PENSIONS COMMITTEE

Thursday 30 March 2023 at 6.30 pm Council Chamber, Hackney Town Hall, Mare Street, London E8 1EA

The live stream can be viewed here:
https://youtu.be/wJFQ9f9t7es or Backup https://youtu.be/52Kpxd7fDP8

Members of the Committee:
Councillor Grace Adebayo
Councillor M Can Ozsen
Councillor Ian Rathbone
Councillor Kam Adams (Chair)
Councillor Robert Chapman (Vice-Chair)
Councillor Margaret Gordon
Councillor Ben Hayhurst
Councillor Lynne Troughton
Councillor Joe Walker

Co-optees
Henry Colthurst
Jonathan Malins-Smith

Mark Carroll
Chief Executive
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Hackney

Pensions Committee
Thursday 30 March 2023
Agenda

1 **Apologies For Absence**

2 **Declarations of Interest - Members to declare as appropriate**

3 **Consideration of The Minutes of The Previous Meeting** (Pages 9 - 14)

4 **Investment Strategy Training - To be delivered by Redington Investment Consultants** (Pages 15 - 48)

5 **Responsible Investment - Climate Target Setting (Part Exempt)** (Pages 49 - 86)

6 **Strategic Asset Allocation Review - Introduction (Part Exempt)** (Pages 87 - 114)

7 **Business Plan 2023 - 2026** (Pages 115 - 118)

8 **Actuarial Valuation 2022 - Final Valuation Report and Funding Strategy Statement** (Pages 119 - 164)

9 **Pension Fund Quarterly Update Report** (Pages 165 - 242)

10 **Any Other Business Which in The Opinion Of The Chair Is Urgent**

11 **Exclusion of The Press And Public**

Proposed resolution:

THAT the press and public be excluded from the proceedings of the Pensions Committee meeting during consideration of Exempt Items 5 (Exempt Appendices) & 6 (Exempt Appendices) & 12 on the agenda on the grounds that it is likely, in the view of the nature of the business to be transacted, that were members of the public to be present, there would be disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

12 **Consideration of the Exempt Minutes of the Previous Meeting** (Pages 243 - 248)

Public Attendance

Following the lifting of all Covid-19 restrictions by the Government and the Council updating its assessment of access to its buildings, the Town Hall is now open to the public and members of the public may attend meetings of the Council.

We recognise, however, that you may find it more convenient to observe the meeting via the live-stream facility, the link for which appears on the agenda front sheet.

We would ask that if you have either tested positive for Covid-19 or have any symptoms that you do not attend the meeting, but rather use the livestream facility. If this applies and you are attending the meeting to ask a question, make a deputation or present a petition then you may contact the Officer named at the beginning of the Agenda and they will be able to make arrangements for the Chair of the meeting to ask the question, make the deputation or present the petition on your behalf.

The Council will continue to ensure that access to our meetings is in line with any Covid-19 restrictions that may be in force from time to time and also in line with public health advice. The latest general advice can be found here - https://hackney.gov.uk/coronavirus-support

Rights of Press and Public to Report on Meetings

The Openness of Local Government Bodies Regulations 2014 give the public the right to film, record audio, take photographs, and use social media and the internet at meetings to report on any meetings that are open to the public.

By attending a public meeting of the Council, Executive, any committee or sub-committee, any Panel or Commission, or any Board you are agreeing to these guidelines as a whole and in particular the stipulations listed below:

- Anyone planning to record meetings of the Council and its public meetings through any audio, visual or written methods they find appropriate can do so providing they do not disturb the conduct of the meeting;
- You are welcome to attend a public meeting to report proceedings, either in 'real time' or after conclusion of the meeting, on a blog, social networking site, news forum or other online media;
- You may use a laptop, tablet device, smartphone or portable camera to record a written or audio transcript of proceedings during the meeting;
- Facilities within the Town Hall and Council Chamber are limited and recording equipment must be of a reasonable size and nature to be easily accommodated.
- You are asked to contact the Officer whose name appears at the beginning of this Agenda if you have any large or complex recording equipment to see whether this can be accommodated within the existing facilities;
- You must not interrupt proceedings and digital equipment must be set to 'silent' mode;
- You should focus any recording equipment on Councillors, officers and the public who are directly involved in the conduct of the meeting. The Chair of

the meeting will ask any members of the public present if they have objections to being visually recorded. Those visually recording a meeting are asked to respect the wishes of those who do not wish to be filmed or photographed. Failure to respect the wishes of those who do not want to be filmed and photographed may result in the Chair instructing you to cease reporting or recording and you may potentially be excluded from the meeting if you fail to comply;
- Any person whose behaviour threatens to disrupt orderly conduct will be asked to leave;
- Be aware that libellous comments against the council, individual Councillors or officers could result in legal action being taken against you;
- The recorded images must not be edited in a way in which there is a clear aim to distort the truth or misrepresent those taking part in the proceedings;
- Personal attacks of any kind or offensive comments that target or disparage any ethnic, racial, age, religion, gender, sexual orientation or disability status could also result in legal action being taken against you.

Failure to comply with the above requirements may result in the support and assistance of the Council in the recording of proceedings being withdrawn. The Council regards violation of any of the points above as a risk to the orderly conduct of a meeting. The Council therefore reserves the right to exclude any person from the current meeting and refuse entry to any further council meetings, where a breach of these requirements occurs. The Chair of the meeting will ensure that the meeting runs in an effective manner and has the power to ensure that the meeting is not disturbed through the use of flash photography, intrusive camera equipment or the person recording the meeting moving around the room.

Advice to Members on Declaring Interests

If you require advice on declarations of interests, this can be obtained from:

- The Monitoring Officer;
- The Deputy Monitoring Officer; or
- The legal adviser to the meeting.

It is recommended that any advice be sought in advance of, rather than at, the meeting.

Disclosable Pecuniary Interests (DPIs)

You will have a Disclosable Pecuniary Interest (*DPI) if it:

- Relates to your employment, sponsorship, contracts as well as wider financial interests and assets including land, property, licenses and corporate tenancies.
- Relates to an interest which you have registered in that part of the Register of Interests form relating to DPIs as being an interest of you, your spouse or civil partner, or anyone living with you as if they were your spouse or civil partner.
- Relates to an interest which should be registered in that part of the Register of Interests form relating to DPIs, but you have not yet done so.

If you are present at any meeting of the Council and you have a DPI relating to any business that will be considered at the meeting, you **must**:

- Not seek to improperly influence decision-making on that matter;
- Make a verbal declaration of the existence and nature of the DPI at or before the consideration of the item of business or as soon as the interest becomes apparent; and
- Leave the room whilst the matter is under consideration

You **must not:**

- Participate in any discussion of the business at the meeting, or if you become aware of your Disclosable Pecuniary Interest during the meeting, participate further in any discussion of the business; or
- Participate in any vote or further vote taken on the matter at the meeting.

If you have obtained a dispensation from the Monitoring Officer or Standards Committee prior to the matter being considered, then you should make a verbal declaration of the existence and nature of the DPI and that you have obtained a dispensation. The dispensation granted will explain the extent to which you are able to participate.

Other Registrable Interests

You will have an 'Other Registrable Interest' (ORI) in a matter if it

- Relates to appointments made by the authority to any outside bodies, membership of: charities, trade unions,, lobbying or campaign groups, voluntary organisations in the borough or governorships at any educational institution within the borough.
- Relates to an interest which you have registered in that part of the Register of Interests form relating to ORIs as being an interest of you, your spouse or civil partner, or anyone living with you as if they were your spouse or civil partner; or
- Relates to an interest which should be registered in that part of the Register of Interests form relating to ORIs, but you have not yet done so.

Where a matter arises at any meeting of the Council which affects a body or organisation you have named in that part of the Register of Interests Form relating to ORIs, **you must** make a verbal declaration of the existence and nature of the DPI at or before the consideration of the item of business or as soon as the interest becomes apparent. **You may** speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

Disclosure of Other Interests

Where a matter arises at any meeting of the Council which **directly relates** to your financial interest or well-being or a financial interest or well-being of a relative or close associate, you **must** disclose the interest. **You may** speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

Where a matter arises at any meeting of the Council which **affects** your financial interest or well-being, or a financial interest of well-being of a relative or close associate to a greater extent than it affects the financial interest or wellbeing of the majority of inhabitants of the ward affected by the decision and a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest, you **must** declare the interest. You **may** only speak on the matter if members of the public are able to speak. Otherwise you must not take part in any discussion or voting on the matter and must not remain in the room unless you have been granted a dispensation.

In all cases, where the Monitoring Officer has agreed that the interest in question is a **sensitive interest**, you do not have to disclose the nature of the interest itself.

Hackney

MINUTES OF A MEETING OF THE PENSIONS COMMITTEE

THURSDAY 19 JANUARY 2023

Link to Live stream: https://youtu.be/ECRzieboxFo

Councillors Present:	**Councillor Kam Adams in the Chair** **Cllr Ian Rathbone, Cllr Robert Chapman (Vice-Chair), Cllr Margaret Gordon and Cllr Joe Walker**
Co- Optees joined virtually:	**Jonathan Malins-Smith** **Henry Colthurst**
Apologies:	**Councillor Grace Adebayo, Councillor M Can Ozsen, Councillor Ben Hayhurst and Councillor Lynne Troughton**
Councillors joining the meeting virtually:	**Cllr Grace Adebayo** **Cllr Ben Hayhurst** **Cllr M Can Ozsen** **Cllr Lynne Troughton**
Officers in Attendance:	**Ian Williams (Group Director of Finance & Corporate Resources), Rachel Cowburn (Head of Pension Fund Investment and Actuarial), Michael Honeysett, (Head of Pensions), Georgia Lazari (Solicitor - Team Leader), Jackie Moylan (Director of Financial Management) and Rabiya Khatun (Governance Officer)**
Also in Attendance:	**Jill Davys, Anastasia Guha & Sam Yeandle (Redington Investment Consultants)** **Karen McWilliam (Governance Consultant, Aon).** **Cll Alastair Binnie-Lubbock**

1 Apologies For Absence

1.1 Apologies for absence were received from Cllrs Adebayo, Ozsen, Hayhurst and Troughton as they joined the meeting virtually.

1.2 Apologies for lateness were received from Cllr Walker (Attended the meeting at 7.38pm).

2 Declarations of Interest - Members to declare as appropriate

2.1 Councillor Troughton previously declared that she was a member of the LGPS.

2.2 Councillor Adam previously declared that his partner was a member of the LGPS.

3 Consideration of The Minutes of The Previous Meeting

RESOLVED: That the public minutes of the Pensions Committee meeting held on 22 November 2022 were approved as a correct record.

Matters arising

Question

The Chair asked Councillor Binnie-Lubbock to ask his question regarding investments in carbon emitting companies within the Pension Fund.

Councillor Binnie-Lubbock asked how the Pension Fund could achieve real economy decarbonisation while retaining investments in fossil fuel and aviation/aerospace companies.

The Head of Pension Fund Investment and Actuarial responded that the Fund retained some exposure to fossil fuel extraction companies, which was approximately 2% of the Pension Fund's portfolio and that some of these energy companies were already working towards moving into the real world as they transitioned their business from pure fossil fuel extraction to biofuel. The focus on high emitting companies was not intended to be limited to fossil fuel extraction and aviation companies as they were not necessarily but much wider looking at the biggest contributors of emissions, not necessarily fossil fuel companies but from other sectors such as materials, industrial and hotel companies. The Committee would need to review in the longer term the Fund's investment strategy but the current approach taken had been not to remove companies from the portfolio simply due their high emissions. In the longer term the Committee would need to determine which of these companies were unsuitable to retain within the portfolio. It was noted that a more detailed response would be provided to Cllr Binnie-Lubbock's questions.

The Committee highlighted that as members they were responsible to the pensions scheme members and that Hackney's Pension Fund could be proud of its record as the first council to set a target to reduce fossil fuel exposure by 50% over a six year period in 2016 and exceeding this target by achieving over 90% reduction in 2022 and being held publicly accountable throughout the process of achieving net zero.

ACTION: The Head of Pension Fund Investment and Actuarial to provide a full written response to Cllr Binnie-Lubbock's submitted questions.

4 Training – Investment Strategy & Carbon Targets

4.1 Rachel Cowburn, Head of Pension Fund Investment and Actuarial, introduced the report. Jill Davys, Anastasia Guha, Sam Yeandle, representatives from Redington Investment Consultants delivered a training session on the key considerations when setting the Fund’s investment strategy including the Committee’s fiduciary duties in setting the investment strategy and cover how these principles apply to the setting of climate targets.

4.2 The training was delivered during the private session of the meeting.

RESOLVED:
To note the report.

5 Responsible Investment - Carbon Targets discussion and timetable

5.1 Rachel Cowburn, Head of Pension Fund Investment and Actuarial, introduced the discussion paper setting out the different approaches that could be taken before setting a new climate target for the Fund in March 2023.

5.2 The exempt appendices were considered during the private session of the meeting.

RESOLVED to:

1. **Agree the objectives, as set out in Appendix 1, for the Fund's investment consultant during 2023;**
2. **Note the assessment of the performance against the objectives set as set out in the supplementary appendix; and**
3. **Approve the submission of a compliance statement to the CMA.**

6 Competition and Markets Authority's (CMA) Objectives

6.1 Rachel Cowburn, Head Pension Fund Investment and Actuarial, introduced the report and advised that Appendix 2 - matrix had been circulated as further information.

6.2 It was reported that compliance approval was due by January every year but CMA had granted an exemption to end of this week for submission of the compliance statement

RESOLVED:
To note the report.

7 Quarterly Update Report

7.1 Michael Honeysett, Head of Pensions introduced the report providing an update on key quarterly performance measures, including an update on the funding position, investment performance, responsible investment, administration performance and reporting of breaches. It also provided information on the position of the Fund between July and September 2022.

7.2 The Head of Pensions reported that the funding level in the March 2022 valuation was 106% and as at 30 September 2022 it had increased to 122%. This had resulted from the reduction in asset value due to market volatility and a fall in liabilities of £400m as a result of the turbulence in the bond market and stronger yields. Since September 2022 there had been further movements in the markets, which would have further impacted on the asset value and liabilities.

7.3 A member requested training on the link between the bond market on liabilities and the funding level. **ACTION**: The Head Pensions to arrange training on the link between the bond market on the Pension Fund's liabilities and funding level.

RESOLVED:
To note the report.

8 Knowledge and Skills Policy - Training Needs Analysis

8.1 Karen McWilliam, Aon Consultant, introduced the report on setting out the Fund's plans to undertake a training needs analysis in line with its Knowledge and Skills Policy.

8.2 An online questionnaire would be circulated in January 2023 and members were asked to complete the form. The form would be used to identify and develop a training plan to deliver training in the future and to comply with legal requirements. The Aon Consultant stated that she could go through the questionnaire with individual members if required.

8.3 The Chair emphasised that he had discussed having a training portal or Hub to include training videos and useful information as well as face to face and online training. The Aon Consultant also advised that training would be identified for individuals or groups to attend.

RESOLVED:
To note the report.

9 TPR - New single code Update/ Introduction

9.1 Karen McWilliam, Aon Consultant, introduced the report providing an update on the New Code expected to come into force in Spring 2023 and Once in force, the New Code would replace Code of Practice 14: Governance and Administration of Public Service Pension Schemes (COP14).

9.2 The Aon Consultant responded that there would be financial implications as a result of the New Code such as administration costs involved in investigating risks and putting in place appropriate controls to ensure adherence to this code. The costs would be relatively small but evidence of adherence would be available.

RESOLVED:
To note the report.

10 Any Other Business Which in The Opinion Of The Chair Is Urgent

10.1 There was no other urgent business.

11 Exclusion of The Press And Public

RESOLVED:
THAT the press and public be excluded from the proceedings of the Committee during consideration of Exempt Items 4, 5 (exempt appendices) and 12 on the agenda on the grounds that it is likely, in view of the nature of the business to be transacted, that were members of the public to be present, there would be a disclosure of exempt business as defined in paragraph 3 of Part 1 of schedule 12A of the Local Government Act 1972, as amended.

12 Consideration of the Exempt Minutes of the Previous Meeting

RESOLVED:

That the exempt minutes of the meeting of Pensions Committee held on 22 November 2022 were approved as a correct record.

Duration of the meeting: 6.30 – 9.08pm

Contact:
Rabiya Khatun
Governance Services
020 8356 6279

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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Title of Report	Responsible Investment - Climate Target Setting
For Consideration By	Pensions Committee
Meeting Date	30 March 2023
Classification	Public (including Exempt Appendix)
Ward(s) Affected	All
Group Director	Ian Williams, Group Director Finance & Corporate Resources

1. Introduction

1.1. This report presents the Pensions Committee with a set of recommendations for net zero interim targets. The Committee's ambition is for the Fund to achieve net zero emissions by 2040; this paper proposes 3 shorter term interim targets to help the Committee monitor progress. The proposals are recommended to the Committee by the Responsible Investment Working Group, who have had the opportunity to consider them in detail.

1.2. The proposed targets have been designed to assist the Fund in achieving net zero by 2040. They incentivise both portfolio and real world decarbonisation and are in line with emerging best practice in this field, ensuring that the Fund remains a leader amongst its Local Government peers and other institutional investors.

2. Recommendations

2.1. The Pensions Committee is recommended to:

- **Set a decarbonisation target on the fund's carbon footprint:**
    - **50% reduction in carbon footprint (scope 1&2) by 2030 compared to 2023 carbon footprint as the baseline.**
- **Adopt implied temperature rise as a forward looking metric that contributes to real world decarbonisation:**
    - **Target a 2C portfolio by 2030 with a 1.5C goal for 2040.**
- **Set a climate solutions allocation target as follows:**
    - **Allocate 10% of Fund assets to climate solutions over the next 5 years in line with the Strategic Asset Allocation (SAA) changes.**

3. Related Decisions

3.1. Pensions Committee 19 January 2023 - Climate Target Considerations

3.2. Pensions Committee 22 November 2022 - TCFD Consultation Response

3.3. Pensions Committee 15 June 2022 - Carbon Risk Audit 2022 – Full Results & Presentation (TruCost)

4. Comments of the Group Director of Finance and Corporate Resources.

4.1. The Pensions Committee acts as Scheme Manager for the Pension Fund and is therefore responsible for the management of £1.8 billion worth of assets and for ensuring the effective and efficient running of the Pension Fund. The investment returns that the Fund is able to deliver have significant financial implications, not just for the Fund itself but also on the Fund's employers in terms of the level of contributions they are required to make to meet the Fund's pension promises, which are underwritten by statute.

4.2. The Fund recognises that climate change represents a systemic risk that will have an impact on investment portfolios - including both transition and physical risks, but also opportunities to contribute to the transition to a net zero economy.

4.3. In considering its net zero investment strategy, the Committee will need to remain mindful of its fiduciary duties and how the various components of the proposed strategy (investment objectives, climate risk, carbon emissions and impact on the real economy) will impact its decision making.

4.4. The use of climate targets can help the Fund monitor its climate risk exposure and progress towards net zero. The targets used by the Pension Fund will differ from those of the Council given the Fund's focus on its underlying investment portfolio and hence the wider economy. This is in contrast to the Council's focus on the local area.

4.5. There are no immediate financial implications arising from this report.

5. Comments of the Director of Legal, Democratic and Electoral Services

5.1. In 2014, the Law Commission produced guidance on the fiduciary duties of investment intermediaries, which indicated that investors should have regard to ESG factors where they are financially material. In its guidance to occupational schemes, the Pensions Regulator has given a clear indicator that it believes this to be the case for climate change.

5.2. In autumn 2022, the Department for Levelling Up, Housing and Communities (DLUHC) released a consultation on the introduction of TCFD (Taskforce on Climate-related Financial Disclosures) reporting for the LGPS. The consultation sets out proposed TCFD regulations to apply to LGPS Administering Authorities (AAs) from 2023/24. It is anticipated that the regulations will require AAs to produce annual TCFD reports from December 2024 and that these must include certain metrics and targets.

5.3. This report helps to demonstrate that the Committee is showing due regard to climate change as a financially material ESG factor. It also demonstrates that the Committee is proactively adopting suitable climate metrics and targets well in advance of the anticipated statutory requirement to use these for TCFD reporting purposes from December 2024.

5.4. There are no immediate legal implications arising from this report.

6. <u>Background to the report</u>

6.1. This report presents the Pensions Committee with a set of recommendations for setting interim climate targets as part of its net zero strategy. The Committee's ambition is for the Fund to achieve net zero emissions by 2040; this paper proposes 3 shorter term interim targets to help the Committee monitor progress and more fully understand its exposure to climate related risks and opportunities.

6.2. The Fund recognises that climate change represents a systemic risk that will have an impact on investment portfolios. It brings significant risks, including both transition and physical risks, but also opportunities to contribute to the transition to a net zero economy. The inevitable impact of climate change on investment portfolios means that it is vital to integrate it into investment decision making.

6.3. Taskforce on Climate-related Financial Disclosures (TCFD) reporting is the most common framework for embedding climate risks into investment decision making, and the Fund is likely to be required to make use of it from 2023/24. However, the TCFD is designed for evaluating how climate risks and opportunities impact an asset owner's investment strategy, but not the impact investment decisions might have on climate change and hence the real world economy.

6.4. Investors can respond to the objective of reaching net zero by focusing on portfolio decarbonisation, or by targeting real economy decarbonisation. Portfolio decarbonisation is an approach that involves selling higher emitting assets in favour of lower emitting ones. It can help investors to manage their own exposure to carbon risks but does not influence what is occurring within the real economy, and therefore cannot address any of the root causes of the systemic risk posed to investors.

6.5. Targeting real economy decarbonisation means investing in a way that targets a real-world impact and is aligned with what is occurring in the real economy. Some investors incorporate such real-world impacts into their investment process. Investing in a way that is aligned to the global net zero transition, could increase a portfolio's emissions in the short term, but should lead to portfolio decarbonisation over the longer term.

6.6. The Hackney Fund was an extremely early adopter of carbon targets, having previously set a target in 2016 to reduce its exposure to fossil fuel reserves by 50% over 6 years. This metric provides an indication of the Fund's exposure to companies that own carbon reserves (oil, coal and natural gas reserves that have not yet been extracted). It also indicates the Fund's exposure to future emissions when the fossil fuel reserves are extracted and used. This metric was chosen as it aims to focus stranded asset risk, a key financial risk to the Fund from owning fossil fuel companies

6.7. By 2022, the Fund had reduced its exposure to carbon reserves by 96.9%, considerably outperforming its target. This was achieved through significant portfolio decarbonisation, as the Fund disinvested from mandates with high exposure to carbon reserves in favour of more sustainable investment opportunities. The target focused on the Fund's equity mandates and the Fund therefore now has a much lower exposure to fossil fuels in these mandates and a lower carbon footprint overall.

6.8. Whilst the Fund has therefore made significant progress already, the previous target did not capture the Committee's wish to make a positive contribution to the transition to a low carbon economy, through investments in renewable infrastructure mandates and other asset classes such as low carbon property. It is therefore intended that the new targets set should focus on real economy decarbonisation and the positive climate impact of the Fund's investments, as well as covering a wider range of the Fund's assets.

7. <u>Proposed Targets</u>

7.1. Climate target setting for investors has evolved rapidly since the Fund set its initial target in 2016. Industry best practice is now emerging, particularly as corporate pension schemes now have a statutory obligation to produce TCFD reporting.

7.2. Leading investors are now setting a suite of climate targets to achieve climate objectives and manage exposure to risk. In line with emerging best practice and to help ensure the Fund remains a leader in this field, this paper recommends that the Committee adopts 3 net zero interim targets covering the following areas:

- Emissions reduction
- Increased alignment of assets
- Allocation to climate solutions

7.3. The emissions reduction target proposed is for the Fund to make a 50% reduction in its carbon footprint (scopes 1&2) by 2030 compared to 2023 carbon footprint as the baseline. As discussed in Section 6, the Fund's previous decarbonisation target used exposure to reserves as the chosen metric. Switching to carbon footprint will widen the scope of the target, moving away from a narrow focus on companies that own fossil fuel reserves and towards emissions across the whole portfolio. The target is a highly ambitious one, given that the Fund has already made significant progress on decarbonising its equity portfolio.

7.4. Alignment is a measure of the extent to which a company's activity now and in the future is consistent with achieving global temperature goals. There are various types of measurement, and numerous assessment providers. The three broad categories used are as follows:

- Binary Target Measurement - Measures the alignment of a portfolio with a given climate outcome, based on the percentage of investments in that portfolio with declared Net Zero or Paris-aligned targets.
- Benchmark Divergence - Assesses portfolio alignment by comparing the performance of investments in the portfolio against one or more benchmarks based on climate scenarios.
- Implied Temperature Rise - Translates degree of alignment into impact in the form of a temperature score that can be compared against the temperature goals of the Paris Agreement.

7.5. The first two types of metrics; binary target measurement, and benchmark divergence models can be used when reviewing individual securities, and challenge engagement activity undertaken by fund managers. The Implied Temperature Rise metric, however, can be aggregated across the whole portfolio to provide an overall temperature score that can be compared against the goals of the Paris agreement.

7.6. Both the binary target and benchmark divergence models rely on company disclosure and require manual assessment of companies via third party initiatives. This results in very low coverage across the investable universe, making them less suitable for target setting across the whole of the Fund's portfolio.

7.7. The alignment metric proposed for the Fund is the Implied Temperature RIse (ITR) metric. This is a modelled metric, and therefore covers the majority of the Fund's assets. Although complex to calculate, it is highly intuitive and easy to communicate to stakeholders. It is also, unlike the emissions reduction metrics, a forward-looking metric which helps to assess the portfolio's future trajectory.

7.8. It is therefore recommended that the Committee adopts implied temperature rise as a forward looking metric and targets a 2C portfolio by 2030 with a 1.5C goal for 2040. This is once again an ambitious target; temperature projections for 2030 indicate a 2.4C warming scenario, whilst the most optimistic scenario for 2050 is 1.8C.

