meetings	Specific topics
18 January 2023	<ul style="list-style-type: none"> • Board appointment matters • Pension Administration & Performance • Training Update Report • Draft LPB Annual Report • Cyber Update & Review • Governance • Review of Pension Committee Reports
16 April 2023	<ul style="list-style-type: none"> • Pension Administration & Performance • Communications Strategy Review • Review Effectiveness of the Board • Training Update Report • Governance • Review of Pension Committee Reports
19 July 2023	<ul style="list-style-type: none"> • Pension Administration & Performance • General Code & Good Governance Review • Training Update Report • Governance • Review of Pension Committee Reports
8 November 2023	<ul style="list-style-type: none"> • Pension Administration & Performance • Training Update Report • Governance • Admission Strategy Review • Review of Pension Committee Reports

The 2024 future workplan of the Board is set out below.

Meetings	Specific topics
24 January 2024	<ul style="list-style-type: none"> • Board appointment matters • Review and update of Pension Board Operating Procedures • Pension Administration & Performance • Training Update Report • Draft LPB Annual Report • Governance including Code of Practice • Cyber Update • Workplan • Review of Pension Committee Reports
8 May 2024	<ul style="list-style-type: none"> • Pension Administration & Performance • Training Update Report • Governance • Workplan • Review of Pension Committee Reports
17 July 2024	<ul style="list-style-type: none"> • Pension Administration & Performance • Training Update Report • General Code & Good Governance Update • Governance including Code of Practice • Workplan • Review of Pension Committee Reports
6 November 2024	<ul style="list-style-type: none"> • Pension Administration & Performance • Training Update Report • Governance • Workplan • Review of Pension Committee Reports

9 Expenses

The Board incurred expenses of £134 in relation to its operations in 2023. (This does not include the standard governance support fees)

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of the Local Government Act 1972 (as amended).

Agenda Item 12

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