7.9. The proposed 'allocation to climate solutions' target is intended to assist the Fund in increasing its exposure to assets that can provide a positive contribution to the transition to a net zero economy. There is no universally accepted definition of the term ‘climate solutions’; however, one common classification groups activities into either ‘transition’ or ‘enabling’ activities.

7.10. Transition activities are economic activities with substantial contributions to emissions reductions relating to a company’s performance, as required by a 1.5℃ pathway, or to climate adaptation.. Examples include the production of electricity from renewables or the construction of new buildings with best-in-class energy performance.

7.11. Enabling activities are economic activities that make a substantial contribution to the transition to net zero by enabling emissions reductions in the wider economy as well as reducing emissions of a company’s sold products and services.

7.12. Based on these high-level definitions, the Fund’s current allocation to climate solutions is 1.5%. The Investment Strategy Review paper included in this meeting’s agenda pack sets out 2 proposed strategic asset allocation changes which, if implemented, would bring the Fund’s allocation to climate solutions up to 10%.

7.13. The suggested target is therefore to allocate 10% of the Fund’s assets to climate solutions over the next 5 years. The target could then be reviewed in 5 years time to determine if future increases are appropriate.

8. <u>Conclusions and Next Steps</u>

8.1. Should these targets be approved, the next step will be implementation. The climate targets set will inform future investment decisions, including:

- Strategic Asset Allocation changes
- Fund and (where necessary) manager selection
- Portfolio construction
- Engagement strategy

8.2. The Fund can consider a number of different approaches when considering how to achieve its climate targets. These include:

- Strategic changes - This would involve selling certain mandates/asset classes and investing in mandates/asset classes that have better climate characteristics. The Investment Strategy Review paper included in this meeting’s agenda pack sets out 2 proposed strategic asset allocation changes which, if implemented, would bring the Fund’s allocation to climate solutions up to 10%.
- Switching mandates - Bring the Scheme’s assets to closer alignment with the Committee’s net zero objectives by making mandate switches out of high-carbon to lower-carbon. This was the approach taken to meet the Fund’s previous target

- Within mandate changes - This involves selling those assets within a mandate that are not aligned to the Committee's long-term objectives. This is generally only possible in segregated mandates and is difficult in pooled mandates which make up most of the Fund's investments.
- Active engagement - This involves identifying areas that are not in alignment with the Committee's net zero objectives and engaging with the relevant managers and underlying companies to improve the identified companies' climate profiles.

8.3. The proposed targets are intended to help drive a focus on decarbonisation in the real economy as well as within the portfolio. They also take account of developments in the field of climate reporting to help ensure that the Fund is setting targets that are highly ambitious but also credible.

8.4. It should be remembered that the Fund's approach to net zero strategy setting will differ from that of the Council. The Council's Climate Action Plan is focused on taking action to achieve net zero within the local area. In contrast, the Pension Fund needs to focus on its underlying investment portfolio.

8.5. To achieve its primary purpose of paying pension benefits as they fall due, the Fund needs to maintain a well diversified portfolio of investments. This will involve maintaining exposure across different sectors of the economy, some of which will decarbonise faster than others. Some high carbon sectors will also be crucial to decarbonisation in other sectors of the economy; for example, the construction industry is vital to the development of renewables and decarbonisation of real estate.

8.6. This complexity exposes the Fund to constraints on its pace of change which are not experienced by the Council. The proposed interim targets for the Fund are highly ambitious and require change faster than that projected to occur in the wider economy. They will require the Fund to invest positively in climate solutions and engage to drive change within the wider economy in addition to reducing negative impacts via emissions reduction.

Appendices

Appendix 1 (EXEMPT) - Climate Target Setting
By Virtue of Paragraph(s) 3 Part 1 of schedule 12A of the Local Government Act 1972 this report and/or appendix is exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Background documents
None

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Hackney

Title of Report	Strategic Asset Allocation Review - Introduction
For Consideration By	Pensions Committee
Meeting Date	30 March 2023
Classification	Public (including Exempt Appendix)
Ward(s) Affected	All
Group Director	Ian Williams, Group Director Finance & Corporate Resources

1. **Introduction**

1.1. This report presents the Pensions Committee with initial proposals for a review of the Fund's Strategic Asset Allocation following the 2022 actuarial valuation. It introduces a number of proposals for discussion, including recommendations to help the Fund achieve its climate targets, meet its cashflow needs and meet levelling up requirements. It is intended that Members carefully consider the recommendations prior to formal approval in April 2023.

2. **Recommendations**

2.1. The Pensions Committee is recommended to:

- **Consider the proposals set out in the discussion paper, in particular the recommended revised strategic asset allocation presented in Appendix 1 ("Strawman 1", Pg 16)**

3. **Related Decisions**

3.1. Pensions Committee 30 January 2023 - Climate Target Setting

3.2. Pensions Committee 15 March 2021 - Investment Strategy Implementation Plan

3.3. Pensions Committee 14 January 2021 - Investment Strategy Review - Stage 2: Asset Allocation

3.4. Pensions Committee 30 September 2020 - Investment Strategy Review - Stage 1: Setting High Level Investment Strategy

4. Comments of the Group Director of Finance and Corporate Resources.

4.1. This paper sets out proposals to assist the Committee in developing the Fund's investment strategy. Development of a robust investment strategy helps the Committee to take an ordered and prudent approach to the management of the Fund's assets, helping to manage the long term costs associated with the Pension Fund.

4.2. Spending time developing the investment strategy helps to ensure that the Pensions Committee is fulfilling its fiduciary duties and that the Fund's investment objectives and policies are clearly set out in line with the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016. It is emphasised that while the proposals referred to in Appendix 1 speak to the Funds ambition to get to net zero by 2040 and the targets for the LGPS to invest up to 5% of assets in 'local' investments the Pensions Committees fiduciary duties remain paramount and appropriate due diligence will need to be undertaken with regard to estimated returns before making these investments.

4.3. There are no immediate financial implications arising from this report.

5. Comments of the Director of Legal, Democratic and Electoral Services

5.1. The Pensions Committee has responsibility for the prudent and effective stewardship of the Pension Fund and a clear fiduciary duty in the performance of its functions. Reviewing the Fund's Investment Strategy following the 2022 actuarial valuation helps to ensure that the Strategy remains appropriate given the funding position and assists the Committee in fulfilling its fiduciary duty.

5.2. Regulation 7 of the 2016 Regulations requires the Administering Authority to formulate an Investment Strategy in line with guidance published by the Secretary of State. Regulation 7(2) stipulates that the authority's investment strategy must include:

(a) a requirement to invest fund money in a wide variety of investments;
(b) the authority's assessment of the suitability of particular investments and types of investments;
(c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;
(d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
(f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

5.3. This paper helps demonstrate that the Committee is investing in line with Regulation 7(2), by carrying out an assessment of the suitability of different types of investments and considering how some of the risks to which the Fund is exposed can be managed through setting an appropriate investment strategy.

5.4. There are no immediate legal implications arising from this report.

6. Background to the report

6.1. This report presents the Pensions Committee with initial proposals for a review of the Fund's Strategic Asset Allocation following the 2022 actuarial valuation. It introduces a number of proposals for discussion, including recommendations to help the Fund achieve its climate targets, meet its cashflow needs and meet levelling up requirements. It is intended that Members carefully consider the recommendations prior to formal approval in April 2023.

6.2. The discussion paper presented at Appendix 1 has been prepared by Redington, the Fund's investment consultants, following discussion with officers. It sets out the strategic objectives of the Fund and assesses how the Fund is currently positioned to achieve those objectives. It highlights key areas where action may be required and proposes an updated Strategic Asset Allocation (SAA) that is expected to improve the probability of the Fund achieving its objectives.

6.3. The review follows on from the Fund's 2022 actuarial valuation, which saw an increase in the funding level to 106% from 92% at the previous valuation. There have been a number of other key changes since the last review, including:

- A significant change in the Fund's cashflow profile. Benefits outgoing are expected to increase by 10.1% from April 2023 in line with inflation linked pension increases, whilst the Council's contribution rate is set to reduce from 30% to 27% of payroll. As the Fund matures and inflation remains elevated cashflow is likely to become an increasing area of focus.
- New climate targets. The Fund's ambition is to reach net zero by 2040, and the Committee are therefore now considering ambitious new interim targets to monitor progress and ensure the Fund remains a leader in this field.
- New levelling up requirements and expected changes to pooling guidance. The 2022 Government White Paper set out targets for the LGPS to invest up to 5% of assets in 'local' investments, whilst updated pooling guidance for LGPS funds is expected later this spring.

6.4. The first section of the discussion paper (Pgs 4-11) covers Research and Objectives, and follows on from the recent survey that the Committee and officers completed. It provides the context to setting the investment strategy by considering the impact of the key changes highlighted above as well as reviewing the Fund's risk return profile. It then formalises the Fund's objectives and aims of the strategic review in a Pension Risk Management Framework (PRMF).

6.5. The aim of the PRMF is to:

- Ensure that all key stakeholders are aligned on the same objectives;
- Frame and prioritise decisions against their contribution to achieving those objectives; and
- Monitor progress against these objectives to ensure appropriate action can be taken quickly.

6.6. The next section of the paper (Pgs 12-15) builds on the newly-formed objectives and covers Strategy. It outlines a set of proposals for changes to the Fund's SAA to help increase the probability of the Fund achieving its objectives. These proposals include suggested allocations to multi asset credit, impact property and nature based solutions.

6.7. An overview of the proposals and their impact on the Fund's SAA if agreed can be found on Pg 16 of Appendix 1. The overview sets out 2 potential revised SAAs, one including all 3 allocation changes set out in Section 6.6, and the other including only impact property and nature based solutions. The impact of the changes is considered against the following metrics:

- Expected return
- Value at Risk
- Scope 1 & 2 CO_2 emissions
- 2^{o}C disorderly transition risk
- Implied temperature rise
- % in income producing assets

Pg 18 then summarises the proposed changes by setting out their impact on the PRMF.

7. Decision Making and Next Steps

7.1. The Pensions Committee meeting on 30th March will provide the Committee with the opportunity to consider the report in detail and discuss its contents with Redington and officers of the Fund. Agreeing the Fund's SAA is one of the most important strategic decisions taken by the Committee; members are therefore asked to consider carefully the proposals presented in this report and to request clarification on any aspects requiring further detail.

7.2. It is anticipated that a final version of the proposals will be brought to the next meeting of the Pensions Committee in April 2023, when a request for formal approval will be made.

7.3. Once the high level asset allocation has been agreed, work can begin on identifying the most appropriate route (either direct or via the London CIV) to implementation for any agreed changes. It is anticipated that this work will take place during Q1 2023/24, with initial recommendations being brought to the June 2023 Pensions Committee.

Appendices

Appendix 1 (EXEMPT) - Strategic Asset Allocation Review

By Virtue of Paragraph(s) 3 Part 1 of schedule 12A of the Local Government Act 1972 this report and/or appendix is exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Background documents

None

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Title of Report	Business Plan 2023 - 2026
For Consideration By	Pensions Committee
Meeting Date	30 March 2023
Classification	Public
Ward(s) Affected	All
Group Director	Ian Williams, Group Director Finance & Corporate Resources

1. **Introduction**

1.1. This report introduces the Pension Fund Business Plan for the period covering 2023/24 to 2025/26, as well as the proposed Fund budget for 2023/24. The Business Plan sets out the key tasks the Fund needs to undertake to fulfil its strategic objectives for the next 3 years; it also includes a draft plan of work for the Pensions Committee and communications plan for the current financial year 2023/24.

2. **Recommendations**

2.1. The Pensions Committee is recommended to:

- **The Pensions Committee is recommended to approve the Business Plan for 2023/24 to 2024/25 including the 2023/24 budget.**

3. **Related Decisions**

3.1. Pensions Committee 15th March 2021 – Business Plan 2021/22 to 2023/24

3.2. Pensions Committee 10th March 2022 – Business Plan 2022/23 to 2024/25

4. **Comments of the Group Director of Finance and Corporate Resources.**

4.1. The Pensions Committee acts as scheme manager for the Pension Fund and is responsible for the management of £1.8 billion worth of assets and for ensuring the effective and efficient running of the Fund.

4.2. Having a three-year business plan helps ensure that the Committee is able to plan and understand the financial decisions that it will be faced with over the coming years. The decisions taken by the Committee impact directly on the financial standing of the Fund and can affect its ability to meet its liabilities. Ensuring prudent financial management helps to improve the overall financial position of the Fund, potentially impacting on the contribution rates payable by participating employers.

4.3. The main financial implication arising from this report relates to the approval of the budget for 2023/24.

5. **Comments of the Director of Legal, Democratic and Electoral Services**

5.1. The Council's constitution gives the Pensions Committee responsibility for various specified functions relating to the management of the Council's Pension fund. This includes setting the fund's strategic objectives and developing a medium-term plan to deliver these, and also setting an annual budget for the operation of the Pension fund. In carrying out those functions the Committee must have regards to the various legislative obligations imposed on the Council as the Fund's Administering Authority, particularly by the Local Government Pension Scheme Regulations 2013. Those obligations include producing specific documents and complying with statutory deadlines.

5.2. It is sensible against this background, and consistent with good administration and governance, to set out a three-year business plan and schedule the work of the Committee to ensure that the regulatory requirements of the Fund are met in a timely fashion.

5.3. There are no immediate legal implications arising from this report.

6. **Background to the report**

6.1. The London Borough of Hackney is the Administering Authority for the Pension Fund; delegated powers under the Council Constitution have been given to the Pensions Committee to oversee its management. This includes monitoring of investments, making decisions on strategic asset allocation, appointing advisors, overseeing pension administration, setting budgets and receiving the annual report and accounts for the Pension Fund.

6.2. The business plan covers all the key strategic matters for the financial years 2023/24 to 2025/26, the majority of which will be covered by the Committee in some detail. Plans for 2023/24 include monitoring of emerging financial, demographic and legislative changes in order to take early action ahead of the 2025 valuation.

6.3. It also includes delivering the outcomes of the Pension Regulator's new General Code, undertaking a governance review to assess the effectiveness of the fund's governance arrangements, implementing the fund's new third-party administration contract and software, along with the ongoing work regarding the McCloud judgement which during the 2023/24 financial year moves into the rectification stage where amendments to members' records are required. The Committee will also be asked to consider a range of policy documents, most of which require updating on either an annual or a triennial basis.

6.4. Also included within the business plan (section 6) is a draft communications plan for the new financial year 2023/24. This sets out the main areas to be targeted during the year.

6.5. Clarity over the longer-term strategic items within the business plan becomes more difficult into the future, but the current business plan sets out the key known variables at this stage. It is recognised that this continues to be a time of considerable change for the LGPS and that developments over the coming months could alter the business plan over the medium-term. It is also possible that some activity may be delayed due to work pressures, particularly if there are issues with recruiting to vacant positions within the Pensions Fund Management Team (which is a key item in this year's business plan).

Appendices

Appendix 1 - Business Plan 2023 - 2026 (Supplementary paper)
Appendix 2 - Budget 2023/24 (Supplementary paper)

Background documents

None

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Hackney

Title of Report	Actuarial Valuation 2022 - Final Valuation Report & Funding Strategy Statement
For Consideration By	Pensions Committee
Meeting Date	30 March 2023
Classification	Public (including Exempt Appendix)
Ward(s) Affected	All
Group Director	Ian Williams, Group Director Finance & Corporate Resources

1. **Introduction**

1.1. This report asks the Pensions Committee to approve the final 2022 Valuation Report and Funding Strategy Statement. It presents the final valuation report for approval and summarises both the assumptions used to determine the funding level and the process used to set contribution rates. It also sets out agreed employer contribution rates and presents the Fund's Funding Strategy Statement for approval.

2. **Recommendations**

2.1. The Pensions Committee is recommended to:

- **Approve the 2022 Valuation Report**
- **Approve the post-consultation Funding Strategy Statement**

3. **Related Decisions**

3.1. Pensions Committee 29 September 2022 - 2022 Actuarial Valuation - Initial Whole Fund results & Draft Funding Strategy Statement

3.2. Pensions Committee 16 June 2022 - Actuarial Valuation - Contribution Rate Modelling (Hackney Council)

4. **Comments of the Group Director of Finance and Corporate Resources.**

4.1. The triennial actuarial valuation is an important part of the Fund's risk management framework. Its main purpose is to ensure that the Fund is able to develop contribution and investment strategies that will achieve the objectives set out in the Funding Strategy Statement. The key outcomes from the Valuation process are the setting of employer contribution rates for the period 1 April 2023 to 31 March 2026, and the published single funding level of the Fund as 31 March 2022.

4.2. The triennial valuation outcome is sensitive to both the actuarial and financial assumptions made within the valuation, and the membership data used; significant variations to either the assumptions or the data used could impact the stated funding position or the outcome of the contribution rate modelling, which helps determine the contribution rates payable by the Fund's employers.

4.3. Given the Council's position as a Fund employer, the inputs to the triennial valuation can therefore impact the level of resources available for other Council services.

5. Comments of the Director of Legal, Democratic and Electoral Services

5.1. Regulation 62 of the Local Government Pension Scheme (LGPS) Regulations 2013 prescribes that each administering authority must obtain:

- an actuarial valuation of the assets and liabilities of each of its pension funds as at 31st March 2016 and on 31st March in every third year afterwards;
- a report by an actuary in respect of the valuation; and
- a rates and adjustments certificate prepared by an actuary

5.2. Regulation 66 requires the Administering Authority to publish and supply copies of any valuation report and a contribution rates and adjustments certificate to the Secretary of State, each employing bodies contributing into the Fund and any other body liable to make payments to the Fund.

5.3. This report helps to demonstrate that the Council as administering authority for the Fund is acting in accordance with the Regulations set out above.

5.4. There are no immediate legal implications arising from this report.

6. Background to the report

6.1. Under the LGPS Regulations 2013, the Pension Fund is required to undertake a formal actuarial valuation every 3 years to establish its funding position and to set the contribution rate for the following three years. The Fund Actuary has carried out the most recent valuation as at 31st March 2022; this shows an improvement in the funding level from 92% to 106% and sets the contribution rates for a 3 year period commencing 1st April 2023.

6.2. The final Valuation Report is attached at Appendix 1. The report satisfies the requirements of Regulation 62 of the Local Government Pension Scheme (LGPS) Regulations 2013 by presenting the actuarial valuation of the assets and liabilities of the Fund as at 31st March 2022. The report also includes the rates and adjustments certificate, which sets out the minimum contributions required from each employer for each of the next 3 years.

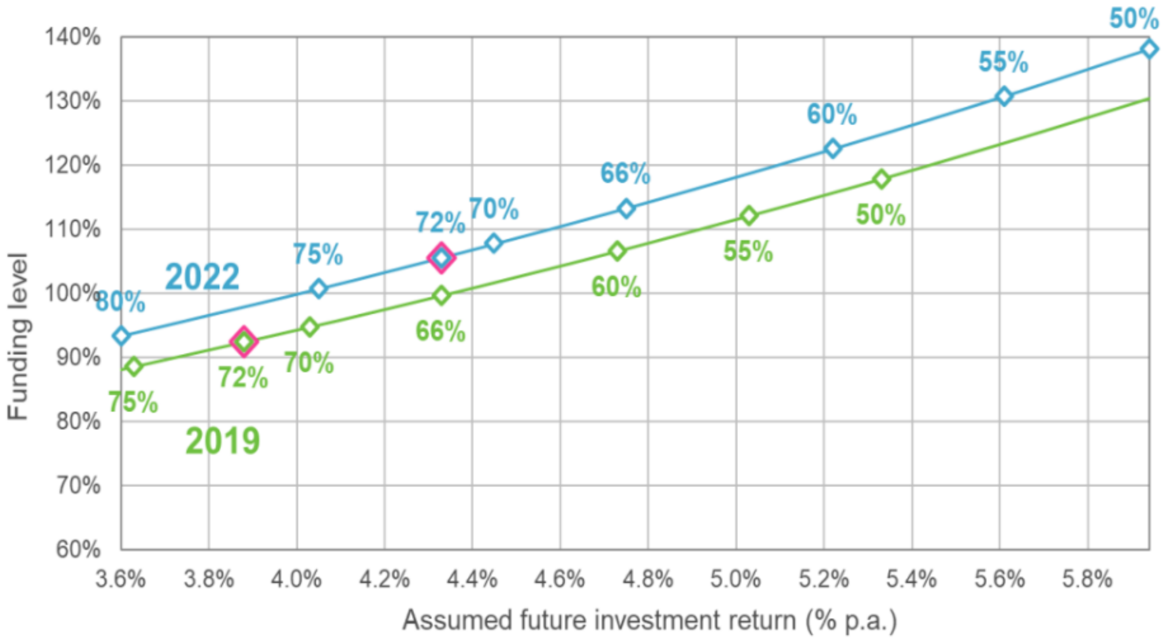
6.3. The Funding Strategy Statement is attached at Appendix 2. The Fund is required to produce a Funding Strategy Statement under the LGPS Regulations 2013 and must revise it whenever it changes its policy on funding (i.e. at each valuation). The statement sets out how employer liabilities are measured, the pace at which these liabilities are funded, and how employers pay for their liabilities. This statement also sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

7. Funding Level and Single Funding Position

7.1. The funding level is the ratio of assets to liabilities. The market value of the assets at the valuation date are known. The value of the liabilities is uncertain given that the level of future investment returns are unknown. Therefore, the Valuation Report at Appendix 1 shows the liabilities and funding level calculated across a range of different investment returns (the discount rate as shown in the chart below:

Chart 2: funding level across a range of future investment returns



Figures on each line show the likelihood of the Fund's assets exceeding that level of return over the next 20 years

7.2. The chart shows that the funding position at 2022 is stronger than 2019. The funding level is 100% if future investment returns are c.4.1% pa. The likelihood of the Fund's assets yielding at least this return is around 74%. The comparator at 2019 was a return of 4.3% pa which had a likelihood of 65%.

7.3. Whilst the chart on the previous page provides a useful indication of the sensitivity of the past service funding position to the valuation assumptions, there is still a requirement for the Actuary to report a single funding level at 31 March 2022. To report a single funding level and funding surplus/deficit for the 2022 valuation, a discount rate of 4.3% pa has been used. There is a 72% likelihood associated with a future investment return of 4.3% p.a.

7.4. The table below details the single funding position as at 31 March 2022. The results at the 2019 formal valuation are shown for comparison.

Valuation Year	2022	2019
Assets (£m)	1,965	1,575
Liabilities (£m)	1,861	1,706
Surplus/(deficit) (£m)	104	(131)
Funding Level	106%	92%

7.5. It should be noted that the single funding level is a snapshot in time, and reflects a range of assumptions, including the discount rate, salary assumptions and longevity and demographic assumptions; changing these assumptions would change this reported position.

7.6. The liabilities are calculated using a single set of assumptions about the future and so are very sensitive to the choice of assumptions. The market value of assets held by the Fund will change on a daily basis. More detail on how the assumptions have been set can be found in the Valuation Report at Appendix 1.

7.7. The single funding position of 106% represents a significant improvement from the 92% position calculated at the 2019 valuation. A number of factors have driven this rise in the funding position, including higher than expected investment returns and changes in actuarial assumptions.

7.8. The most significant contributor to the increase in funding level is higher than expected investment returns. This has had a material positive impact on the funding position and employers' secondary contribution rates. Expectations about the future, which inform the assumptions used to value the liabilities, have also changed since the last valuation. The most significant changes are:

- Future inflation: this is expected to be on average higher than at the 2019 valuation due to the current level of high inflation.
- Investment returns: due to changes in financial markets, future investment returns are now expected to be slightly higher than at the last valuation.

7.9. The most significant external event to occur since the last valuation has been the Covid-19 pandemic. The analysis of member experience within the Valuation Report shows that there were sadly a higher than expected number of deaths over the period. However, the overall impact on the funding position has been small.

8. <u>Employer Contribution Rates</u>

8.1. The primary objective of the Fund is to set employer contribution rates that will adequately cover the cost of benefits which will accrue in the future and any costs related to benefits already earned. A secondary objective is to ensure the rates are as stable as possible.

8.2. Employer contributions therefore need to be set at a level which ensures the Fund has a reasonable likelihood of having enough money to pay members' benefits. Identifying the amount of benefits that may be paid is complex as those earned today might only start being paid in 50 years' time. Over that time period, there is significant uncertainty over factors which affect the cost of benefits, e.g. inflation, investment returns.

8.3. These uncertainties are allowed for by taking a risk-based approach to setting employer contribution rates. This approach is built around three key funding decisions set by the Fund and asset-liability modelling.

8.4. For each employer, the Fund determines the most appropriate choice for the following three funding decisions.

- What is the funding target for each employer? (i.e. are they in the Fund on an ongoing basis or is there a clear exit date?)
- What is the funding time horizon?
- What is the required likelihood of success? This depends on the level of risk associated with the employer.

Further information on these key decisions can be found in the Funding Strategy Statement at Appendix 2.

8.5. The employer contribution rate is made up of two components:

- The primary rate, which is the rate sufficient to cover all new benefits
- The secondary rate, which covers the cost of sufficiently funding benefits accrued up to the valuation date.

Each employer has an individual contribution rate, set according to the membership and experiences of that employer, and their circumstances as set out in Section 8.5. These rates are set out in the Rates and Adjustments certificate included in the Valuation Report at Appendix 1.

8.6. Broadly speaking, the trend at this valuation has been for primary rates to have increased since 2019 due to rising inflation, whilst secondary rates have generally reduced due to strong investment performance since the previous valuation.

8.7. Individual employer rates were sent for consultation with employers in the week commencing 20 February 2023. The Fund held an employer forum on 21 February to allow employers the opportunity to hear about the valuation process from the actuary and discuss their proposed employer rates.

9. **Sensitivity and Risk Analysis**

9.1. The valuation results depend on the actuarial assumptions made about the future. By their nature, these assumptions are uncertain which means it is important to understand their sensitivity and risk levels. There is risk and uncertainty inherent with funding benefit payments that will be paid out many years in the future. The Fund is aware of these and has in place a risk register which is regularly reviewed. Additionally, as part of the valuation, the Fund reviews sources of risk that may impact its funding position and the contribution rates payable by employers.

9.2. A summary of the most significant sources of funding risk can be found in the Valuation Report at Appendix 1, with more detailed information contained within the Funding Strategy Statement at Appendix 2. They key funding risks faced by the Fund are set out below.

- Assumptions - including both financial assumptions such as the discount rate and inflation, and demographic assumptions such as longevity.
- Regulatory, administration and governance - Potential risks in this area include change in central government legislation which changes the future cost of the LGPS and failures in administration processes leading to incorrect data and inaccuracies in actuarial calculations. The most notable current risk is the McCloud judgement, for which an allowance has been made as directed by the Department of Levelling Up, Housing and Communities.
- Climate change - Climate change is a major source of uncertainty which could affect future investment returns, inflation and life expectancies. 3 different climate change scenarios have therefore been considered as a stress-test. All the scenarios assume that there will be a period of disruption linked either to the response to climate risk (transition risks) or the effect of it (physical risks). Further detail on

the scenarios is shown in the Valuation Report at Appendix 1.

9.3. It should be noted that since 31 March 2022, there has been significant volatility in the financial markets, changes to short-term inflation expectations and rises in interest rates by central banks. These events affect the value of the Fund's assets and liabilities as follows:

- The Fund's investment return since 31 March 2022 is estimated to be somewhere between -5% and -10%.
- Liability valuations are likely to be lower now than at 31 March 2022 due to rises in expected future investment returns more than offsetting the higher than expected (10.1%) pension increase at April 2023.

9.4. As an open scheme, with a strong covenant, the Fund takes a long-term view when considering the funding impact of such events. For employers who have a very short time horizon, recent volatility may be more immediately impactful, and the Fund has engaged with these employers as appropriate.

9.5. No explicit allowance has been made for this recent volatility in the valuation results or contribution rates detailed in the Rates & Adjustments Certificate. The Fund will continue to monitor changes in the financial and demographic environment as part of its ongoing risk management approach.

Appendices

Appendix 1 - Report on the actuarial valuation at 31 March 2022
Appendix 2 - Funding Strategy Statement (Supplementary Paper)

Background documents

None

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Comments for the Director of Legal, Democratic and Electoral Services prepared by	Name: Georgia Lazari Title: Team Leader (Places) Email : georgia.lazari@hackney.gov.uk Tel: 0208 356 1369

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HYMANS ROBERTSON

London Borough of Hackney Pension Fund

Report on the actuarial valuation at 31 March 2022

Steven Scott FFA IPRTBC FFA

13 March 2023
For and on behalf of Hymans Robertson LLP

Use the menu bar above to navigate to each section.

Contents

In this report:

Executive Summary

We have been commissioned by London Borough of Hackney (the Administering Authority) to carry out a valuation of the London Borough of Hackney Pension Fund (the Fund) as at 31 March 2022. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report is a summary of the valuation.

Contribution rates

The contribution rates for individual employers set at this valuation can be found in the Rates & Adjustments certificate. Table 1 shows the combined individual employer rates set at this valuation and the last valuation (31 March 2019).

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Table 1: Whole fund contribution rates compared with the previous valuation

	This valuation 31 March 2022		Last valuation 31 March 2019	
Primary Rate	20.4% of pay		18.7% of pay	
Secondary Rate	2023/2024	£13,868,000	2020/2021	£23,543,000
	2024/2025	£14,360,000	2021/2022	£21,348,000
	2025/2026	£14,845,000	2022/2023	£21,900,000

- The Primary rate has increased mainly due to higher inflation
- The Secondary rate has decreased due to good investment performance since the last valuation

Funding position

At 31 March 2022, the past service funding position has improved from the last valuation at 31 March 2019. Table 2 shows the single reported funding position at the current and previous valuation.

Table 2: Single reported funding position at 31 March 2022 compared with 31 March 2019

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	530	432
Deferred Pensioners	473	503
Pensioners	858	771
Total Liabilities	**1,861**	**1,706**
Assets	**1,965**	**1,575**
Surplus/(Deficit)	**104**	**(131)**
Funding Level	**106%**	**92%**

The required investment return to be 100% funded is now c.4.1% pa (4.3% pa at 2019). The likelihood of the Fund's investment strategy achieving the required return is around 74% (65% at 2019).

HYMANS ROBERTSON

Approach to valuation

Valuation Purpose

The triennial actuarial valuation is an important part of the Fund's risk management framework. Its main purpose is to ensure the Fund continues to have a contribution plan and investment strategy that will achieve the objectives set out in the Funding Strategy Statement.

We have been commissioned by London Borough of Hackney (the Administering Authority) to carry out a valuation of the London Borough of Hackney Pension Fund (the Fund) as at 31 March 2022. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report marks the culmination of the valuation process and contains its two key outcomes:

1. Employer contribution rates for the period 1 April 2023 to 31 March 2026.
2. The funding level of the Fund at 31 March 2022.

Further information on the valuation process, methodology and strategy is set out in the publicly available Funding Strategy Statement, Investment Strategy Statement and published papers and minutes of the Fund's Pensions Committee. Additional material is also contained in Hymans Robertson's LGPS 2022 valuation toolkit[1].

[1] www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

Setting employer contribution rates

Employer contributions need to be set at a level which ensures the Fund has a reasonable likelihood of having enough money to pay members' benefits. Identifying the amount of benefits that may be paid is complex as those earned today might only start being paid in 50 years' time. Over that time period, there is significant uncertainty over factors which affect the cost of benefits, eg inflation, investment returns. These uncertainties are allowed for by taking a risk-based approach to setting employer contribution rates. This approach is built around three key funding decisions set by the Fund and asset-liability modelling.

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Key funding decisions

For each employer, the Fund determines the most appropriate choice for the following three funding decisions. Further detail is set out in the Funding Strategy Statement.

What is the funding target for each employer?
Will the employer remain in the Fund for the long-term or exit at some point

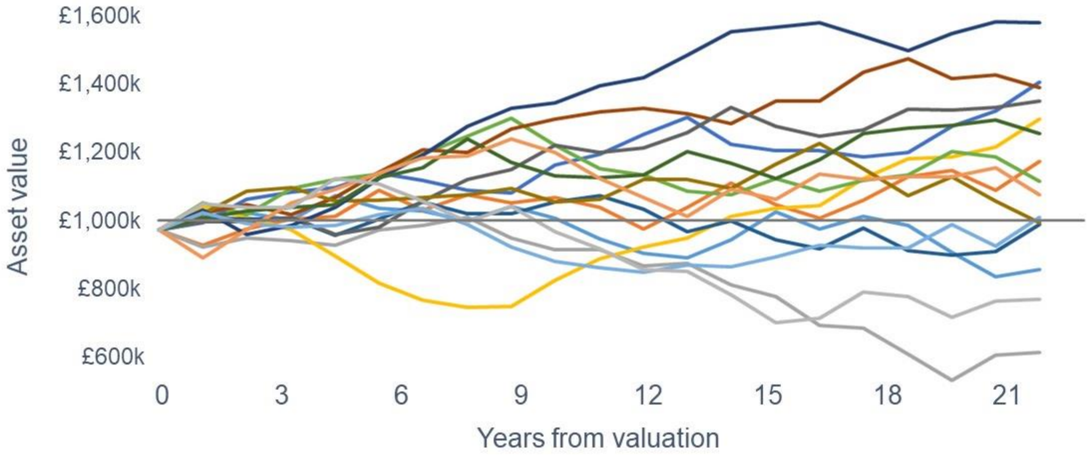
What is the funding time horizon?
How long will the employer participate in the Fund

What is the required likelihood?
How much funding risk can the employer's covenant support

Modelling approach

Asset-liability modelling is used to project each employer's assets and benefit payments into the future using 5,000 different economic scenarios. The economic scenarios are generated using Hymans Robertson's Economic Scenario Service (ESS) (further information in Appendix 2).

Picture 1: sample progression of employer asset values under different economic scenarios



Measuring the funding level

The past service funding level is measured at the valuation. Whilst it is limited in providing insight into a funding plan, it is a useful high-level summary statistic. To measure the funding level, a market-related approach is taken to calculating both the assets and the liabilities (so they are consistent with each other).

- The market value of the Fund's assets at the valuation date have been used.
- The liabilities have been valued using assumptions based on market indicators at the valuation date (these assumptions are detailed in Appendix 2).

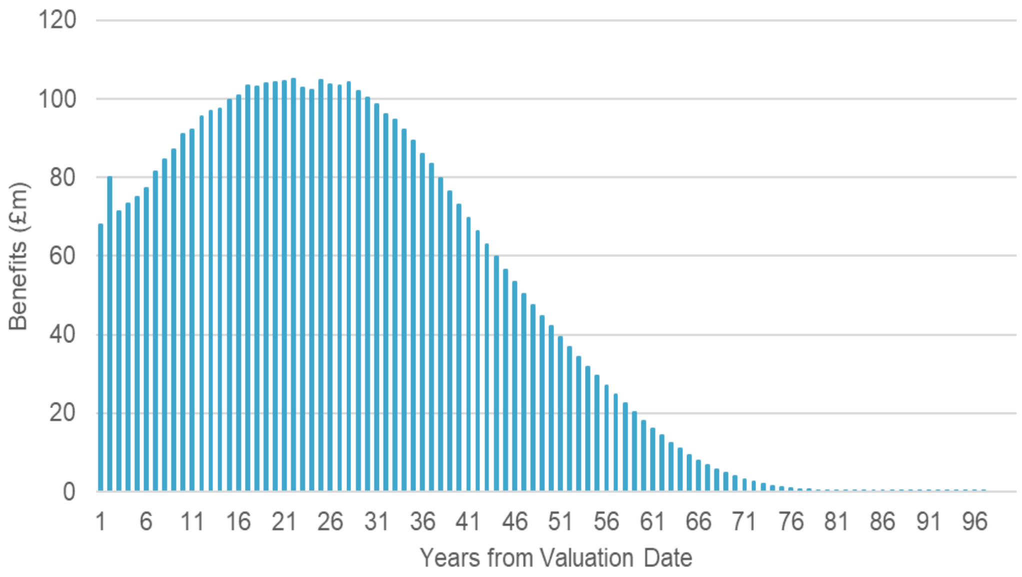
Further detail on the liabilities

The liabilities are the value of all future payments to members based on all benefits earned up to the valuation date, expressed in today's money.

Chart 1 shows the projected payments for all members in the Fund at the valuation date. The projections are based on the membership data provided for the valuation (Appendix 1), the assumptions (Appendix 2) and our understanding of the LGPS benefit structure as at 31 March 2022 (details at www.lgpsregs.org).

To express the future payments in today's money, the projections are discounted with an assumed future investment return on the Fund's assets (the discount rate).

Chart 1: projected benefit payments for all service earned up to 31 March 2022



Valuation results

Employer contribution rates

The primary objective of the Fund is to set employer contribution rates that will adequately cover the cost of benefits which will accrue in the future and any costs related to benefits already earned. A secondary objective is to ensure the rates are as stable as possible. The risk-based approach detailed earlier is used to meet both these objectives.

The employer contribution rate is made up of two components.

1. A primary rate: the level sufficient to cover all new benefits.
2. A secondary rate: the costs associated with sufficiently funding benefits accrued up to the valuation date.

Each employer has a contribution rate which is appropriate to their circumstances and these can be found in the Rates & Adjustments Certificate. Broadly speaking:

- Primary rates have increased since the last valuation due to rising inflation.
- Secondary rates have decreased due to strong investment performance since the previous valuation.

However all employers will be different and the contribution rate will reflect the membership and experiences of each employer.

Table 3 shows the total of all employer contribution rates to be paid into the Fund over the period 1 April 2023 to 31 March 2026.

Table 3: Whole-fund contribution rate, compared with the previous valuation

	This valuation 31 March 2022		Last valuation 31 March 2019	
Primary Rate	20.4% of pay		18.7% of pay	
Secondary Rate	2023/2024	£13,868,000	2020/2021	£23,543,000
	2024/2025	£14,360,000	2021/2022	£21,348,000
	2025/2026	£14,845,000	2022/2023	£21,900,000

The primary rate includes an allowance of 0.9% of pensionable pay for the Fund's expenses.

Employees pay a contribution to the Fund in addition to these rates. These rates are set by the LGPS Regulations. The average employee contribution rate at 31 March 2022 is 6.9% of pay (6.6% at 31 March 2019).

Funding level

The funding level is the ratio of assets to liabilities. The market value of the assets at the valuation date are known. The value of the liabilities is uncertain given that the level of future investment returns are unknown.

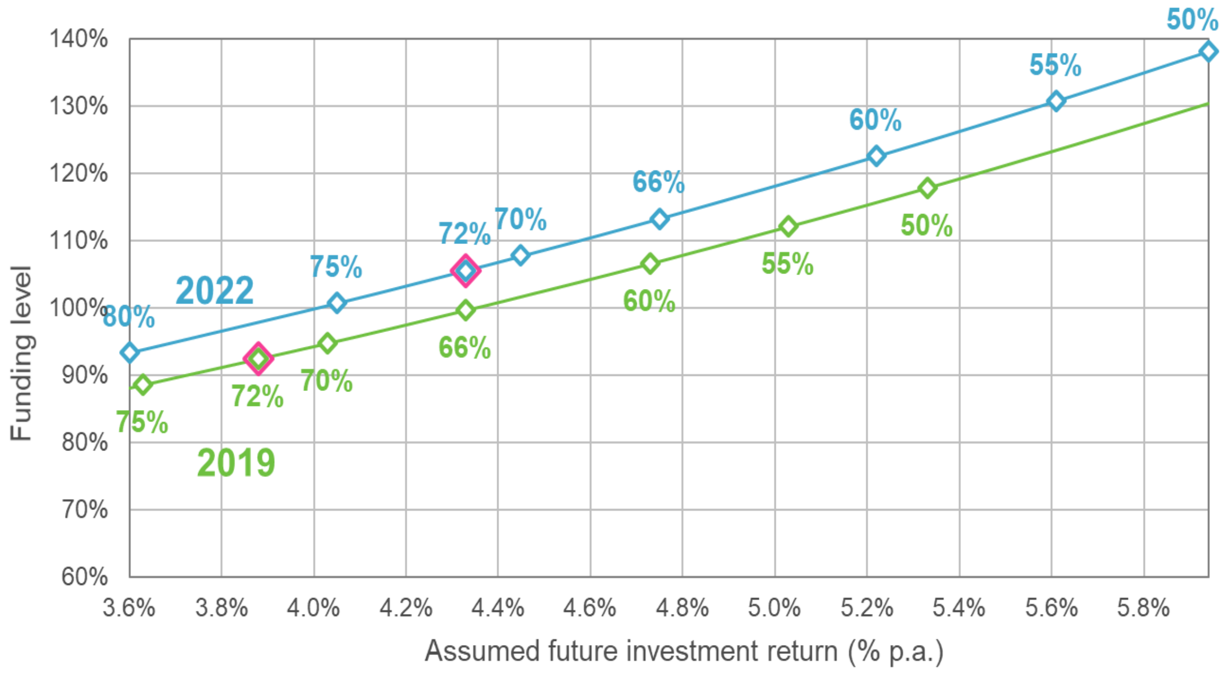
Therefore, the liabilities and funding level have been calculated across a range of different investment returns (the discount rate).

To help better understand funding risk, the likelihood of the Fund's investment strategy (detailed in Appendix 1) achieving certain levels of return has also been calculated.

Chart 2 shows how the funding level varies with future investment return assumptions at 31 March 2022 (blue line). The green line shows the same analysis at 31 March 2019.

- **The funding position at 2022 is stronger than 2019.**
- **The funding level is 100% if future investment returns are c.4.1% pa. The likelihood of the Fund's assets yielding at least this return is around 74%.**
- **The comparator at 2019 was a return of 4.3% pa which had a likelihood of 65%.**
- **There is a 50% likelihood of an investment return of 5.9% pa. So the best-estimate funding level is 138% at 31 March 2022 (117% at 2019).**

Chart 2: funding level across a range of future investment returns



Figures on each line show the likelihood of the Fund's assets exceeding that level of return over the next 20 years

Single funding level as at 31 March 2022

Whilst the chart on the previous page provides a better understanding of the past service funding position, there is still a requirement to report a single funding level at 31 March 2022.

To report a single funding level and funding surplus/deficit for the 2022 valuation, a discount rate of 4.3% pa has been used. There is a 72% likelihood associated with a future investment return of 4.3% pa.

Table 4 details the liabilities, split by member status and the market value of assets at the valuation date. The results at the 2019 formal valuation are shown for comparison.

The funding level and surplus/deficit figures provide a high-level snapshot of the funding position of the Fund as at 31 March 2022, however there are limitations:

- The liabilities are calculated using a single set of assumptions about the future and so are very sensitive to the choice of assumptions.
- The market value of assets held by the Fund will change on a daily basis.

The future progression of the funding position is uncertain. If the financial and demographic assumptions made at this valuation actually occur, employers pay contributions in line with the R&A certificate and there are no other changes in the financial or demographic environment, we project that the funding level at the next valuation (31 March 2025) will be approximately 107%.

Table 4: single reported funding level

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	530	432
Deferred Pensioners	473	503
Pensioners	858	771
Total Liabilities	**1,861**	**1,706**
Assets	**1,965**	**1,575**
Surplus/(Deficit)	**104**	**(131)**
Funding Level	**106%**	**92%**

Important: *the reported funding level does not directly drive the contribution rates for employers. The contribution rates consider how assets and liabilities will evolve over time in different economic scenarios and also reflect each employer's funding profile and covenant.*

Changes since the last valuation

Events between 2019 and 2022

The most significant external event to occur since the last valuation has been the Covid-19 pandemic. The experience analysis below shows that there has sadly been a higher than expected number of deaths over the period. However, the impact on the funding position has been small. This is likely due to the age profile of the excess deaths and the level of pension.

Other significant factors occurring which affect the funding strategy of the Fund have been the better than expected investment returns. This has had a material positive impact on the funding position and employers' secondary contribution rates.

Financial

Table 5: analysis of financial experience between 2019 and 2022 valuations

	Expected	Actual	Difference	Impact on funding position
3 year period	12.0%	26.7%	14.7%	+£203m
Annual	3.85% pa	8.2% pa	4.35% pa	

Membership

Table 6: analysis of membership experience between 2019 and 2022 valuations

	Expected	Actual	Difference	Impact on funding position
Early leavers	1,877	1,478	-399	-£1m
Ill-health retirements	38	17	-21	+£2m
Salary increases	3.2% pa	5.7% pa	2.4% pa	-£18m
Benefit increases	2.3% pa	1.8% pa	-0.6% pa	+£26m
Pension ceasing	£4.4m	£4.6m	£0.3m	+£3m

Changes since the last valuation

Future outlook

Expectations about the future, which inform the assumptions used to value the liabilities, have changed since the last valuation. The most significant changes are:

- Future inflation: this is expected to be on average higher than at 2019 due to the current level of high inflation.
- Investment returns: due to changes in financial markets, future investment returns are now expected to be slightly higher than at the last valuation.

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Table 7: summary of change in future outlook

Factor	What does it affect?	What's changed?	Impact on liabilities
Future investment returns	The rate at which future benefit payments are discounted back, ie the discount rate assumption	Future investment returns slightly higher at 2022 than at 2019. The required return is now 4.3% pa vs. 3.85% pa at 2019.	Decrease of £150m
Inflation	The rate at which pensions in payment and deferment and CARE pots increase	Significant increase in short-term future inflation expectations.	Increase of £131m
Salary increases	The rate at which future salaries increase. This affects benefits that are still linked to final salary, ie accrued before 1 April 2014	No material change since last valuation given competing factors e.g. tighter budgetary conditions vs. strong job market and pressure from National Living Wage increases.	Increase of £3m
Current life expectancy	How long we expect people to live for based on today's current observed mortality rates.	Slight reduction in life expectancy based on current observed data (not allowing for Covid-related excess deaths)	Increase of £2m
Future improvements in life expectancy	How we expect life expectancies to change (increase) in the future.	Uncertainty about effectiveness of mitigations against life expectancy increases in the LGPS i.e. State Pension Age increases and Cost Cap. Need to better reflect wider pension and insurance industry long-term expectations.	Increase of £11m

Reconciling the overall change in funding position

The tables below provide insight into the funding position change between 31 March 2019 and 31 March 2022. Firstly, the changes we expect to happen (Table 8), which relate mostly to items on the asset side. Then the impact of actual experience (Table 9), which mainly affects the liabilities.

Expected development

Table 8: expected development of funding position between 2019 and 2022 valuations

Change in the surplus/deficit position	Surplus / Deficit
	£m
Last valuation at 31 March 2019	**(131)**
Cashflows	
Employer contributions paid in	189
Employee contributions paid in	42
Benefits paid out	0
Net transfers into / out of the Fund	(7)
Other cashflows (e.g. Fund expenses)	(6)
Expected changes	
Expected investment returns	160
Interest on benefits already accrued	(203)
Accrual of new benefits	(170)
Expected position at 31 March 2022	**(126)**

Impact of actual events

Table 9: impact of actual events on the funding position at 31 March 2022

Change in the surplus/deficit position	Surplus / Deficit
	£m
Expected position at 31 March 2022	**(126)**
Events between 2019 and 2022	
Salary increases greater than expected	(18)
Benefit increases greater than expected	26
Early retirement strain (and contributions)	0
Ill health retirement strain	2
Early leavers less than expected	(1)
Commutation less than expected	3
Pensions ceasing less than expected	3
McCloud remedy	(2)
Other membership experience	22
Higher than expected investment returns	203
Changes in future expectations	
Investment returns	150
Inflation	(131)
Salary increases	(3)
Longevity	(13)
Other demographic assumptions	(11)
Actual position at 31 March 2022	**104**

Numbers may not sum due to rounding

Sensitivity & risk analysis

Sensitivity and risk analysis: assumptions

There is risk and uncertainty inherent with funding benefit payments that will be paid out many years in the future. The Fund is aware of these and has in place a risk register which is regularly reviewed. Additionally, as part of the valuation, the Fund reviews sources of risk that may impact its funding position and the contribution rates payable by employers.

This section discusses some of the most significant sources of funding risk (assumptions, regulatory, administration and governance and climate change). Further information of the Fund's approach to funding risk management, including monitoring, mitigation and management, is set out in the Funding Strategy Statement.

The valuation results depend on the actuarial assumptions made about the future. By their nature, these assumptions are uncertain which means its important to understand their sensitivity and risk levels.

Contribution rates
The risk-based approach to setting employer contribution rates mitigates the limitation of relying on one set of assumptions. Therefore, there is no need to carry out additional analysis of the sensitivity of contribution rates to changes in financial assumptions. The contribution rates are sensitive to changes in demographic assumptions. The results in this section in relation to the funding position can be broadly applied to the contribution rates.

Funding level
Financial assumptions
On page 10, we have already set out how the results vary with the assumed future investment return. The table below considers inflation.

Table 10: sensitivity of funding position to inflation assumption

CPI Assumption	Surplus/ (Deficit)	Funding Level
% pa	**(£m)**	**%**
2.5%	160	109%
2.7%	104	106%
2.9%	45	102%

Demographic assumptions
The main area of demographic risk is if people live longer than expected. The table below shows the impact of longer term longevity rates improving at a faster rate (1.75% pa vs 1.5% pa used in the results)

Table 11: sensitivity of funding position to longevity assumption

Long term rate of improvement	Surplus/ (Deficit)	Funding Level
% pa	**(£m)**	**%**
1.5%	104	106%
1.75%	89	105%

Sensitivity and risk analysis: other risks

Regulatory, Administration and Governance risks

Potential risks in this area include change in central government legislation which changes the future cost of the LGPS and failures in administration processes leading to incorrect data and inaccuracies in actuarial calculations. At this valuation, specific risks include:

- **McCloud:** the remedy to resolve the McCloud case is yet to be formalised in regulations. However, an allowance has been included for this expected benefit change at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities in their letter dated March 2022[1].
- **Goodwin:** the remedy to this issue is still uncertain, it is difficult to identify who it would apply to and its impact is estimated to be very small for a LGPS fund (0.1-0.2% of liabilities). Therefore, no allowance has been made for this case at the 2022 valuation.
- **Cost Cap:** a legal challenge is ongoing in relation to the 2016 cost cap valuation and no information is known about the outcome of the 2020 cost cap valuation. At this valuation, no allowance has been made for any changes to the benefit structure that may occur as a result of a cost cap valuation.
- **GMP indexation:** it is assumed that all increases on GMPs for members reaching State Pension Age after 6 April 2016 will be paid for by LGPS employers. This is the same approach that was taken for the 2019 valuation.

Post valuation events

Since 31 March 2022, there has been significant volatility in the financial markets, short-term inflation expectations and rises in interest rates by central banks. These events affect the value of the Fund's assets and liabilities.

- The Fund's investment return since 31 March 2022 is estimated to be somewhere between -5% and -10%.
- Liability valuations are likely to be lower now than at 31 March 2022 due to rises in expected future investment returns more than offsetting the higher than expected (10.1%) pension increase at April 2023.

As an open scheme, with a strong covenant, the Fund takes a long-term view when considering the funding impact of such events. For employers who have a very short time horizon, recent volatility may be more immediately impactful, and the Fund has engaged with these employers as appropriate.

No explicit allowance has been made for this volatility in the valuation results or contribution rates detailed in the Rates & Adjustments Certificate. The Fund will continue to monitor changes in the financial and demographic environment as part of its ongoing risk management approach.

1 www.lgpslibrary.org/assets/bulletins/2022/222AppA.pdf

Sensitivity and risk analysis: climate change

Background

Climate change is a major source of uncertainty which could affect future investment returns, inflation and life expectancies. Therefore, the Fund has explicitly explored the resilience of its funding and investment strategy to future potential climate change outcomes.

It is impossible to confidently quantify the effect of climate risk given the significant uncertainty over the impact of different possible climate outcomes. Instead, three different climate change scenarios have been considered as a stress-test (instead of trying to predict how climate change affects the funding level in the future).

All the scenarios assume that there will be a period of disruption linked either to the response to climate risk (transition risks) or the effect of it (physical risks). This disruption will lead to high volatility in financial markets, and the later the disruption, the more pronounced it will be.

Further detail on the scenarios is shown on the next page and in our guide 10 of Hymans Robertson's LGPS 2022 valuation toolkit[1]

Outcome of analysis

The Fund has set its funding and investment strategy using asset-liability modelling and considering two main risk metrics:

- Likelihood of success – the chance of being fully funded in 20 years' time
- Downside risk – the average worst 5% of funding levels in 20 years' time

When exploring the potential impact of climate change, the Fund has compared how these risk metrics change under each climate change scenario (against the '*Core'* model used when setting the funding and investment strategy). The stress test results for the Fund are shown in Table 12 below.

Table 12: sensitivity of funding position to longevity assumption

Scenario	Likelihood of success	Downside risk
Core	**84%**	**63%**
Green Revolution	81%	56%
Delayed Transition	83%	63%
Head in the Sand	83%	67%

The results are worse in the climate scenarios. This is to be expected given that they are purposefully stress-tests and all the scenarios are bad outcomes. Whilst the risk metrics are weaker, they are not materially so and not enough to suggest that the funding and investment strategy are unduly exposed to climate change risk. The Fund will continue to monitor this risk as more information emerges and climate change modelling techniques evolve.

[1] www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

Final comments

Final comments

The Fund's valuation operates within a broader framework, and this document should be considered alongside the following:

- The Funding Strategy Statement, which in particular highlights how different types of employer in different circumstances have their contributions calculated
- The Investment Strategy Statement, which sets out the investment strategy for the Fund
- The general governance of the Fund, such as meetings of the Pensions Committee and Local Pensions Board, decisions delegated to officers, the Fund's business plan, etc
- The Fund's risk register

New employers joining the Fund
Any new employers or admission bodies joining the Fund should be referred to the Fund Actuary to assess the required level of contribution. Depending on the number of transferring members the ceding employer's rate may also need to be reviewed.

Cessations and bulk transfers
Any employer who ceases to participate in the Fund should be referred to the Fund Actuary in accordance with Regulation 64 of the LGPS regulations.

Any bulk movement of scheme members:

- involving 10 or more scheme members being transferred from or to another LGPS fund
- involving 2 or more scheme members being transferred from or to a non-LGPS pension arrangement

should be referred to the Fund Actuary to consider the impact on the Fund.

Valuation frequency
Under the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2025 where contribution rates payable from 1 April 2026 will be set.

SIGNATURE

Steven Scott FFA
13 March 2023
For and on behalf of Hymans Robertson LLP

SIGNATURE

ACTUARY 2 FFA

Appendices

APPENDIX 1

Data

Membership data
A summary of the membership data provided by the Fund for the 2022 valuation is set out in Table 13. The corresponding membership data from the previous valuation is also shown for reference.

The results of the valuation are dependent on the quality of the data used. We have carried out a series of validation checks on the data supplied to us by the Administering Authority to ensure that it is fit for purpose.

Asset data
To check the membership data and derive employer asset values, we have used asset and accounting data and employer level cashflow data provided by the Fund.

Table 13: Whole fund membership data as at 31 March 2022 and 31 March 2019

Whole Fund Membership Data	This Valuation 31 March 2022	Last Valuation 31 March 2019
Employee members		
Number	7,275	6,835
Total actual pay (£000)	210,226	186,390
Total accrued pension (£000)	33,231	27,107
Average age (liability weighted)	53.0	51.5
Future working lifetime (years)	6.6	8.9
Deferred pensioners (including undecideds)		
Number	10,921	10,828
Total accrued pension (£000)	26,185	26,293
Average age (liability weighted)	53.6	53.4
Pensioners and dependants		
Number	7,788	6,855
Total pensions in payment (£000)	55,902	49,979
Average age (liability weighted)	68.9	68.4

APPENDIX 1

Data

Investment strategy

A summary of the investment strategy allocation used for the calculation of employer contribution rates and to derive the future assumed investment return is set out in Table 14.

This information is as set out in the Fund's Investment Strategy Statement.

Table 14: Investment strategy used for the 2022 valuation

Asset class	Allocation
Global equities (unhedged)	40.5%
Diversified Growth Fund	7.5%
Property	10.0%
Infrastructure equity	5.0%
Corporate bonds	5.7%
Fixed interest gilts	5.7%
Index linked gilts	5.7%
Private Lending	20.0%
Total	**100.0%**

APPENDIX 2

Assumptions

To set and agree assumptions for the valuation, the Fund carried out in-depth analysis and review with the final set agreed by the Pensions Committee.

Financial assumptions

Setting employer contribution rates

An asset-liability model is used to set employer contributions at the 2022 valuation. This model relies on Hymans Robertson's proprietary economic model, the Economic Scenario Service (ESS). The ESS reflects the uncertainty associated with future levels of inflation and asset returns and the interactions and correlations between different asset classes and wider economic variables. In the short term (first few years), the models are fitted with current financial market expectations. Over the longer term, models are built around views of fundamental economic parameters, for example equity risk premium, credit spreads and long term inflation. The table below shows the calibration of the ESS at 31 March 2022. Further information on the assumptions used for contribution rate setting is included in the Funding Strategy Statement.

Table 15: ESS individual asset class return distributions at 31 March 2022

		Annualised total returns								Inflation/Yields		
Time period	Percentile	Index Linked Gilts (long)	Fixed Interest Gilts (long)	Property	Unlisted Infrastructure Equity	Diversified Growth Fund (high equity beta)	All World ex UK Equity in GBP Hedged	Direct Lending (private debt) GBP Hedged	CorpShort A	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th	-3.1%	-1.5%	-0.6%	0.7%	1.1%	-0.4%	2.7%	1.4%	1.6%	-1.7%	1.1%
	50th	-0.7%	0.7%	4.4%	5.9%	5.4%	5.8%	6.0%	2.4%	3.3%	-0.5%	2.5%
	84th	2.0%	2.8%	9.5%	11.2%	9.5%	11.9%	9.2%	3.4%	4.9%	0.7%	4.3%
20 years	16th	-2.6%	-0.2%	1.4%	2.6%	2.8%	1.8%	4.3%	2.0%	1.2%	-0.7%	1.3%
	50th	-0.9%	0.9%	5.0%	6.5%	6.0%	6.3%	6.8%	3.2%	2.7%	1.1%	3.2%
	84th	0.8%	2.0%	8.9%	10.6%	9.4%	11.1%	9.2%	4.6%	4.3%	2.7%	5.7%
40 years	16th	-1.1%	1.2%	2.6%	3.9%	4.0%	3.4%	5.5%	2.4%	0.9%	-0.6%	1.1%
	50th	0.3%	1.9%	5.5%	7.0%	6.6%	6.8%	7.7%	3.9%	2.2%	1.3%	3.3%
	84th	1.9%	2.9%	8.8%	10.3%	9.4%	10.4%	10.0%	5.8%	3.7%	3.2%	6.1%
	Volatility (5yr)	9%	8%	15%	15%	13%	18%	10%	3%	3%		

APPENDIX 2

Assumptions

Financial assumptions

Calculating the funding level

The table below summarises the assumptions used to calculate the funding level at 31 March 2022, along with a comparison at the last valuation.

Table 16: Summary of assumptions used for measuring the funding level, compared to last valuation on 31 March 2019

Assumption	31 March 2022	Required for	31 March 2019
Discount rate	4.3% pa	To place a present value on all the benefits promised to scheme members at the valuation date. The Fund's assets are estimated to have a 72% likelihood of returning above the discount rate.	3.85% pa
Benefit increases/CARE revaluation	2.7% pa	To determine the size of future benefit payments.	2.3% pa
Salary increases	3.2% pa	To determine the size of future final-salary linked benefit payments.	2.6% pa

Allowing for the McCloud remedy

Allowance has been included for this expected benefit change at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities in their letter dated March 2022[1]. Further technical detail about this assumption is set out in guide 13 of Hymans Robertson's LGPS 2022 valuation toolkit[2]

1 www.lgpslibrary.org/assets/bulletins/2022/222AppA.pdf

2 www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

APPENDIX 2

Assumptions

Demographic assumptions

The same demographic assumptions are used in setting contribution rates and assessing the current funding level.

Longevity

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Table 17: Summary of longevity assumptions

	This valuation 31 March 2022	Last valuation 31 March 2019
Baseline assumption	VitaCurves based on member-level lifestyle factors	VitaCurves based on member-level lifestyle factors
Future improvements	**CMI 2021 model** Initial addition = **0.25% (both Female and Male)** Smoothing factor = **7.0** **1.5% pa** long-term rate of improvement	**CMI 2018 model** Initial addition = **0.25% (Female), 0.5% (Male)** Smoothing factor = **7.0** **1.25% pa** long-term rate of improvement

Further information on these assumptions can be provided upon request. Sample rates are included on the next page.

Other demographic assumptions

Table 18: Summary of other demographic assumptions

Death in service	See sample rates in Tables 19 & 20
Retirements in ill health	See sample rates in Tables 19 & 20
Withdrawals	See sample rates in Tables 19 & 20
Promotional salary increases	See sample rates in Tables 19 & 20
Commutation	50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits
50:50 option	2.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option
Retirement age	The earliest age at which a member can retire with their benefits unreduced
Family details	A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependent of a female member is assumed to be 3 years older than her.

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APPENDIX 2

Assumptions

Sample rates for demographic assumptions

Males

Table 19: Sample rates of male demographic assumptions

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	404.31	813.01	0	0	0	0
25	117	0.17	267.06	537.03	0	0	0	0
30	131	0.2	189.49	380.97	0	0	0	0
35	144	0.24	148.05	297.63	0.1	0.07	0.02	0.01
40	150	0.41	119.20	239.55	0.16	0.12	0.03	0.02
45	157	0.68	111.96	224.96	0.35	0.27	0.07	0.05
50	162	1.09	92.29	185.23	0.9	0.68	0.23	0.17
55	162	1.7	72.68	145.94	3.54	2.65	0.51	0.38
60	162	3.06	64.78	130.02	6.23	4.67	0.44	0.33
65	162	5.1	0	0	11.83	8.87	0	0

Females

Table 20: Sample rates of female demographic assumptions

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.1	352.42	467.37	0	0	0	0
25	117	0.1	237.14	314.44	0.1	0.07	0.02	0.01
30	131	0.14	198.78	263.54	0.13	0.1	0.03	0.02
35	144	0.24	171.57	227.38	0.26	0.19	0.05	0.04
40	150	0.38	142.79	189.18	0.39	0.29	0.08	0.06
45	157	0.62	133.25	176.51	0.52	0.39	0.1	0.08
50	162	0.9	112.34	148.65	0.97	0.73	0.24	0.18
55	162	1.19	83.83	111.03	3.59	2.69	0.52	0.39
60	162	1.52	67.55	89.37	5.71	4.28	0.54	0.4
65	162	1.95	0	0	10.26	7.69	0	0

Figures are incidence rates per 1,000 members except salary scale. FT and PT denoted full-time and part-time members respectively.

APPENDIX 3

Reliances and limitations

We have been commissioned by London Borough of Hackney ("the Administering Authority") to carry out a full actuarial valuation of the London Borough of Hackney Pension Fund ("the Fund") as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the Regulations").

This report is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of summarising the main outcomes of the 2022 actuarial valuation. It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

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This summary report is the culmination of other communications in relation to the valuation, in particular:

- Our 2022 valuation toolkit which sets out the methodology used when reviewing funding plans
- Our paper to the Fund's Officers dated February 2022 which discusses the funding strategy for the Fund's council
- Our paper to the Fund's Pension Committee dated January 2022 which discusses the valuation assumptions
- Our initial results report dated September 2022 which outlines the whole fund results and inter-valuation experience
- Our data report dated March 2023 which summarises the data used for the valuation, the approach to ensuring it is fit for purpose and any adjustments made to it during the course of the valuation
- The Funding Strategy Statement which details the approach taken to adequately fund the current and future benefits due to members

The totality of our advice complies with the Regulations as they relate to actuarial valuations.

The following Technical Actuarial Standards apply to this advice, and have been complied with where material and to a proportionate degree. They are:

- TAS100 – Principles for technical actuarial work
- TAS300 – Pensions

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APPENDIX 4

Glossary

Term	Explanation
50:50 option	An option for LGPS members to pay half contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).
Asset-liability modelling	An approach to modelling and understanding risk for a pension fund. The assets and liabilities are projected forward into the future under many different future scenarios of inflation, investment returns and interest rates. The future scenarios are then analysed to understand the risk associated with a particular combination of contribution rates and investment strategy. Different combinations of contribution rates and/or investment strategies may be tested.
Baseline longevity	The rates of death (by age and sex) in a given group of people based on current observed data.
Club Vita	A firm of longevity experts we partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed baseline longevity assumptions at member-level, as well as insight on general longevity trends and future improvements.
Commutation	The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.
CPI inflation	The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government’s preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.
Deferred pensioners	A former employee who has left employment (or opted out of the pension fund) but is not yet in receipt of their benefits from the fund.
Demographic assumptions	Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. For example, retirement age or promotional salary scales. Demographic assumptions typically determine the timing of benefit payments.

APPENDIX 4

Glossary

Term	Explanation
Discount rate	A number used to place a single value on a stream of future payments, allowing for expected future investment returns.
Employee members	Members who are currently employed by employers who participate in the fund and paying contributions into the fund.
ESS	Economic Scenario Service - Hymans Robertson's proprietary economic scenario generator used to create thousands of simulations of future inflation, asset class returns and interest rates.
Funding position	The extent to which the assets held by the fund at 31 March 2022 cover the accrued benefits ie the liabilities. The two measures of the funding position are: • the funding level - the ratio of assets to liabilities; and • the funding surplus/deficit - the difference between the asset and liabilities values.
Inflation	Prices tend to increase over time, which is called inflation. Inflation is measured in different ways, using a different 'basket' of goods and mathematical formulas.
Liabilities	An employer's liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members. Benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.
Longevity improvements	An assumption about how rates of death will change in future. Typically we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.
Pensioners	A former employee who is in receipt of their benefits from the fund. This category includes eligible dependants of the former employee.

APPENDIX 4

Glossary

Term	Explanation
Primary rate	The estimated cost of future benefits, expressed in percentage of pay terms. The primary rate will include an allowance to cover the fund's expenses.
Prudence	To be prudent means to err on the side of caution in the overall set of assumptions. We build prudence into the choice of discount rate by choosing an assumption with a prudence Level of more than 50%. All other assumptions aim to be best estimate.
Prudence Level	A percentage indicating the likelihood that a discount rate assumption will be achieved in practice, based on the ESS model. The higher the prudence level, the more prudent the discount rate is.
Secondary rate	An adjustment to the primary rate, generally to reflect costs associated with benefits that have already been earned up to the valuation date. This may be expressed as a percentage of pay and/or monetary amount.
Withdrawal	Refers to members leaving the scheme before retirement. These members retain an entitlement to an LGPS pension when they retire, but are no longer earning new benefits.

Rates & Adjustments certificate

Rates and Adjustments Certificate

In accordance with Regulation 62 of the LGPS regulations, we have assessed the contributions that should be paid into the London Borough of Hackney Pension Fund (the Fund) by participating employers for the period 1 April 2023 to 31 March 2026 in order to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in this Rates and Adjustments certificate are detailed in the Funding Strategy Statement dated March 2023 and in Appendix 2 of the report on the actuarial valuation dated 30 March 2023. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

The table below summarises the whole fund primary and secondary contribution rates for the period 1 April 2023 to 31 March 2026. The primary rate is the payroll weighted average of the underlying individual employer primary rates and the secondary rate is the total of the underlying individual employer secondary rates, calculated in accordance with the LGPS regulations and CIPFA guidance. The secondary rate has been shown both as a monetary amount and an equivalent percentage of the projected pensionable pay.

		This valuation 31 March 2022	
Primary rate		20.4% of pay	
Secondary rate		Monetary amount	Equivalent to % of payroll
	2023/24	£13,868,000	6.2%
	2024/25	£14,360,000	6.2%
	2025/26	£14,845,000	6.2%

The required minimum contribution rates for each employer in the Fund are set out in the remainder of this certificate.

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	London Borough of Hackney	20.1%	6.9%	6.9%	6.9%	27.0%	27.0%	27.0%	
360	Brooke House Sixth Form College	31.0%				31.0%	31.0%	31.0%	
367	Mossbourne Community Academy	24.6%	-5.3%	-5.3%	-5.3%	19.3%	19.3%	19.3%	
368	Greenwich Leisure Ltd	23.5%	-2.5%	-2.5%	-2.5%	21.0%	21.0%	21.0%	
373	Petchey Academy	24.3%	-3.3%	-3.3%	-3.3%	21.0%	21.0%	21.0%	
374	Bridge Academy	24.7%	-3.7%	-2.8%	-2.8%	21.0%	21.9%	21.9%	
375	City Academy	23.3%	-8.2%	-8.2%	-8.2%	15.1%	15.1%	15.1%	
379	Skinners Academy	24.3%	-4.2%	-4.2%	-4.2%	20.1%	20.1%	20.1%	
380	Clapton Girls Academy	23.2%	-3.9%	-2.9%	-2.5%	19.3%	20.3%	20.7%	
382	Peabody Trust	39.0%				39.0%	39.0%	39.0%	
383	Caterlink	22.6%	-22.6%	-22.6%	-22.6%	0.0%	0.0%	0.0%	
416	Mossbourne Victoria Park Academy	23.9%	-4.2%	-4.2%	-4.2%	19.7%	19.7%	19.7%	
422	Manor House Development Trust	26.7%				26.7%	26.7%	26.7%	
423	SND Cleaning Services Ltd - Holmleigh	30.0%	-4.5%	-4.5%	-4.5%	25.5%	25.5%	25.5%	
429	Mossbourne Parkside	24.7%	-5.8%	-4.7%	-3.6%	18.9%	20.0%	21.1%	
430	Mossbourne Riverside	23.1%	-4.5%	-3.4%	-2.2%	18.6%	19.7%	20.9%	
431	PJ Naylor Cleaning Services - Daubeney	32.8%				32.8%	32.8%	32.8%	
433	Mulalley	26.4%				26.4%	26.4%	26.4%	
435	Fit for Sport Gayhurst	32.9%				32.9%	32.9%	32.9%	
436	SND Cleaning - Our Lady and St Joseph School	24.7%	-2.1%	-2.1%	-2.1%	22.6%	22.6%	22.6%	
438	PJ Naylor Baden Powell	26.8%				26.8%	26.8%	26.8%	
442	Boxing Academy	24.1%	-6.9%	-5.1%	-3.3%	17.2%	19.0%	20.8%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
445	City of London Academy Shoreditch Park (COLASP)	22.6%	-3.1%	-3.1%	-3.1%	19.5%	19.5%	19.5%	
446	Westgate Cleaning Services (Simon Mark School)	38.1%	-4.1%	-4.1%	-4.1%	34.0%	34.0%	34.0%	
447	Lubavitch Foundation	21.3%	-7.2%	-7.2%	-7.2%	14.1%	14.1%	14.1%	
449	CIS Security	31.6%	-23.6%	-23.6%	-23.6%	8.0%	8.0%	8.0%	
450	PJ Naylor Cleaning Services (Grasmere School)	23.3%				23.3%	23.3%	23.3%	
451	PJ Naylor St Marys	21.8%				21.8%	21.8%	21.8%	
452	Compass Group - Nightingale School	23.3%				23.3%	23.3%	23.3%	
454	Community Schools Trust	24.7%	-6.6%	-6.6%	-6.6%	18.1%	18.1%	18.1%	
455	Compass Group Randal Cremer	22.8%				22.8%	22.8%	22.8%	
456	Eko Trust	23.6%	-5.0%	-5.0%	-5.0%	18.6%	18.6%	18.6%	
457	Olive Dining	23.1%				23.1%	23.1%	23.1%	
459	Fit For Sport (Betty Layward School)	24.2%				24.2%	24.2%	24.2%	
7171	May Harris Multi-Services Ltd	35.3%	-0.2%	-0.2%	-0.2%	35.1%	35.1%	35.1%	
7172	CleanTEC Services Ltd (Jubilee Primary School & Lindens Children's Centre)	30.7%	3.5%	3.5%	3.5%	34.2%	34.2%	34.2%	
7174	Schools Offices Services Ltd	29.6%				29.6%	29.6%	29.6%	
	Lubavitch Multi Academy Trust	24.2%	-1.8%	-1.8%	-1.8%	22.4%	22.4%	22.4%	
	Arbor Academy Trust (Northwold Academy)	25.8%	4.2%	4.2%	4.2%	30.0%	30.0%	30.0%	

Further comments to the Rates and Adjustments Certificate

- Contributions expressed as a percentage of payroll should be paid into the Fund at a frequency in accordance with the requirements of the Regulations
- Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.
- Payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within our assumptions.
- The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.

SIGNATURE

Steven Scott FFA

13 March 2023
For and on behalf of Hymans Robertson LLP

SIGNATURE

Actuary2 FFA

Section 13 Dashboard

Section 13 dashboard

To be completed once GAD confirm required information

Hackney

Title of Report	Quarterly Update Report
For Consideration By	Pensions Committee
Meeting Date	30 March 2023
Classification	Public
Ward(s) Affected	All
Group Director	Ian Williams, Group Director Finance & Corporate Resources

1. **Introduction**

1.1. This report is an update on key quarterly performance measures, including an update on the funding position, investment performance, responsible investment, administration performance and reporting of breaches. It provides the Committee with information on the position of the Fund between October and December 2022.

2. **Recommendations**

2.1. The Pensions Committee is recommended to:

- **Note the report**

3. **Related Decisions**

3.1. Pensions Committee (Urgency Delegation March 2020) – 2019 Final Valuation Report and Funding Strategy Statement

3.2. Pensions Committee 23rd November 2021 –Investment Strategy Statement

3.3. Pensions Committee January 2022 – Pension Administration Strategy (PAS)

3.4. Pensions Committee 30 March 2023 - Actuarial Valuation 2022 - Final Valuation Report and Funding Strategy Statement

4. **Comments of the Group Director of Finance and Corporate Resources.**

4.1. The Pensions Committee has delegated responsibility for management of the Pension Fund. Quarterly monitoring of key aspects of the management of the Pension Fund is good practice and assists the Committee in making informed decisions.

4.2. Monitoring the performance of the Fund's investment managers is essential to ensure that managers are achieving performance against set benchmarks and targets. Performance of the Fund's assets will continue to have a significant influence on the valuation of the scheme's assets going forward. The investment performance of the Fund is a key factor in the actuarial valuation process and therefore directly impacts on the contributions that the Council is required to make into the Pension Scheme.

4.3. Reporting on administration is included within the quarterly update for the Committee as best practice. Monitoring of key administration targets and ensuring that the administration functions are carried out effectively will help to minimise costs and ensure that the Fund is achieving value for money.

4.4. Whilst there are no direct impacts from the information contained in this report, quarterly monitoring of key aspects of the Pension Fund helps to provide assurance to the Committee of the overall financial performance of the Fund and enables the Committee to make informed decisions about the management of the Fund.

5. Comments of the Director of Legal, Democratic and Electoral Services

5.1. The Pensions Committee's Terms of References sets out its responsibility for management of the Pension Fund. The Committee has delegated responsibility:

- To make arrangements for the triennial actuarial valuation, monitor liabilities and to undertake any asset/liability and other relevant studies as required.
- To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles (Investment Strategy Statement).
- To set an annual budget for the operation of the Pension Fund and to monitor income and expenditure against the budget.
- To act as Scheme Manager for the Pension Fund

5.2. Given these responsibilities, it is appropriate for the Committee to consider a regular quarterly update covering funding and investment matters, budget monitoring and scheme administration and governance.

6. Funding Update

6.1. In the last quarterly update report it was stated that the provision of the quarterly funding update will resume following the sign off of the 2022 valuation. The 2022 valuation is due to be signed off at the Pensions

Committee meeting on 30 March 2023; an updated position based on the new assumptions will now be brought to the June 2023 Committee.

7. <u>Investment Update</u>

7.1. Appendix 1 to this report provides a manager performance update from Redington, the Fund's new investment consultants. The report includes an analysis of the last quarter, 1 year and 3 year performance against benchmark, as well as performance since inception.

7.2. The report shows that most of the Fund's managers delivered positive returns over the quarter to December 2022 , with the exception of the LCIV Sustainable Equity Fund and the two property funds managed by Columbia Threadneedle. The Sustainable Equity Fund returned -0.5%, underperforming the benchmark by 2.3%. Equity markets rebounded over Q4 however the Fund did not benefit from this primarily due to stock selection issues.

7.3. The Fund's other equity mandates delivered performance at or above their benchmarks. Of particular note is the LCIV GAGPA fund which has suffered poor performance since its inception in September 2021. This was a more positive quarter as performance continued to stabilise in the fund following sizeable drawdowns earlier in 2022. These drawdowns continue to take a toll on longer term performance but the gradual shift of the portfolio away from the most aggressively valued holdings, and into less volatile but still growth oriented companies is starting to reap benefits.

7.4. Also of note is the LCIV Diversified Growth Fund which delivered a return of 1.5% over the quarter. Committee should note that the performance of the LCIV Diversified Growth Fund managed by Baillie Guifford, in which the Hackney Fund is invested is also being closely monitored by the LCIV, following a deep dive review of the Fund's performance.

7.5. This review has concluded that the fund's performance to date has not aligned with expectations and that there are concerns about the manager's ability to deliver the long-term absolute and relative performance targets. As a result of this, the fund's monitoring status has been downgraded from normal to enhanced. This status will be reviewed in summer 2023 following engagement with Baillie Gifford and further review of the performance of the fund.

7.6. The Columbia Threadneedle Pension Property (TPEN) and Low Carbon Property funds delivered returns of -13.5% and -8.9% over the quarter. These returns, although disappointing, are in line with the benchmark, as the UK property sector saw a significant reduction in asset valuations, with transactions during Q4 at their lowest level since the global financial crisis. The fallout from the September mini-budget saw many property funds, including TPEN, gating or deferring redemptions as many corporate DB schemes struggled for liquidity during the LDI crisis.

7.7. The investment update will be covered in detail by Redington during the 30 March Committee meeting. A Market Update for Q1 2023 is also available at Appendix 2 to this report - this will also be covered during the session.

8. Investment Strategy Implementation Update

8.1. As part of the agenda for the 30 March Pensions Committee meeting, the Committee are asked to consider initial proposals for a review of the Fund's Strategic Asset Allocation (SAA) following the 2022 Actuarial Valuation. It is hoped that the high level review will be completed by Q2 2023/24, after which the Committee will consider detailed implementation plans. Once implementation is underway, updates will be provided as part of this report.

8.2. During the quarter, further drawdowns have been financed on the LCIV infrastructure and private debt mandates in line with the agreed strategy and fund manager requests for financing. The current position with regards to undrawn capital commitments is set out in the table below:

	Capital Commitment	Funds drawn as at December 2022	Undrawn commitment
Permira	£95m	£78m	£17m
Churchill	£71m	£66m	£5m
LCIV Private Debt	£180m	£106m	£74m
LCIV Renewable Infrastructure	£90m	£28m	£62m
Total			£166m

9. Responsible Investment Update

9.1. The Pensions Committee has looked to increase the level of engagement with the underlying companies in which it invests. This includes taking a more proactive role in encouraging managers to take into consideration the voting recommendations of the Local Authority Pension Fund Forum (LAPFF). This section of the quarterly report therefore provides the Committee with an update on the work of the LAPFF.

9.2. The LAPFF Quarterly Engagement report is attached at Appendix 3 to this report, setting out LAPFF's engagement activity over the Quarter in relation to environmental, social and governance issues. As the Committee will recognise, the Fund no longer retains any segregated mandates and therefore has no direct holdings in the companies referenced. It does, however, retain exposure via its pooled passive funds to a large number of the companies LAPFF engages with.

9.3. As can be seen from the LAPFF Quarterly Update Report, much of the engagement with companies has continued to focus on human rights, social and climate change issues. LAPFF continue to issue voting alerts in respect of both climate change issues and wider social/human rights issues.

9.4. The Committee has previously requested that the Fund set a new climate change target and at the January 2023 meeting, the Committee considered options for setting relevant climate change targets with a view to completing the exercise by end March 2023. Detailed proposals for new targets have been developed, and these have been considered by the Committee's RI Working Group. The proposals are now due to be considered by the Committee as part of the agenda for the 30 March meeting.

10. <u>Pensions Administration</u>

10.1. Pension Administration Management Performance

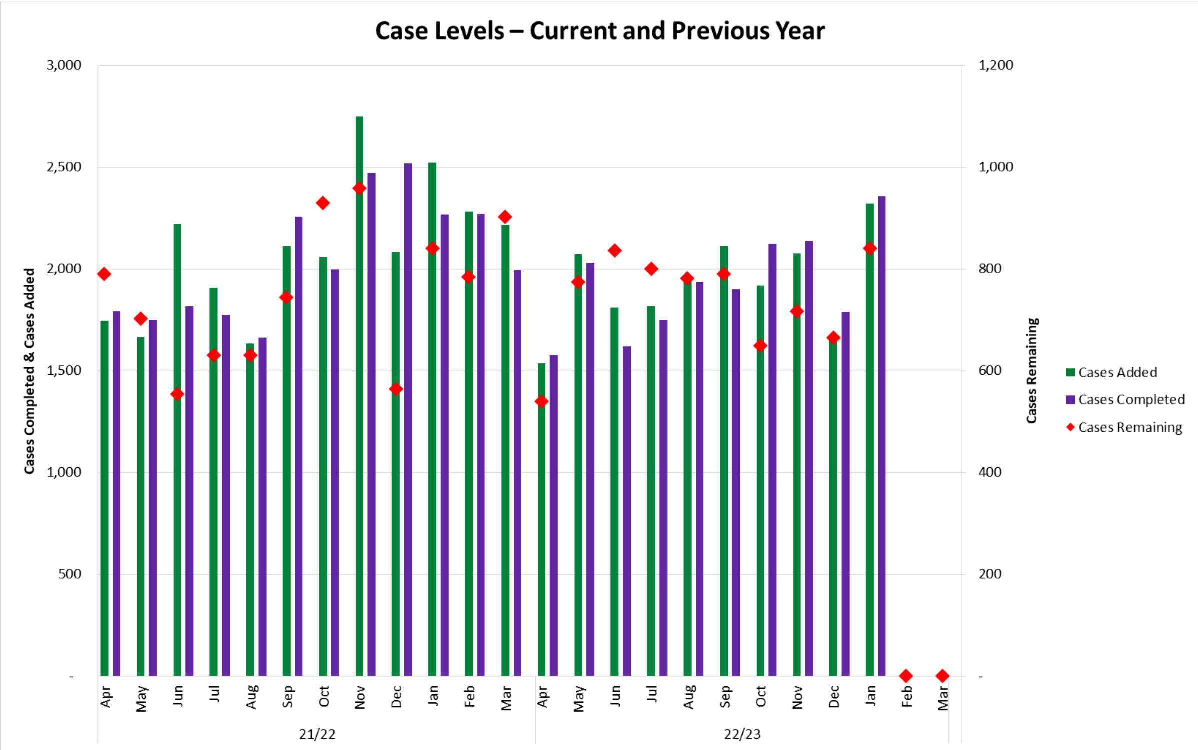
The following sections provide information on the numbers of cases being received and processed by Equiniti, as well as their performance against the Fund's service level agreement standards (SLAs).

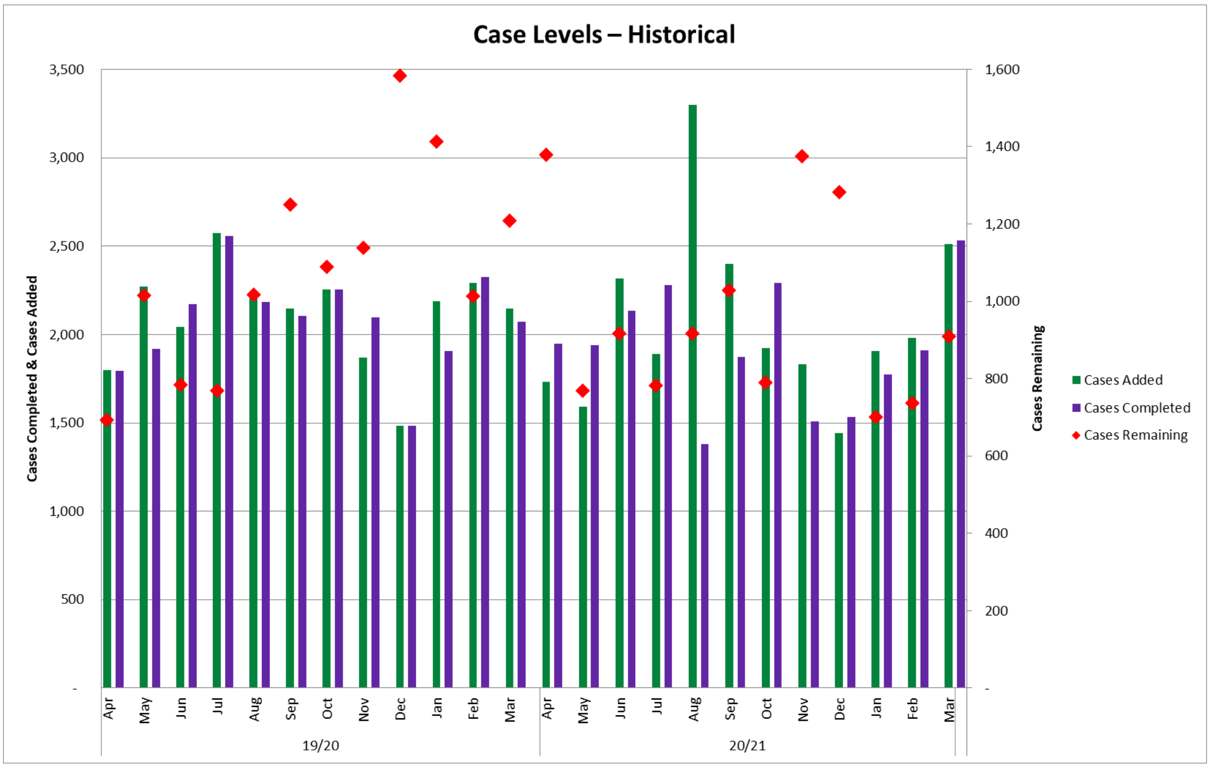
Case Levels

The graphs below show historical cases levels received and processed by Equiniti dating back to April 2019. For each month, the graph shows:

- "cases added" - the number cases received by Equiniti during the month ("cases added") and
- "cases completed" - the number of cases completed by Equiniti during the month ("cases completed")
- "cases remaining" - the numbers of cases that are outstanding and therefore waiting to be processed by Equiniti at the end of each month ("cases remaining")

For the period December 2022 to January 2023, the number of cases received in December was less than all months in the previous reporting period and the number of cases received in January was higher than all months in the previous reporting period. This is likely to be a result of office closures and annual leave resulting in some cases that usually would have been added in December being added in January. However, as an average the number of cases added in this reporting period is consistent with the number of cases added in the previous reporting period. The same trend is true for the number of cases completed by Equiniti and as an average is consistent with the last period reported.





SLA and KPI monitoring

The contract with Equiniti includes a large number of service level agreement standards (SLAs). The most significant of these for the Fund, are categorised as being key performance indicators (KPIs) and these are monitored closely. The KPIs include target timescales for processes such as:

- providing new members with information about the scheme
- notifying retiring members of the amount of retirement benefits and paying them their tax-free cash lump sum
- informing members who leave the scheme before retirement of their deferred benefit entitlement.

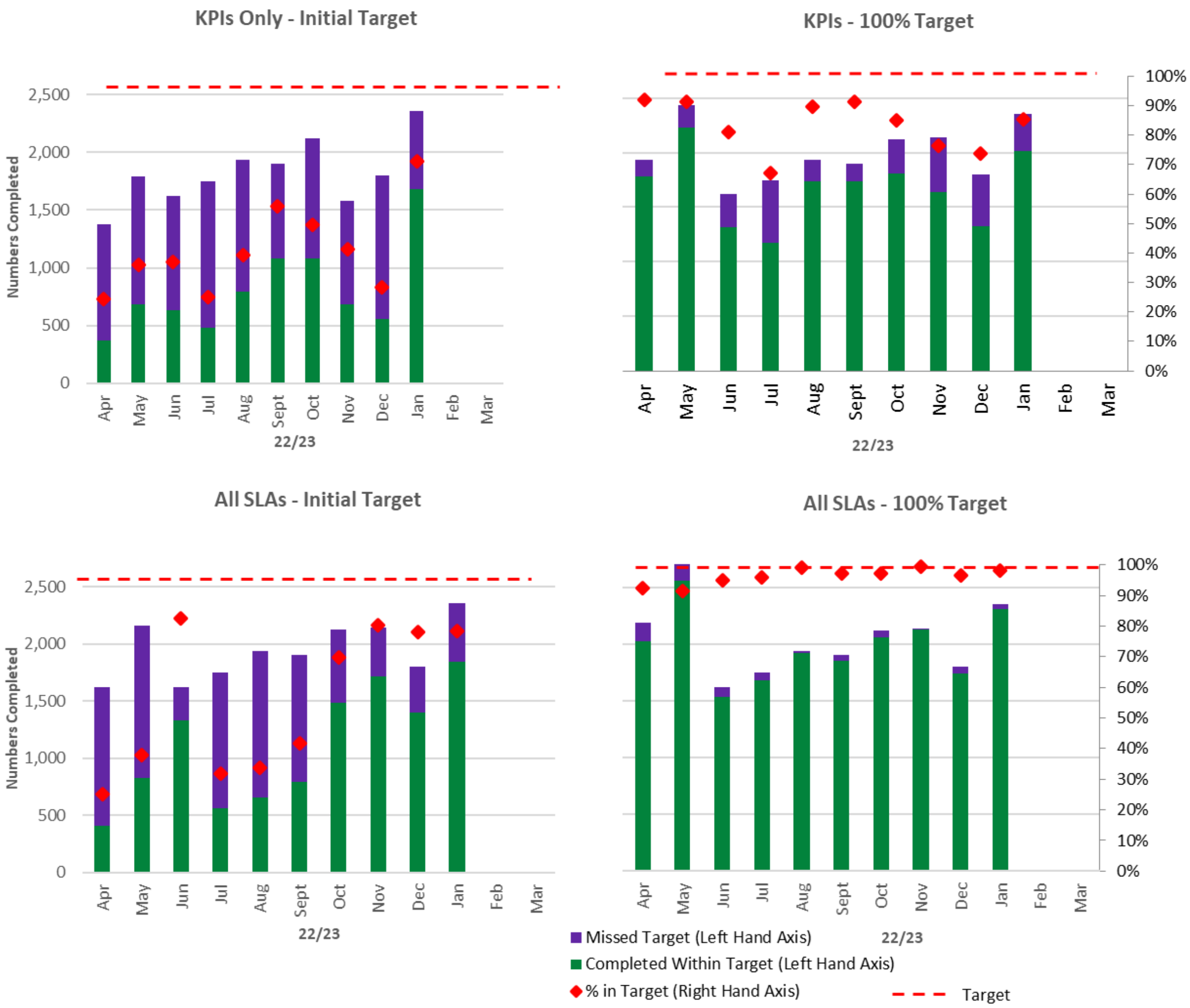
For most SLAs there are two targets:

- an initial target – this is the initial timescale within which the majority of cases must be processed (typically 95% is the target to be processed by the initial target period)
- the 100% target – this is a later timescale by which it is expected that 100% of cases will be processed by.

The following graphs show Equiniti's performance against the various targets since April 2022. Each graph illustrates the numbers of cases completed within the target (green) and the number outstanding (purple), as well as the percentage of cases completed within the target (red diamond which relates to the right-hand axis). The four graphs are as follows:

- KPIs Only – Initial Target: this shows the performance against **only** the key performance indicators based on the initial target where it is expected that (in the main) 95% of cases will be processed.
- KPIs Only – 100% Target: this shows the performance against **only** the key performance indicators based on the 100% target where it is expected that all cases will be processed.
- All SLAs – Initial Target: this shows the performance against **all** service level agreement standards based on the initial target where it is expected that (in the main) 95% of cases will be processed.
- All SLAs – 100% Target: this shows the performance against **all** service level agreement standards based on the 100% target where it is expected that all cases will be processed.

For the period December to January, Equiniti have continued to perform close to the 100% target in the SLA measures. The 100% target for KPI measures for the period as an average is consistent with the average for the previous reporting period. The initial target measures for both SLAs and KPIs were also similar on average to the previous reporting period. During this financial year however, Equiniti's performance against the initial target measures (both SLAs and KPIs) has been inconsistent and Officers are currently investigating with Equiniti the reasons for this.



There also appears to be some inconsistency with Equiniti's reporting against legal timeframes on key procedures relating to disclosure legislation, such as new joiners, deferred benefits and retirements. The missing of legal timeframes constitutes a breach. In accordance with the Pension Regulator's guidance and the Fund's Breaches procedure all breaches even if determined not to be of material significance should be recorded on the Fund's breaches log. Officers are also investigating this issue of breaches with Equiniti before determining next steps. The January client report suggests that 55.42% of new joiners, deferred benefits, retirement benefits, notification of transfer out values and notification of dependent benefits were processed within the required legal timeframes.

10.2. **Ill Health Pension Benefits**

The release of ill health benefits fall into two main categories, being those for deferred and active members. The administering authority team at Hackney process all requests for the release of deferred members' benefits. Deferred members' ill health benefits are released for life, are based on the benefits accrued to the date of leaving employment, (with the addition of pension increases whilst deferred), but they are not enhanced by the previous employer.

The team also assist the Council's HR team with the process for requests to release active members' benefits on the grounds of ill health retirement.

Active members' ill health pensions are released on one of three tiers:

- Tier 1 - the pension benefits are fully enhanced to the member's normal retirement date – paid for life, no review
- Tier 2 – the pension benefits are enhanced by 25% - paid for life, no review
- Tier 3 - the pension benefits accrued to date of leaving employment - paid for a maximum of 3 years and a review undertaken when pension has been in payment for 18 months.

The applications for active ill health retirements is higher in volume compared to the same period in the previous year and this is something that will be monitored in later quarters to see if this is a trend or a one off spike:

DEFERRED MEMBER'S ILL HEALTH RETIREMENT					
	CASES RECEIVED	SUCCESSFUL	UNSUCCESSFUL	ONGOING	WITHDRAWN
Q3 2022/23	0	1	0	2	0
Q3 2021/22	1	0	1	0	0

ACTIVE MEMBER'S ILL HEALTH RETIREMENT CASES					
	CASES RECEIVED	BENEFITS RELEASED ON TIER 1	BENEFITS RELEASED ON TIER 2	BENEFITS RELEASED ON TIER 3	UNSUCCESSFUL
Q3 2022/23	8	6	1	0	1
Q3 2021/22	1	1	0	0	0

10.3. **Internal Disputes Resolution Procedure (IDRP)**

This is the procedure used by the Fund for dealing with appeals from members both active and deferred. The majority of the appeals are in regard to either disputes around scheme membership or the non-release of ill health benefits. The process is in two stages:-

- Stage 1 IDRP's are reviewed and determinations made either by the Pensions Manager or by a senior technical specialist at the Fund's pension administrators, Equiniti.
- Stage 2 IDRP's are determined by the Group Director, Finance & Corporate Resources taking external specialist technical advice from the Fund's benefits consultants.

Stage 1 – Three applications were received in this quarter. One was against the former Employer for an ill health decision which was upheld. The other two were made against the administering authority- one in relation to an historic pension record mix up/missing record which was not upheld and one was regarding an historic transfer out- at the time of writing the investigation is still ongoing.

Stage 2 – None were received in this reporting period

10.4. **Other work undertaken**

<u>Third Party Administration Contract</u>

The previously agreed extension of the Fund's third party administration services contract with Equiniti's for 3 years from 1st January 2023 was agreed and signed on 28 February 2023. The Fund is now working with Equiniti on the delivery of the software upgrade and a project implementation plan is being developed.

<u>Employer Forum</u>

The Annual Employer Forum was held on 22 February and was in person this year for the first time since 2020. A number of Employers and payroll providers were represented, and speakers including the Fund's Actuary's on the valuation results, Equiniti on year end processing and Aon on a round up of pension "hot topics". Feedback from the day was very positive from those that attended but the Fund is now thinking of ways to reach some of those Employers who do not attend these annual events, to see how they can be encouraged to participate.

<u>Tax Briefing sessions</u>

Recognising the need for greater awareness on pension tax issues amongst its scheme members, the Fund has arranged for Aon to come and present across three different sessions to active members of the pension scheme who may be in danger, either now or in the future, of breaching their annual allowance for pension saving purposes. Interest has been high with around 110 members signed up to attend.

Year End

There is a legal timescale for issuing annual benefit statements to all active and deferred members of the scheme, which is 31 August. This is a major exercise carried out by Equiniti, but it relies on all the Fund's employers providing them with pensions information relating to the scheme members in a timely manner. Preparations are already underway and requests have already gone out requesting year end data from the Fund's employers that are still required to submit a year end return.

A further update on the benefit statement work will be provided at the next meeting.

McCloud Programme Update

The Public Service Pension and Judicial Offices Act 2022 enables the Department of Levelling up, Housing and Communities (DLUHC) to make the regulations needed to implement the McCloud remedy within the LGPS.

Draft LGPS “McCloud” regulations and DLUHC’s response to its 2020 consultation were initially expected before the 2022 Summer Recess. This timetable has now been pushed out to early 2023 for DLUHC’s consultation response and May 2023 for draft regulations. It is expected that the draft regulations will consist of two parts:

- The technical consultation on the remedy regulations
- Seeking views on issues not covered by the 2020 consultation, including interest, compensation, and Teacher’s excess pension which it is proposed will become pensionable in the LGPS

Furthermore, on 15 December 2022 HM Treasury issued Directions in relation to the Public Services Pensions and Judicial Offices Act 2022 (PSPJOA), setting out how certain powers in the PSPJOA must be exercised. Part 4 of the Treasury directions cover the LGPS, and the directions include powers to pay compensation, compensable losses, interest payments and compensation applications

Following the consultation on the draft regulations it is expected that the regulations will now be made shortly before they come into effect, on 1 October 2023.

Workstreams

The general Programme update on the specific workstreams is as follows:

- Data: The most recent data meeting was held on 10 January 2023. It was determined that many actions are still on hold due to the delay in the regulatory timetable, and there were no new risks to be added to the risk log.
- Communications: The Communications workstream is up to date based on the latest regulatory position, with most of the actions such as reviewing BAU communications deferred until regulations are issued by DLUHC.
- Finance and Governance: These workstreams' actions are up to date, and meetings will be scheduled when required to ensure future planning of programme deliverables.
- Benefit Rectification: this workstream is progressing as expected and the last meeting took place on 14 December 2022.
- Ongoing Administration: Planning work is still required for this workstream to ensure that all programme deliverables are achieved as set out in the Programme Charter.
- Specialist Cases: For this workstream, an initial workshop was held in 2021, and it has been agreed within the project team to put this workstream on hold until after the draft regulations have been published, with the expectation of guidance for certain types of cases.

Risks for all workstreams continue to be actively managed within the programme and these are reviewed regularly by the Programme Management Group (PMG). Key risks continue to include the impact of the delay in the regulatory timetable and the Compendia software migration.

Whilst the overall project is running behind the original schedule, principally due to the slower than expected progress with the Ongoing Administration workstream, this needs to be considered in the context of the regulatory timetable, which has continued to change. The biggest risk for the programme at the present time is the software migration and Equiniti's plan to support this.

11. <u>Reporting Breaches</u>

11.1. There have been no reportable breaches in the last quarter.

Appendices:

Appendix 1 – Investment Performance Report (Redington – Investment Consultant)

Appendix 2 - Market Update (Redington - Investment Consultant

Appendix 3 - LAPFF Quarterly Engagement Report

Background documents
None

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HOW ARE YOUR MANAGERS PERFORMING FOR YOU?

Q4 2022

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QAS Institute and Faculty of Actuaries Quality Assurance Scheme

CONTENTS

WHAT HAS HAPPENED IN THE MARKETS?

Philip Rose
(CIO, Strategy & Risk)

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Market Summary

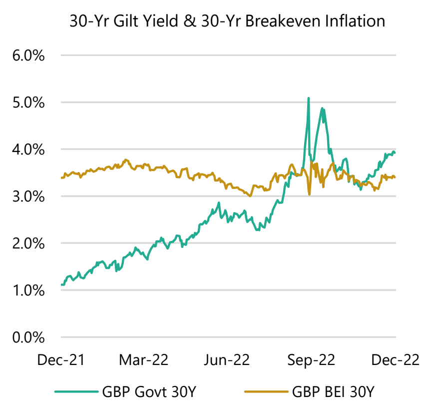
In Q4, markets started to price in a "goldilocks scenario" of both inflation being brought under control by existing central bank rate hikes and the economy avoiding recession. This resulted in a rally in risk assets, such as equities, while long-dated interest rates moved slightly higher.

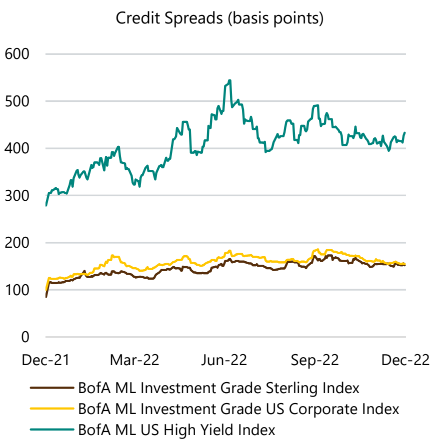
There remains significant risk that bringing inflation back to target may require more rate increases than are priced in, or that by subduing inflation the economy will be pushed into recession, reducing corporate earnings and equity prices. Neither of these scenarios are fully priced into current market prices.

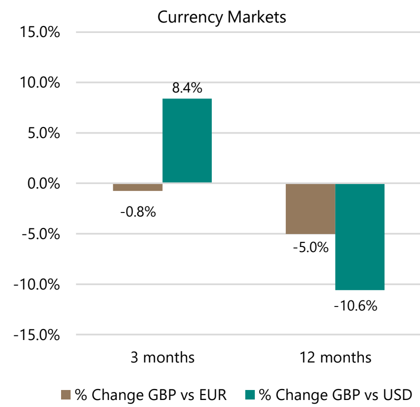
Markets are also pricing in continued US asset and economic outperformance, although historically this did happen in the global financial crisis and the pandemic.

Responsible Investment Update

The COP 27 climate change conference made ground-breaking progress on an agreement to compensate vulnerable nations for 'loss and damage' from climate-induced disasters, and some progress was made on climate adaptation via new pledges to the Adaptation Fund. However, there was little progress made on climate mitigation efforts, with no significant steps made to reduce emissions or fossil fuel dependency. COP 27's biodiversity-focused sister conference, COP 15, resulted in a historic agreement to conserve and manage at least 30% of the world's lands and oceans by 2030.







VIEWS FROM THE ASSET CLASS SPECIALISTS

 **Kate Mijakowska** **LDI and Overlay**	In Q4 2022, at the 30-year tenor point, nominal gilts rose by 13bps while breakeven inflation fell by 38bps, leaving UK 30-year real yields 51bps up on the quarter. In October, markets saw extreme levels of volatility, with the 30-year index-linked gilt trading between -10bps and +155bps. Despite the initial nominal bond buying intervention by the Bank of England on 28th September, gilt yields started rising sharply again in October. On 10th October, the Bank of England announced it would extend the emergency bond buying programme to index-linked gilts, which led to real gilt yields falling dramatically again. That emergency measure was subsequently reversed, with the central bank selling its temporary £19.3bn holdings. During the quarter, the Bank of England hiked policy rates twice – by 75bps in November and another 50bps in December. Year-on-year UK CPI inflation prints started decreasing, with October, November and December readings at 11.1%, 10.7% and 10.5% respectively.
 **Oliver Wayne** **Liquid Markets (Equities)**	Over Q4, global developed markets ('DM') and emerging markets ('EM') both delivered positive absolute returns as investors lowered their expectations of future inflation, with Europe being the best performing region. The pound strengthened following a weak first 3 quarters, which meant that the equity rally was less pronounced in GBP terms. Energy was the best performing sector during the quarter and the only sector to deliver positive absolute returns during 2022. EM shares were supported by a weaker US dollar and China's relaxation of its zero-Covid policy. From a factor perspective, DM saw Value and Momentum perform positively and Quality/Growth factors underperform, with a similar picture in EM. During the calendar year there was high factor dispersion across DM and EM, with Value factors performing strongly and Quality/Growth factors performing poorly.
 **Tom Wake-Walker** **Liquid Markets (Multi-Asset)**	After a tough Q3, most liquid markets staged some form of recovery in Q4 as China started to re-emerge and inflation pressures eased slightly. This was good news for most long-biased multi-asset strategies, as they enjoyed the tailwind of rising markets. Any change in market direction is a challenge for trend-following strategies, and after a stellar Q3 it was not a surprise to see these funds struggle in Q4. Value as a style factor continues to outperform, however, and this was the driver of returns for most risk premia funds that had a stellar quarter. In fact, all the classic style factors were in positive territory for the period, so most quantitative funds ended 2022 on a high. It was a very strong quarter for merger arbitrage strategies as spreads started to normalise and the prospect of more M&A in 2023 appeared to improve.

VIEWS FROM THE ASSET CLASS SPECIALISTS

  **Chris Bikos** **Liquid & Semi-Liquid Credit**	Q4 2022 got off to a slow start, with the main themes of inflation, tighter monetary policy and geopolitical uncertainty continuing. However, from mid-October investor sentiment changed as inflationary pressures moderated. Credit spreads across the risk spectrum moved tighter, with European high yield leading the retrace by 127bps across developed markets. Duration (sensitivity to interest rate movements) continued to be the main source of volatility, although the relative impact by quarter-end was positive. Emerging market ("EM") debt in the final quarter of 2022 delivered overall positive returns. China's shift away from its zero-Covid policy, political developments in Latin America and easing US dollar strength were the main catalysts behind EM credit and local currency markets' strong performance in November and December. Despite the relief rally in Q4, 2022 will mainly be remembered as the year where investors felt the unpleasant consequences of higher inflation and interest rates.
  **Tricia Ward** **Illiquid Credit**	All private lenders signpost this period as the most attractive since 2008, while we are also seeing increased interest in shorter-duration private credit (sub 1-year). Private equity ("PE") sponsors remain challenged when trying to raise debt at scale with the material slowdown in capital markets. The purported \$1.6tn 2023-24 US debt refinancing requirement and continued decline in PE exits (67% lower in Q3 2022 vs Q3 2021) also increase demand for private credit. Managers continue to focus on senior-secured lending to higher-quality, defensive companies with good cashflow. In existing portfolios, defaults have risen by around one-third to 1.6% in Q3, the largest increase since 2020's 8.1% peak. Whilst elevated in companies with <\$50MM EBITDA, smaller borrowers are typically subject to more covenants than larger companies. Although not necessarily reflective of true distress, this offers early indications as we await Q4 numbers. As yet, return dispersion is not obvious, but this is a realistic expectation in the coming months.
  **Sarah Miller** **Illiquid Markets**	In 2022, power prices and inflation were front of mind. Unclear revenue caps, volatile energy prices and higher interest rates made gauging the progress of infrastructure investments more challenging. In Q4, governments stepped in to help address high energy prices, including emergency regulation of energy caps in the EU. After peak uptake in corporate power purchase agreement ('PPA') volumes in 2021, 2022 saw an 18% drop following a doubling in the cost of corporate PPAs in H1 2022. Since the introduction of the caps, prices have fallen. Following the UK mini-budget in September, to generate increased liquidity amidst market uncertainty many corporate DB pension schemes submitted redemption requests from property fund investments at a time when underlying asset liquidity also evaporated, as asset owners re-assessed asset valuations. Subsequently, many funds deferred or gated redemptions. It is a buyer's market at fund and asset level, with transactions in Q4 at their lowest since the Global Financial Crisis. Many bidders believe sellers, rather than assets, may be in distress.

HOW HAVE YOUR MANAGERS PERFORMED FOR YOU?

Long Term (Since Inception and 3 Year Returns)

Fund	Benchmark	Inception Date	Current Holdings £m	Since Inception Return (Annualised if >12m)			3 Year Return (Annualised)		
				Fund	Bmk	Excess	Fund	Bmk	Excess
Liquid Markets: Equities									
LCIV Global Alpha Growth Paris Aligned Fund	MSCI All Country World Gross Index (GBP)	September 2021	191.6	-18.3%	-2.2%	-16.0%	-	-	-
LCIV Emerging Market Equity Fund	MSCI Emerging Market Index (TR Net)	September 2021	73.4	-11.2%	-9.6%	-1.6%	-	-	-
LCIV Sustainable Equity Fund	MSCI World (GBP)(TR Net)	June 2018	291.8	8.5%	8.6%	-0.0%	7.9%	8.4%	-0.5%
LCIV Diversified Growth Fund	SONIA + 3.5%	October 2021	126.0	-9.7%	4.9%	-14.6%	-	-	-
BlackRock World Equity	MSCI World Net Total Return 95% hedged to GBP	June 2018	157.8	7.7%	-	-	5.0%	4.9%	0.1%
BlackRock Low Carbon	MSCI World Low Carbon Target Reduced Fossil Fuel Select Index	June 2018	224.7	8.9%	8.5%	0.4%	8.2%	7.7%	0.5%
Liquid and Semi-Liquid Credit									
BMO Bonds	Bond Composite	September 2003	208.4	4.4%	3.9%	0.4%	-6.3%	-7.2%	0.9%
BlackRock Short Bond	3-month SONIA	February 2019	63.7	1.8%	1.6%	0.2%	0.8%	0.6%	0.2%
Illiquid Credit									
Churchill Senior Loans	IRR (net of fees) of 6-7%	December 2018	66.2	5.1%	6.0%	-1.0%	-	-	-
Permira Senior Loans	IRR (net of fees) of 6-8%	December 2019	79.7	7.8%	7.0%	0.8%	-	-	-
LCIV Private Debt Fund	IRR (net of fees) of 6-8%	March 2021	120.2	-	-	-	-	-	-
Illiquid Markets									
LCIV Renewable Infrastructure Fund	IRR (net of fees) of 7-10%	March 2021	34.6	-	-	-	-	-	-
Columbia Threadneedle Pension Property	MSCI/AREF UK 'All Balanced Open-Ended' Property Fund Index	March 2004	141.1	5.8%	5.1%	0.6%	2.1%	2.2%	-0.1%
Columbia Threadneedle Low Carbon Property	-	May 2016	20.6	0.2%	-	-	-4.7%	-	-

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Source: Fund Managers

The information above describes the past performance of the investment. Past performance is not a reliable indicator of the future results or performance of any investment. If the investment described above is not denominated in pounds sterling, the return generated by the investment may increase or decrease as a result of fluctuations in exchange rates between currencies.

HOW HAVE YOUR MANAGERS PERFORMED FOR YOU?

Short Term (12 Month and 3 Month Returns)

Fund	Benchmark	Inception Date	Current Holdings £m	Previous Holdings £m	12 Month Return			3 Month Return		
					Fund	Bmk	Excess	Fund	Bmk	Excess
Liquid Markets: Equities										
LCIV Global Alpha Growth Paris Aligned Fund	MSCI All Country World Gross Index (GBP)	September 2021	191.6	189.4	-22.0%	-8.2%	-13.8%	1.2%	1.1%	0.1%
LCIV Emerging Market Equity Fund	MSCI Emerging Market Index (TR Net)	September 2021	73.4	71.8	-9.5%	-10.0%	0.5%	2.3%	1.8%	0.5%
LCIV Sustainable Equity Fund	MSCI World (GBP)(TR Net)	June 2018	291.8	293.4	-15.6%	-7.8%	-7.8%	-0.5%	1.9%	-2.3%
LCIV Diversified Growth Fund	SONIA + 3.5%	October 2021	126.0	124.1	-15.9%	5.1%	-21.0%	1.5%	1.6%	-0.1%
BlackRock World Equity	MSCI World Net Total Return 95% hedged to GBP	June 2018	157.8	147.9	-16.4%	-16.7%	0.3%	6.8%	6.8%	0.0%
BlackRock Low Carbon	MSCI World Low Carbon Target Reduced Fossil Fuel Select Index	June 2018	224.7	223.5	-9.4%	-9.9%	0.5%	0.5%	0.4%	0.1%
Liquid and Semi-Liquid Credit										
BMO Bonds	Bond Composite	September 2003	208.4	204.7	-24.0%	-25.4%	1.8%	1.8%	1.0%	0.8%
BlackRock Short Bond	3-month SONIA	February 2019	63.7	78.4	1.3%	1.4%	-0.1%	0.9%	0.7%	0.2%
Illiquid Credit										
Churchill Senior Loans	IRR (net of fees) of 6-7%	December 2018	66.2	72.0	-	-	-	-	-	-
Permira Senior Loans	IRR (net of fees) of 6-8%	December 2019	79.7	75.0	-	-	-	-	-	-
LCIV Private Debt Fund	IRR (net of fees) of 6-8%	March 2021	120.2	103.1	-	-	-	-	-	-
Illiquid Markets										
LCIV Renewable Infrastructure Fund	IRR (net of fees) of 7-10%	March 2021	34.6	32.4	-	-	-	-	-	-
Columbia Threadneedle Pension Property	MSCI/AREF UK 'All Balanced Open-Ended' Property Fund Index	March 2004	141.1	163.0	-10.7%	-9.5%	-1.2%	-13.5%	-14.1%	0.6%
Columbia Threadneedle Low Carbon Property	-	May 2016	20.6	22.2	-16.7%	-	-	-8.9%	-	-

Source: Fund Managers

The information above describes the past performance of the investment. Past performance is not a reliable indicator of the future results or performance of any investment. If the investment described above is not denominated in pounds sterling, the return generated by the investment may increase or decrease as a result of fluctuations in exchange rates between currencies.

YOUR FUND DETAILS AND COMMENTS

Fund	Inception Date	Commentary on the Quarter
Liquid Markets: Equities		
LCIV Global Alpha Growth Paris Aligned Fund	September 2021	The fund delivered a return of 1.2% over Q4 2022, outperforming the benchmark by 0.1%. This was a marginally positive quarter as performance continued to stabilise in the fund following sizeable drawdowns earlier in 2022. These drawdowns continue to take a toll on longer term performance but the gradual shift of the portfolio away from the most aggressively valued holdings, and into less volatile but still growth oriented companies is starting to reap benefits.
LCIV Emerging Market Equity Fund	September 2021	The fund delivered a return of 2.3% over Q4 2022, outperforming the benchmark by 0.5%. The fund extended its outperformance in Q4 as risk assets rallied in the first two months of the quarter on the back of optimism related to milder policy tightening from major central banks. The fund also benefitted from the easing of the zero-Covid policy in China and a weaker outlook for the U.S. Dollar.
LCIV Sustainable Equity Fund	June 2018	The fund delivered a return of -0.5% over Q4 2022, underperforming the benchmark by 2.3%. Equity markets rebounded over Q4 however the Fund did not benefit from this primarily due to stock selection issues within the Financials sector and specific Consumer and Health Care stock selections. Relative to the benchmark, the largest overweight exposures as at quarter-end were to Consumer Staples and Health Care, with Information Technology the largest underweight.
LCIV Diversified Growth Fund	October 2021	The fund delivered a return of 1.5% over Q4 2022. The top performing segment in the fourth quarter was 'High Yield Credit' which added 0.9%. This was mainly due to holdings in Asian debt. In China, a relaxation of strict Covid-19 rules, along with targeted support for struggling sectors, including the property industry, has improved the outlook for the local economy. The 'Absolute Return' segment was the main negative contributor with -1.4%. This segment fell in value mainly due to futures contracts which track the volatility of the S&P 500 Index ('VIX').
BlackRock World Equity	June 2018	The fund delivered a return of 6.8% over Q4 2022, performing roughly in line with the benchmark, as expected for a passive fund.
BlackRock Low Carbon	June 2018	The fund delivered a return of 0.5% over Q4 2022, performing roughly in line with the benchmark, as expected for a passive fund.
Liquid and Semi-Liquid Credit		
BMO Bonds	September 2003	The fund delivered a return of 1.8% over Q4 2022, outperforming the benchmark by 0.8%. An underweight duration position late in the quarter, tactical cross market positioning in the UK, curve steepening exposure in the UK and underweight breakeven positions added to performance, whereas underweights in Italy subtracted from performance. The fund overall maintains an overweight credit risk position relative to its benchmark. This overweight position contributed positively to relative returns as credit assets outperformed government bonds over the quarter.
BlackRock Short Bond	February 2019	The fund delivered a return of 0.9% over Q4 2022, performing roughly in line with the benchmark, as expected for a passive fund.

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YOUR FUND DETAILS AND COMMENTS

Fund	Inception Date	Commentary on the Quarter
Illiquid Credit		
Churchill Senior Loans	December 2018	The net internal rate of return of the fund was 5.1% over Q4 2022, with the fund having drawn 94% of its commitments as at 31 December 2022.
Permira Senior Loans	December 2019	The net internal rate of return of the fund was 7.8% over Q4 2022, with the fund having drawn 83% of its commitments as at 31 December 2022.
LCIV Private Debt Fund	March 2021	Overall, the Fund was drawn 51.9% as at 30 September 2022, an increase of 11.7% from last quarter end. The £99.7m called from underlying investments over the quarter shows a continued pleasing pace in deploying capital. In accordance with the trust deed, the performance of the Fund is not formally assessed against its objective until after the fourth year of the investment period.
Illiquid Markets		
LCIV Renewable Infrastructure Fund	March 2021	As of 30th September 2022, the fund had drawn 30% of its commitments. In accordance with the trust deed, the performance of the Fund is not formally assessed against its objective until after the fourth year of the investment period.
Columbia Threadneedle Pension Property	March 2004	The fund delivered a return of -13.5% over Q4 2022, outperforming the benchmark by 0.6%.
Columbia Threadneedle Low Carbon Property	May 2016	The fund delivered a return of -8.9% over Q4 2022.

APPENDICES

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ASSET CLASS GROUPINGS

Government Bonds & LDI

- Manage unrewarded interest rate and inflation risk through efficient use of entire universe of hedging instruments.
- Examples: gilt portfolios, swap overlay strategies, LDI pooled funds.

Liquid Markets

- Highly marketable asset classes that generate returns through market risk premia.
- Examples: equities, commodities, liquid multi-asset strategies.

Liquid & Semi-Liquid Credit

- Steady income via regular coupon payments.
- Bulk of excess returns are compensation for credit risk.
- Examples: investment grade and high yield corporate bonds, "go-anywhere" credit.

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Illiquid Credit

- Long-dated, hold-to-maturity instruments that pay an illiquidity premium.
- Potential for inflation-linked cashflows.
- Examples: infrastructure debt, secured leases, direct lending.

Illiquid Markets

- High potential returns but often difficult to access and relatively complex.
- Generally aim to take advantage of market dislocation and more exotic risk premia.
- Examples: private equity, property, infrastructure equity.

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2021 FINANCIAL NEWS **INVESTMENT CONSULTANT OF THE YEAR**

2021 PIPA AWARDS **INVESTMENT CONSULTANT OF THE YEAR**

2020 PROFESSIONAL PENSIONS UK PENSIONS AWARDS **DC INNOVATION OF THE YEAR**

2018 CEO MONTHLY MAGAZINE **CEO OF THE YEAR: LONDON**

2017 PENSION INSIGHT DC AWARDS **BEST INNOVATION IN DC**

2017 EUROPEAN PENSIONS AWARDS **RISK MANAGEMENT FIRM OF THE YEAR**

2017 FINANCIAL NEWS AWARDS FOR EXCELLENCE **INVESTMENT CONSULTANT OF THE YEAR**

2017 INVESTMENT WEEK WOMEN IN INVESTMENT AWARDS **YOUNG INVESTMENT WOMAN OF THE YEAR**

2016 LONDON STOCK EXCHANGE **1000 COMPANIES TO INSPIRE BRITAIN**

2016 EUROPEAN PENSIONS AWARDS **CONSULTANCY OF THE YEAR**

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MARKET UPDATE

Q1 2023

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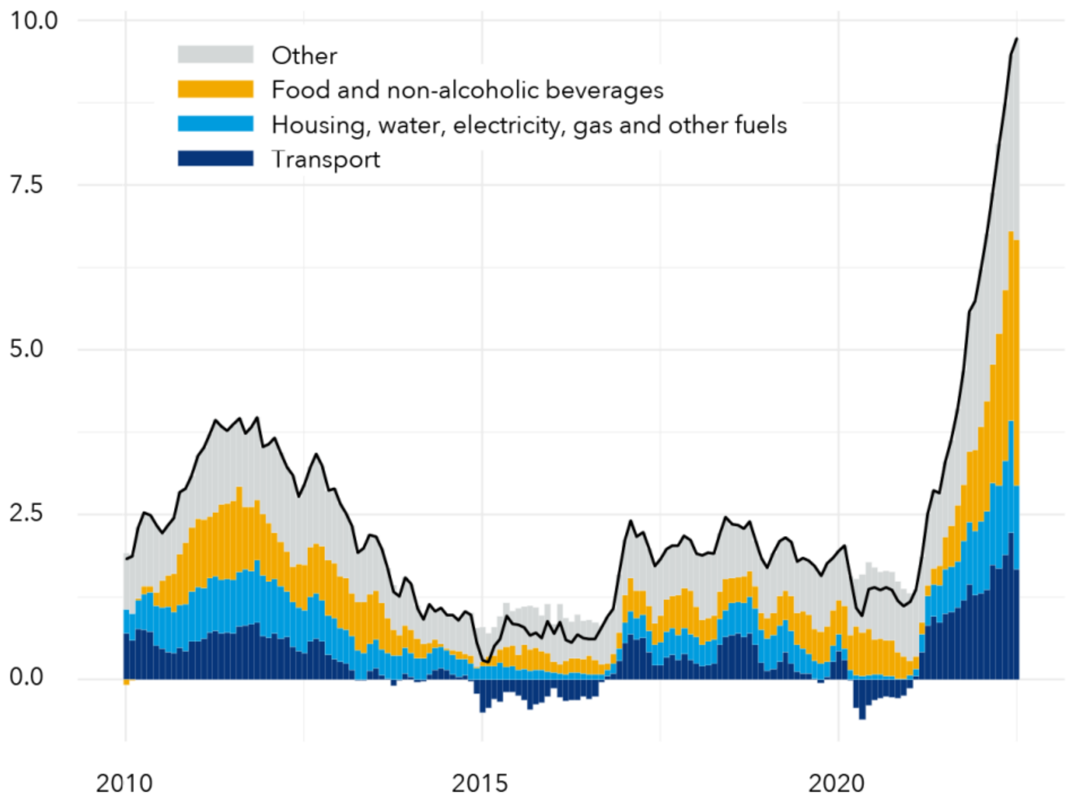
Quality Assurance Scheme

2022 IN REVIEW

INFLATION
SURGED ACROSS THE WORLD

Inflation drivers

Food and energy prices continue to drive the global inflation surge.
(percent, median inflation rate)



Source: IMF CPI database and IMF staff calculations.
Note: Chart shows median total inflation and in select categories across 88 countries, including 28 advanced economies and 60 emerging and developing economies.

IMF

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CENTRAL BANK POLICY
MONEY PRINTER BECAME A HOOVER

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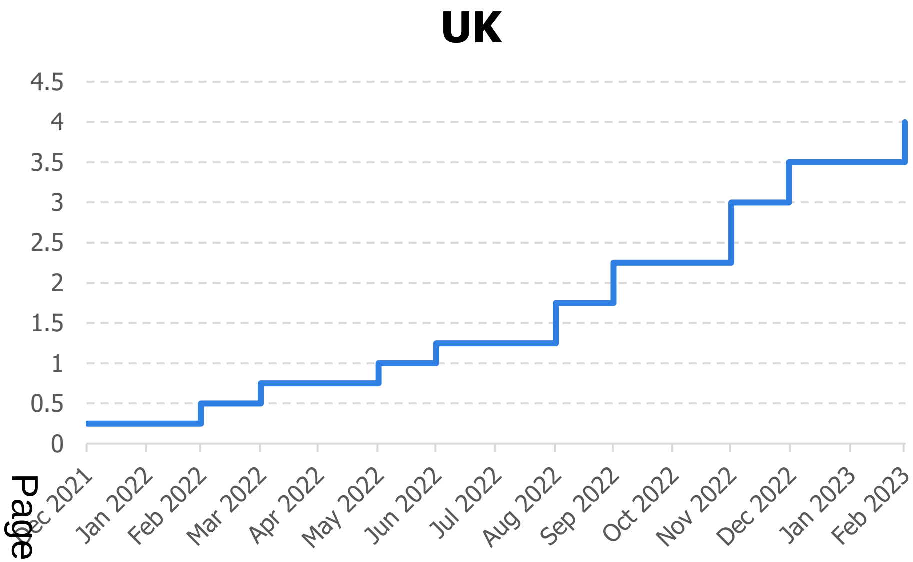
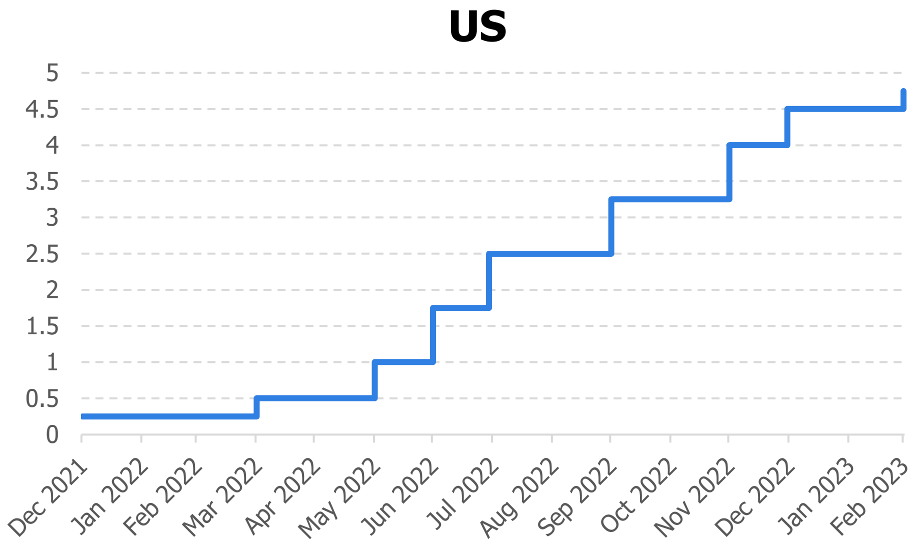
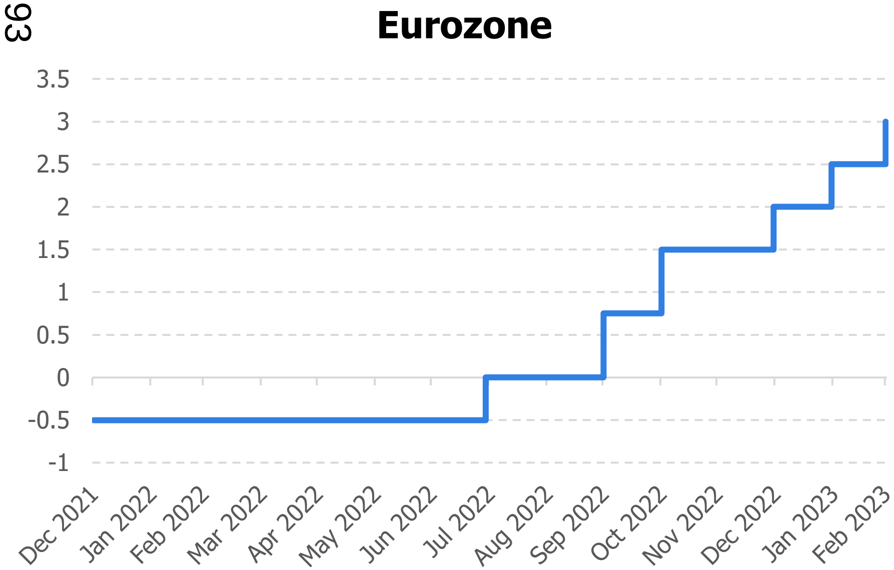
INTEREST RATES
CENTRAL BANKS TIGHTENED RAPIDLY TO CONTROL INFLATION



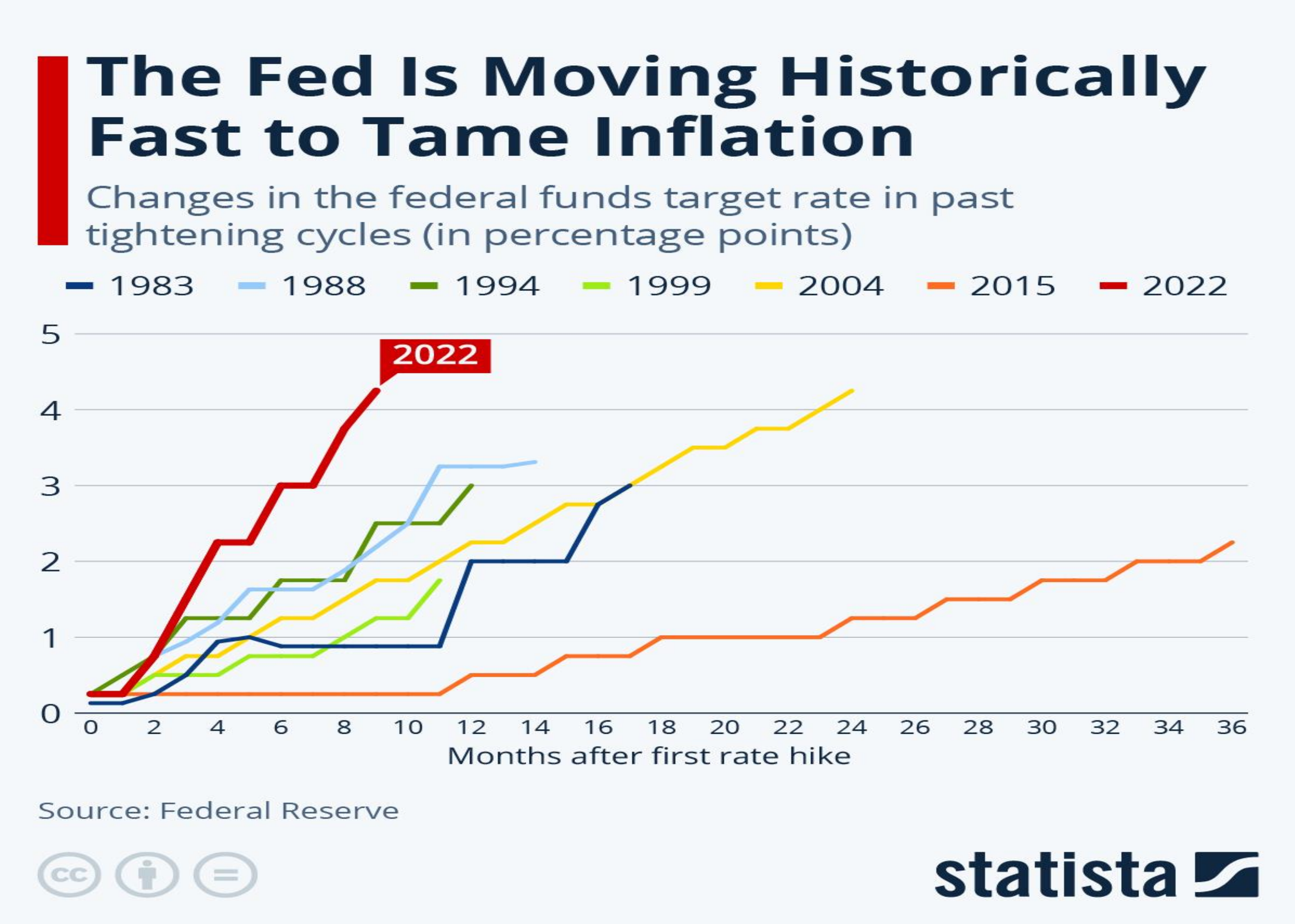




Central bank hiking decisions (first week of February 2023)

- **BOE +50bps**
- **ECB +50bps**
- **FED +25bps**

INTEREST RATES
THE FASTEST RATE HIKING CYCLE IN HISTORY



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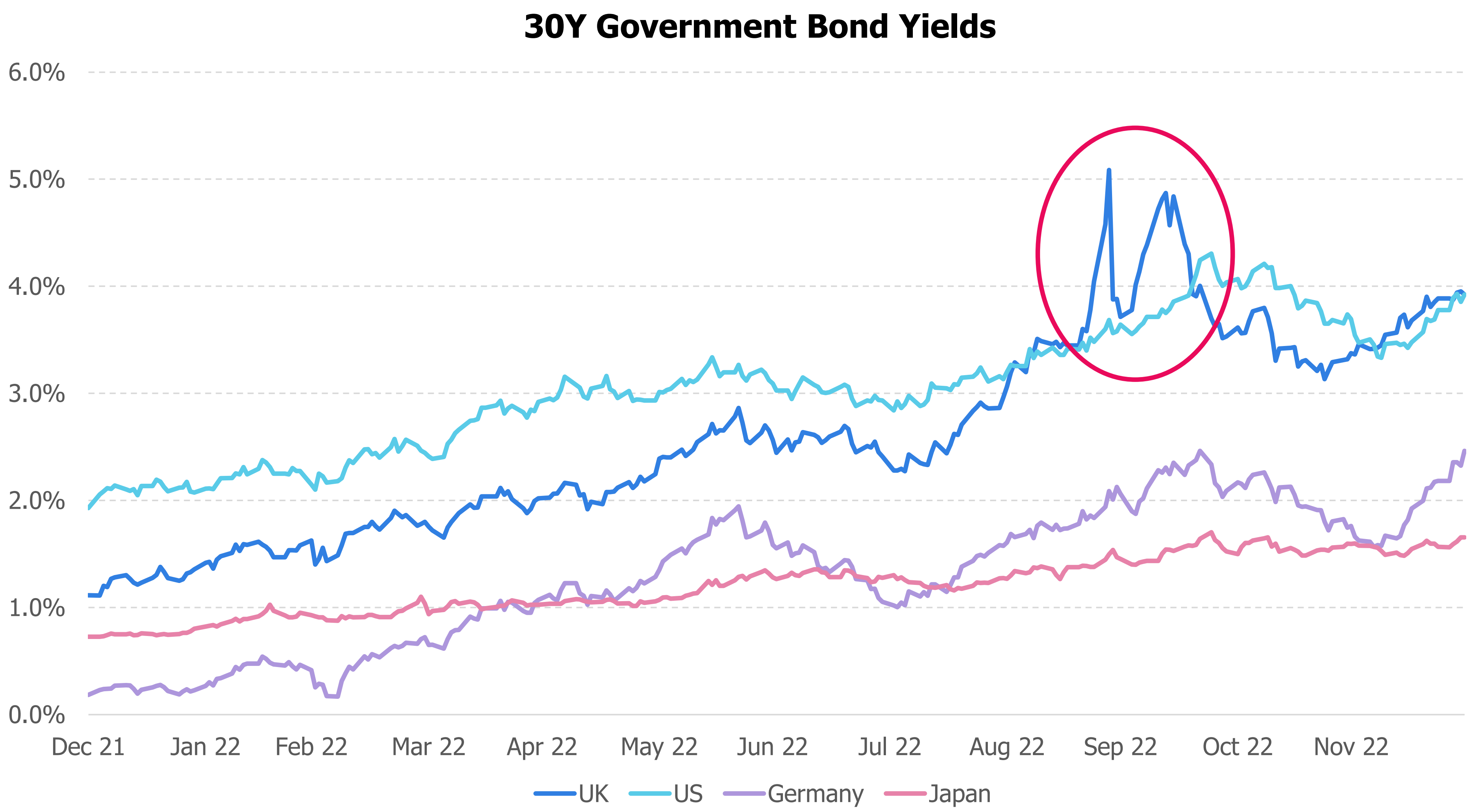
FIXED INCOME
GOVERNMENT BOND YIELDS ROSE SHARPLY



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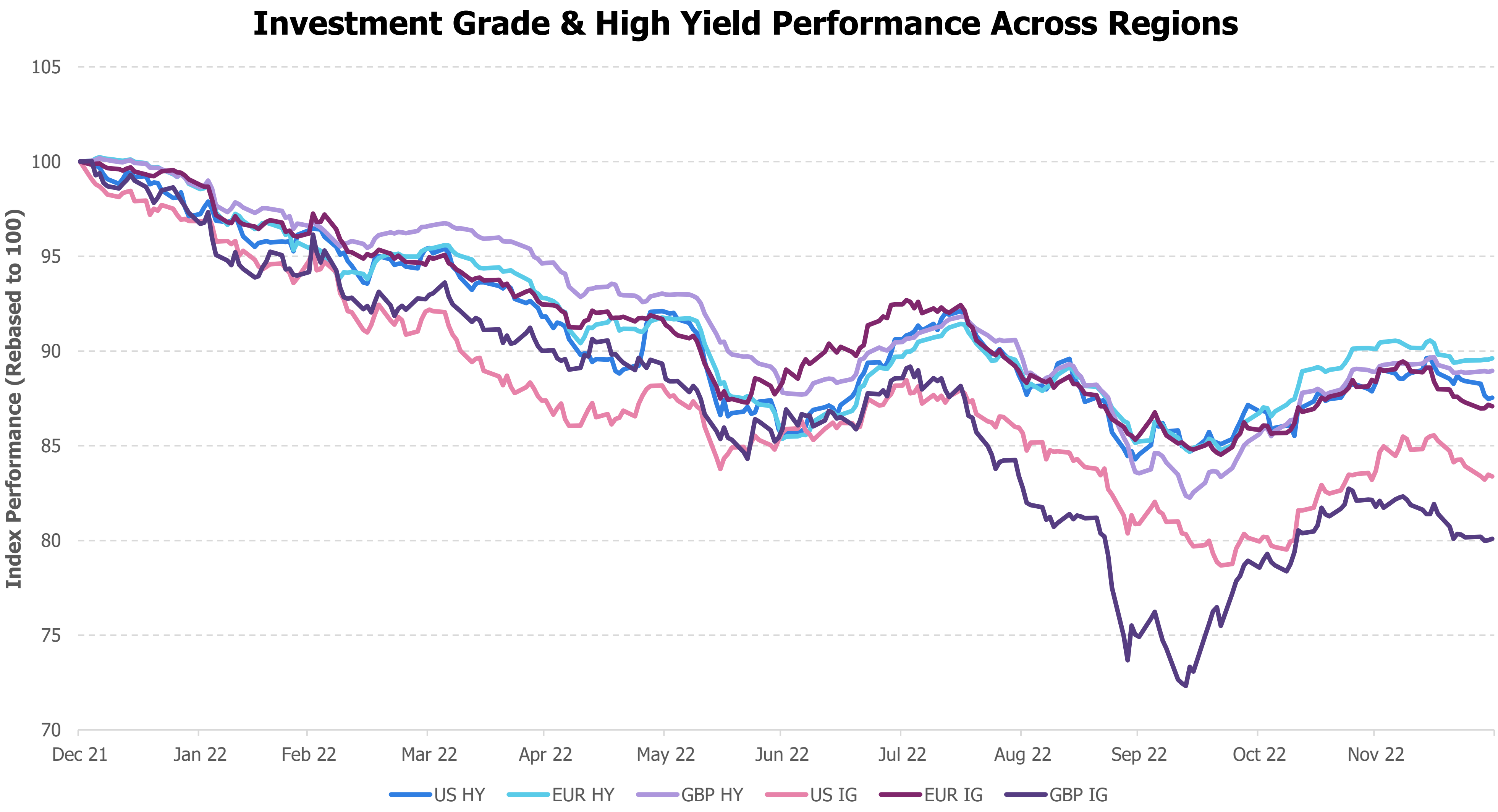
Source: Bloomberg

FIXED INCOME
NEGATIVE PERFORMANCE ACROSS CREDIT ASSETS



Source: ICE

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FIXED INCOME
SPREADS HAVE WIDENED, BUT DEFAULT RATES HAVE REMAINED LOW

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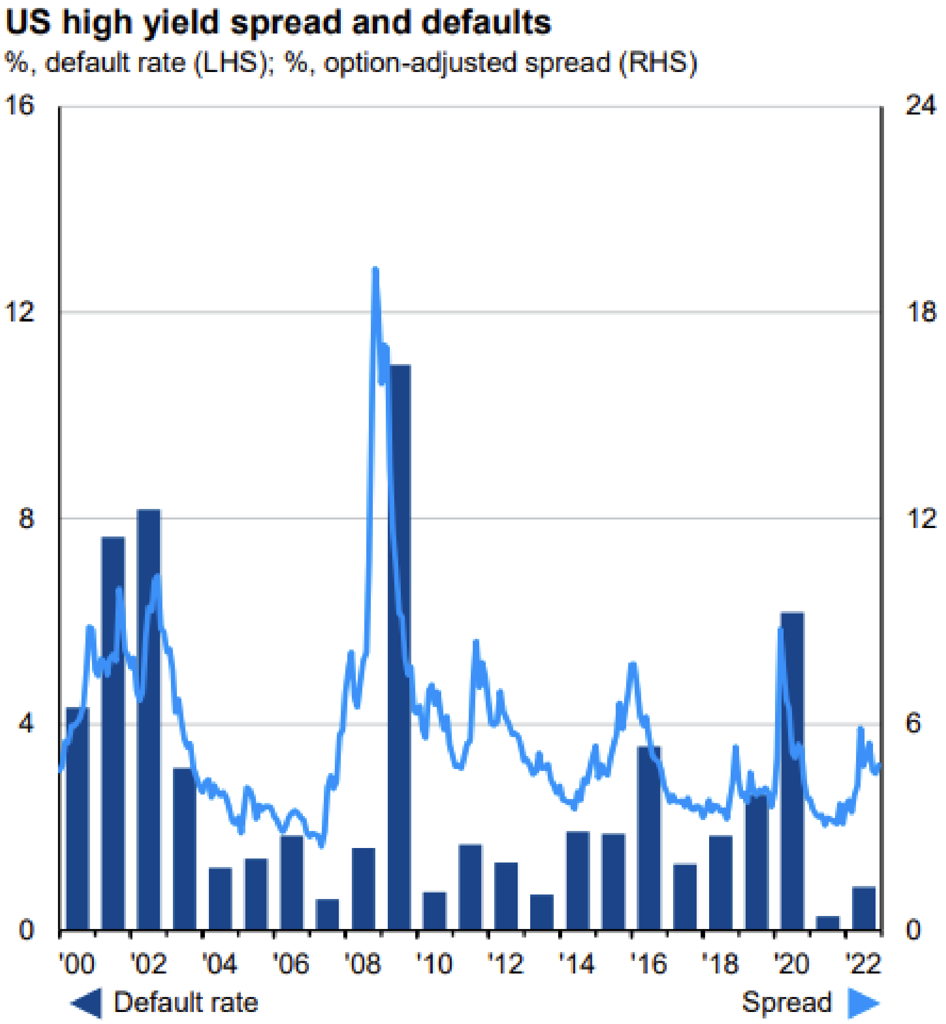
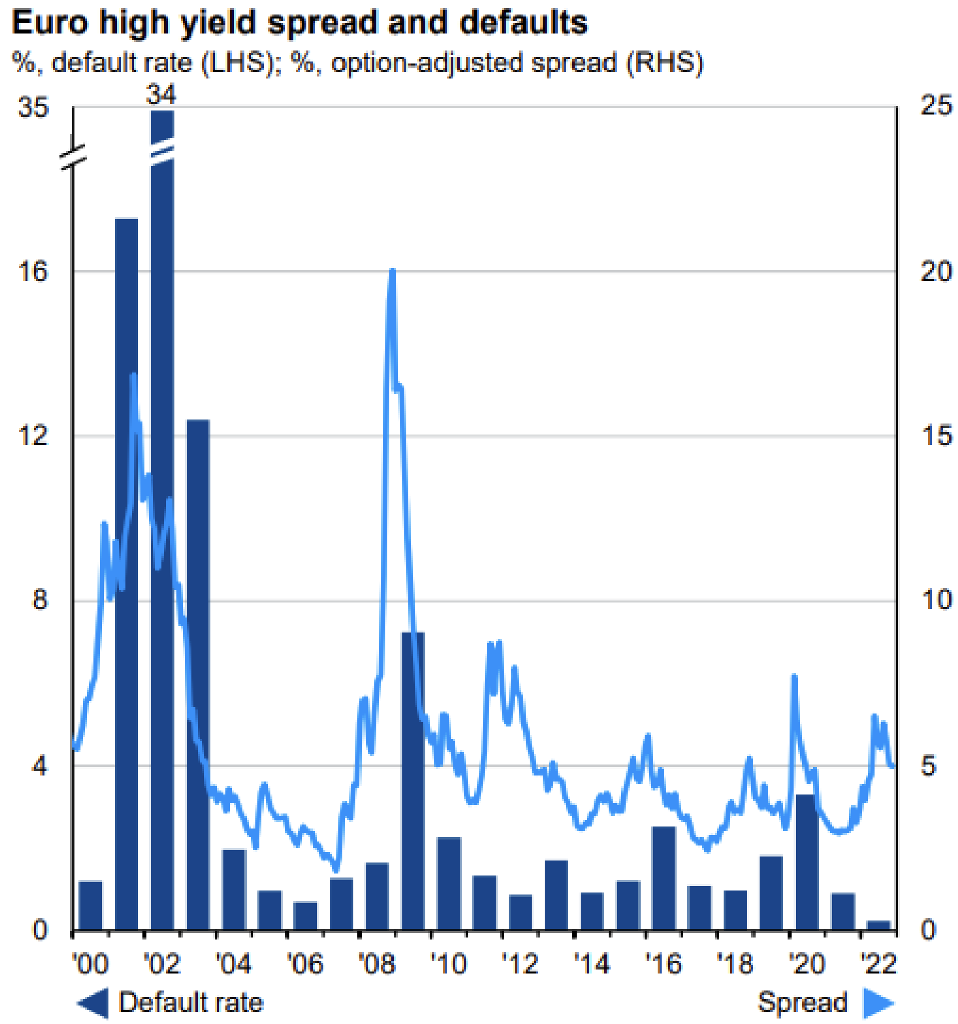
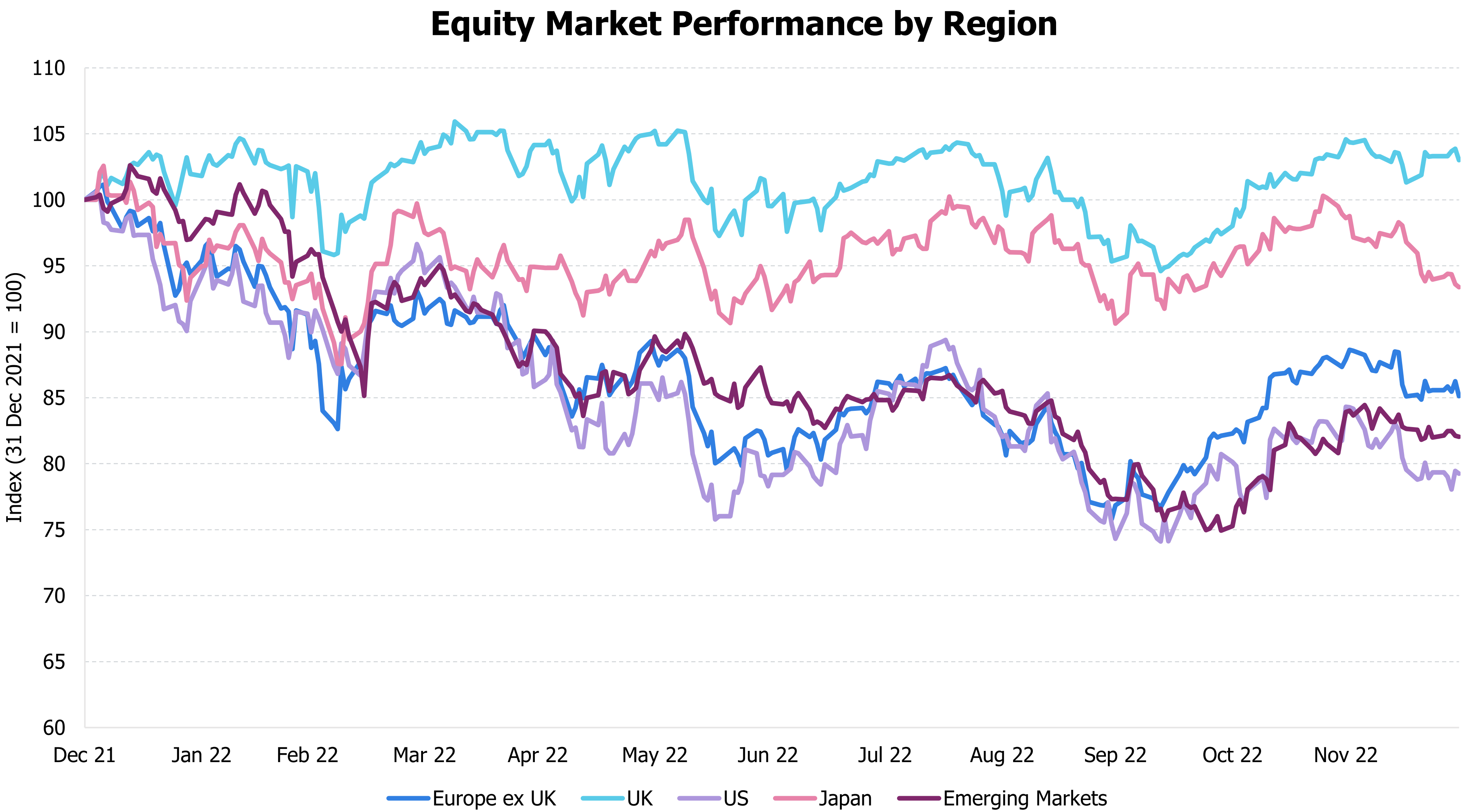




Source: J.P. Morgan

EQUITIES
UK OUTPERFORMS IN A DIFFICULT YEAR



Source: Bloomberg

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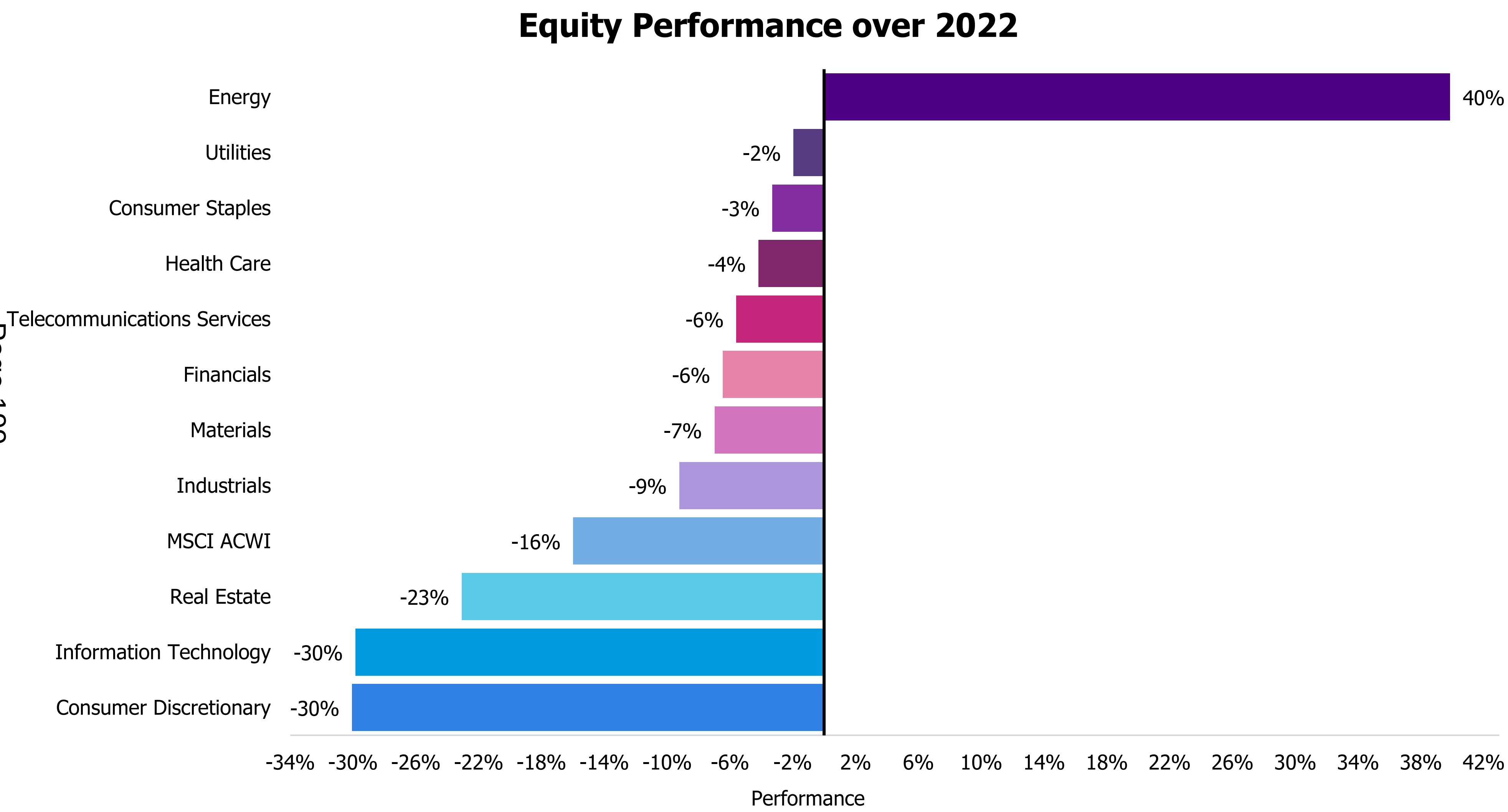
EQUITIES
THERE WEREN'T MANY PLACES TO HIDE



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Source: FE Analysts

EQUITIES
THE ‘LARGE 7’ PORTFOLIO, NOT SO DOMINANT ANYMORE

PERFECT STORM FOR THE 60/40 PORTFOLIO
TRADITIONAL CORRELATIONS BROKE DOWN

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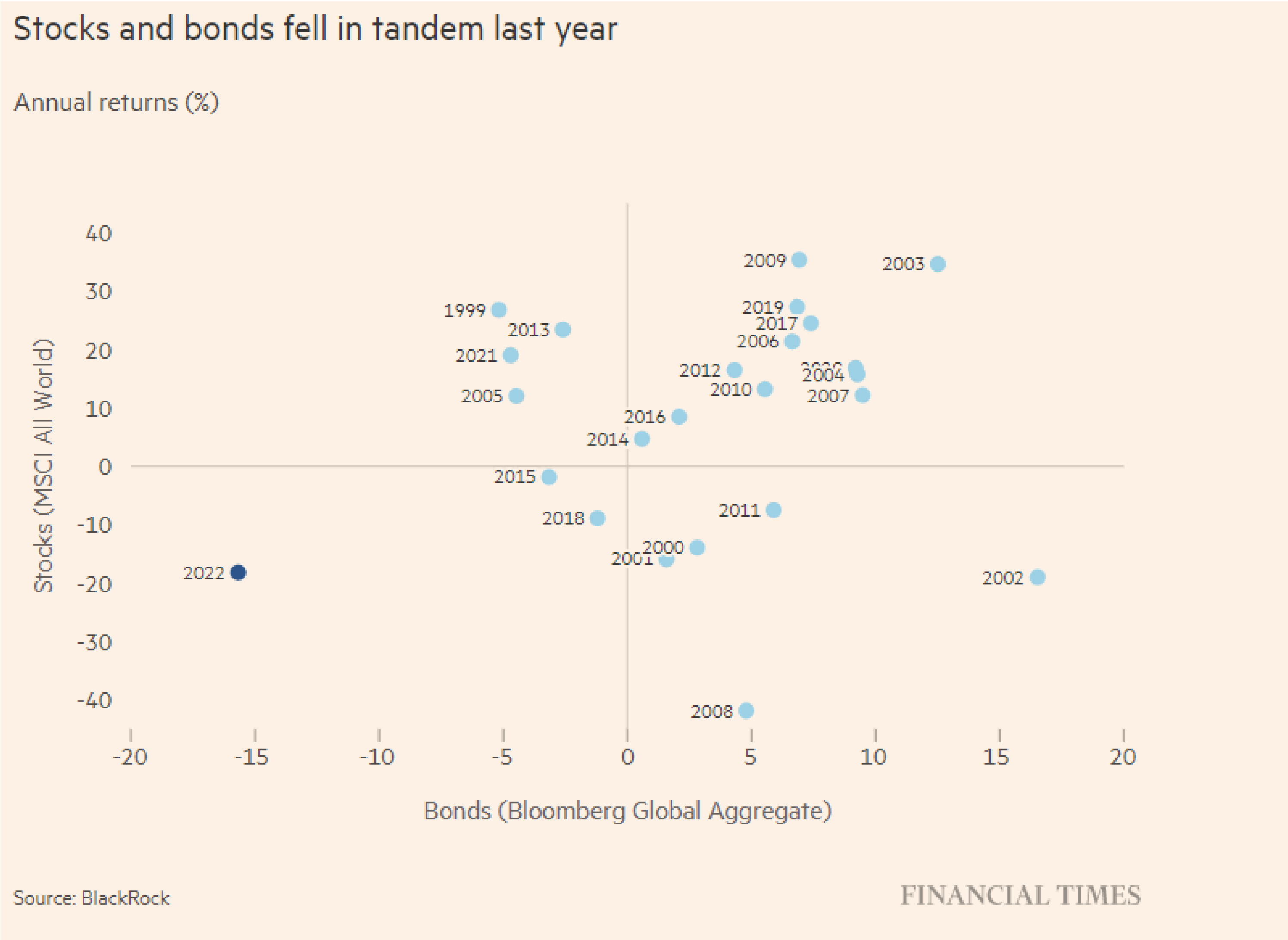

PERFECT STORM FOR THE 60/40 PORTFOLIO
SIGNIFICANTLY UNDERPERFORMING INFLATION

2. The joint equity and bond sell-off caused the popular 60/40 portfolio to underperform inflation by the most in nearly a century

Schroders

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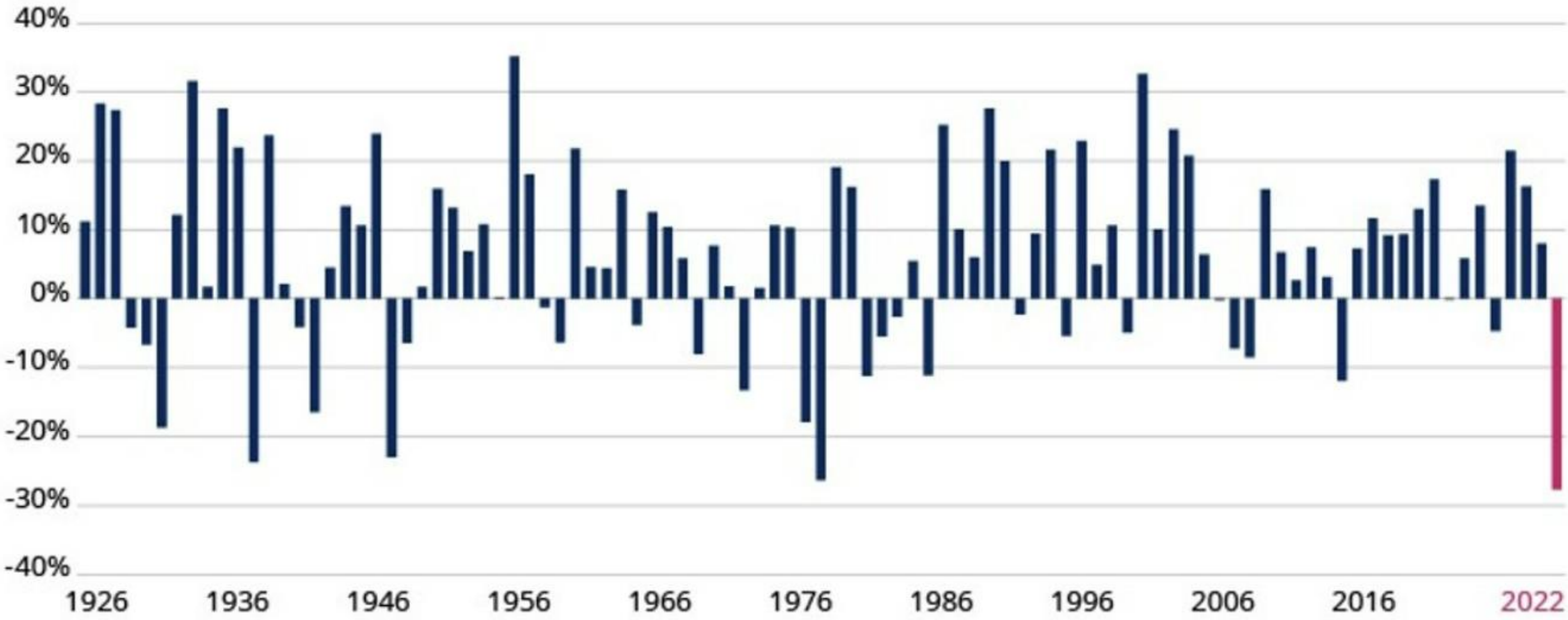
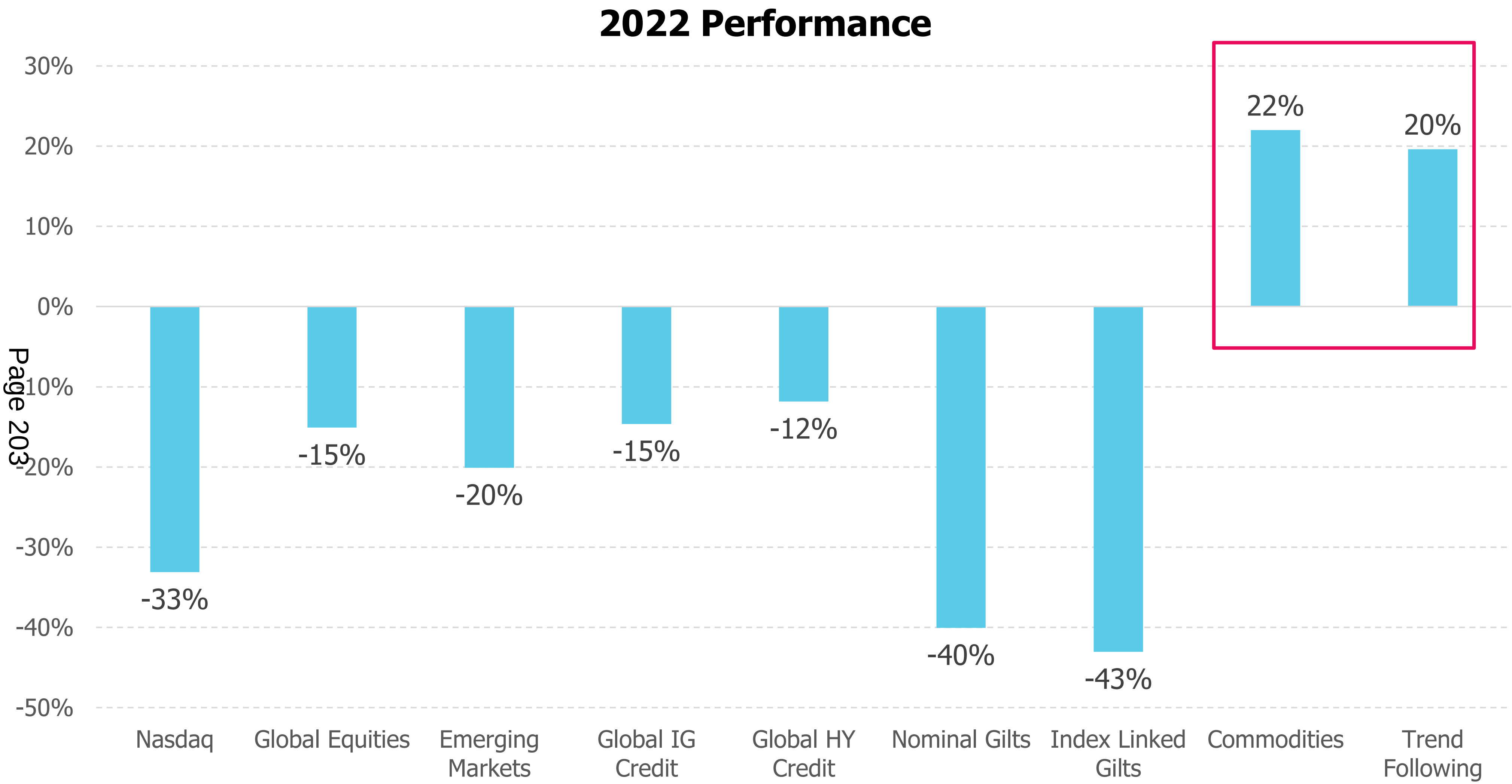


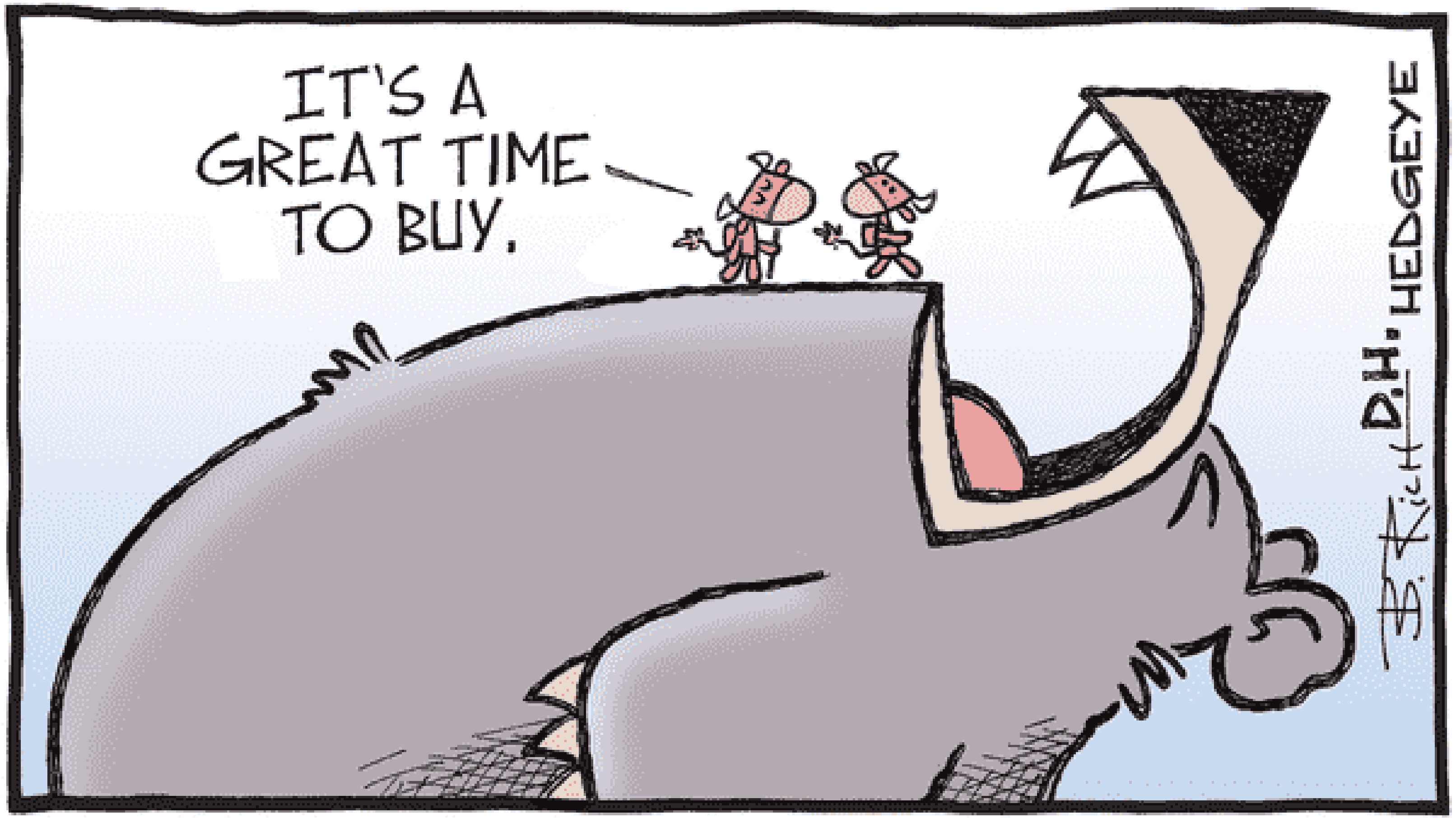
ASSET CLASS PERFORMANCE
DIVERSIFICATION AWAY FROM EQUITIES/BONDS HELPED



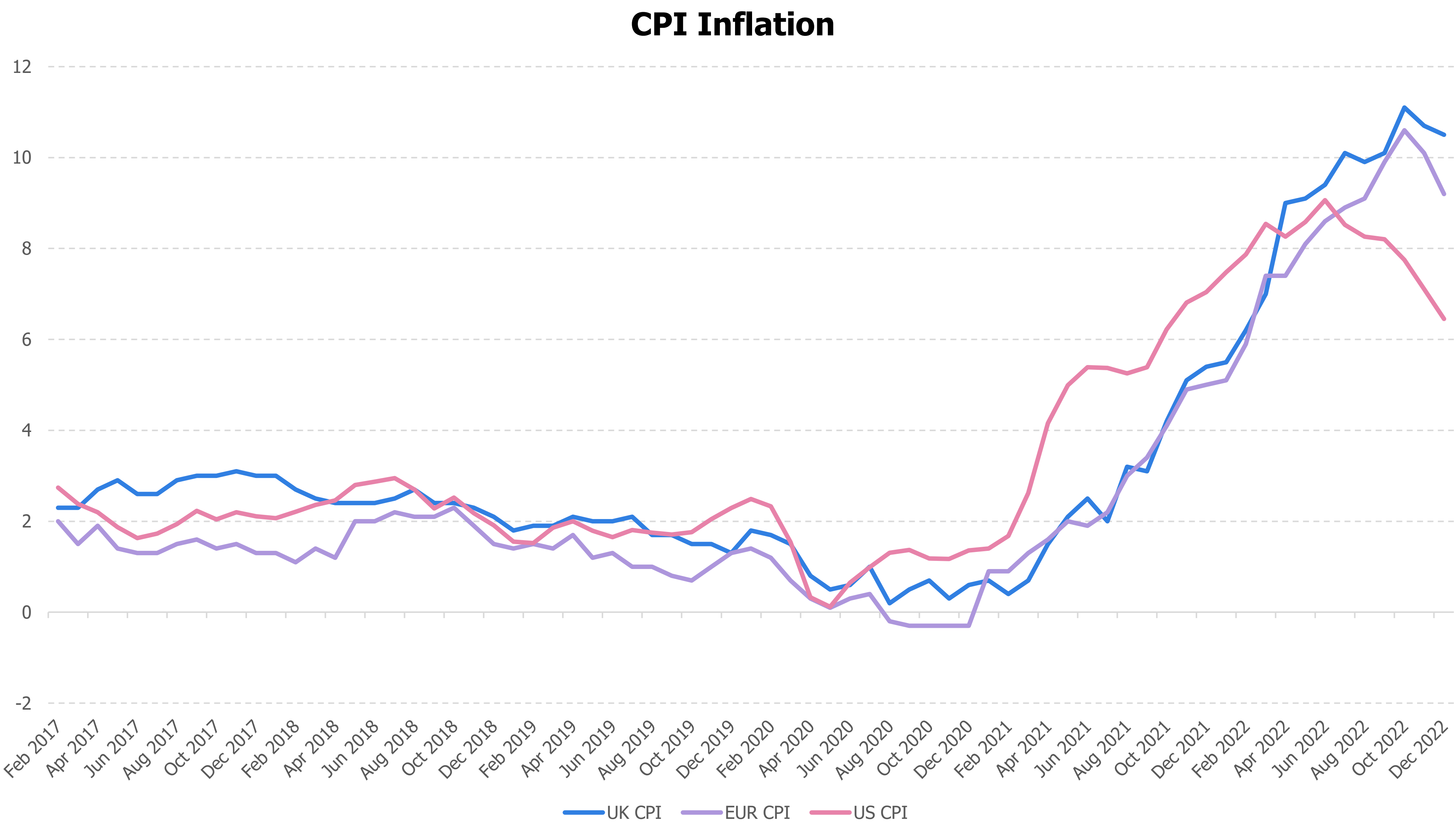
Source: Bloomberg, ICE

RECENT DEVELOPMENTS

SOFT LANDING?
A MORE OPTIMISTIC MOOD IN MARKETS



INFLATION
PEAKED AND DECLINING



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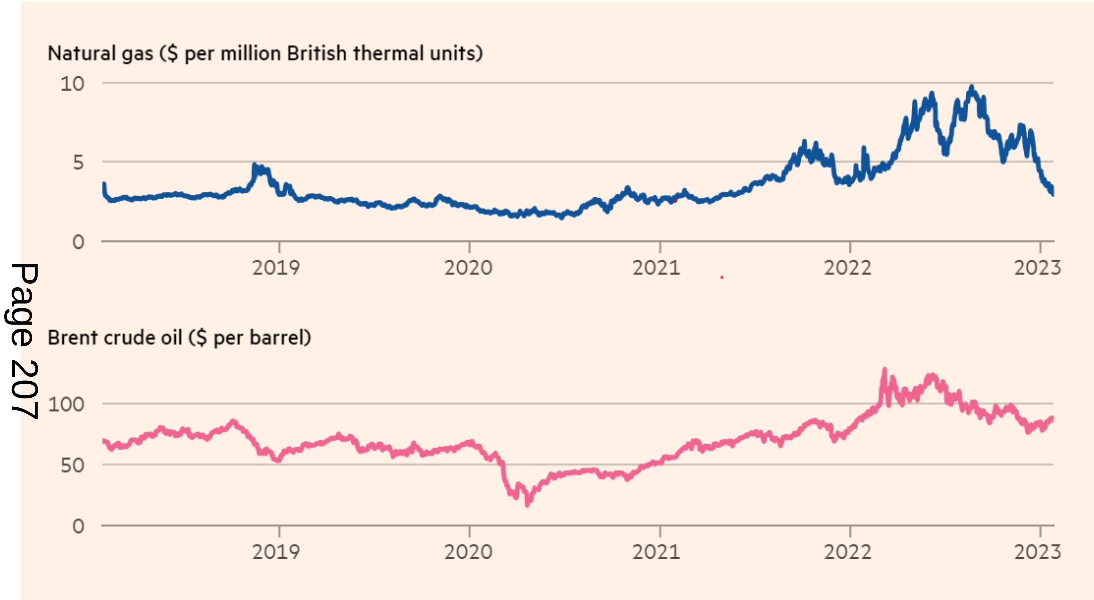
INFLATION
HELPED BY FALLING ENERGY COSTS AND LOOSENING LABOUR MARKET



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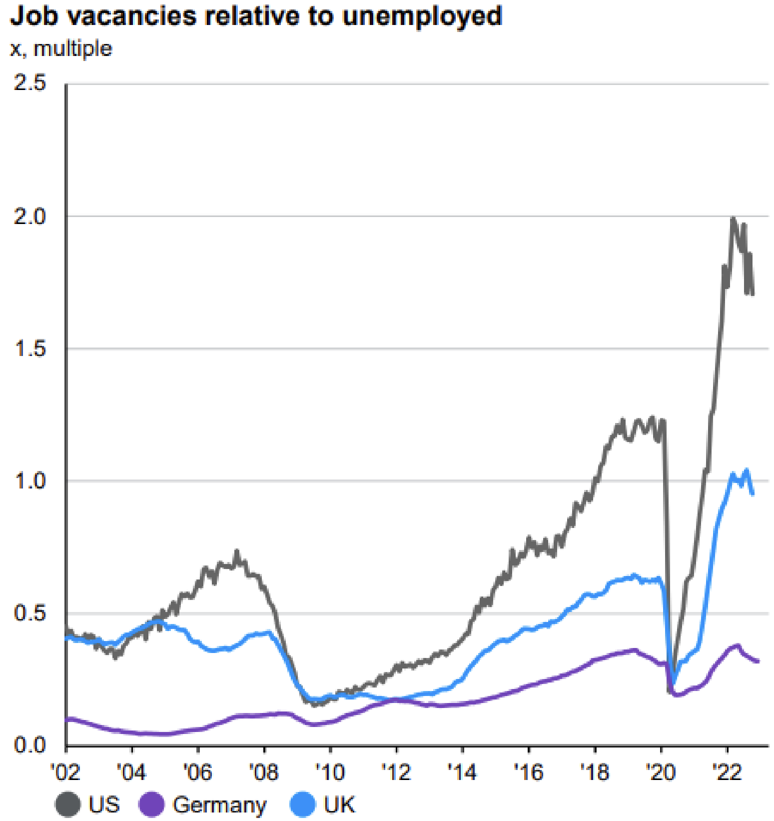


Source: Financial Times

CENTRAL BANKS
A SHIFT IN TONE

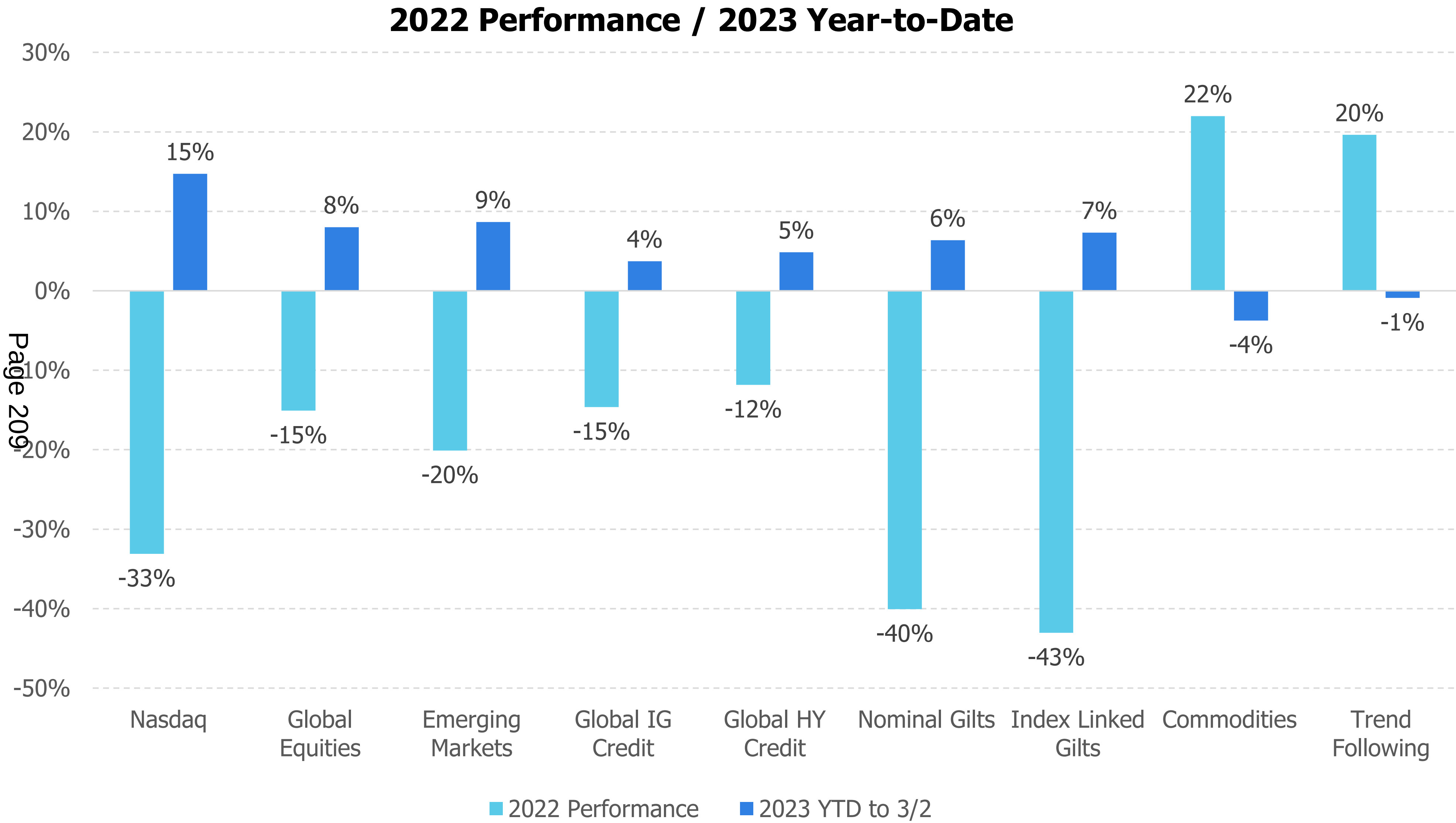
"Given our outlook, I don't see us cutting rates this year, if our outlook turns [out] true…[but] ***if we do see inflation coming down much more quickly, that'll play into our policy setting****, of course."*

Jay Powell, Fed Chairman" (1 Feb 2023)

As I said earlier, if the economy evolves as the central case of the forecasts suggests [market-implied rates reducing inflation to target], ***then of course we will set policy according to that situation, and we will respond accordingly****."*

Andrew Bailey, BoE Governor (1 Feb 2023)

ASSET CLASS PERFORMANCE
A POSITIVE START FOR EQUITIES AND BONDS



Source: Bloomberg, ICE

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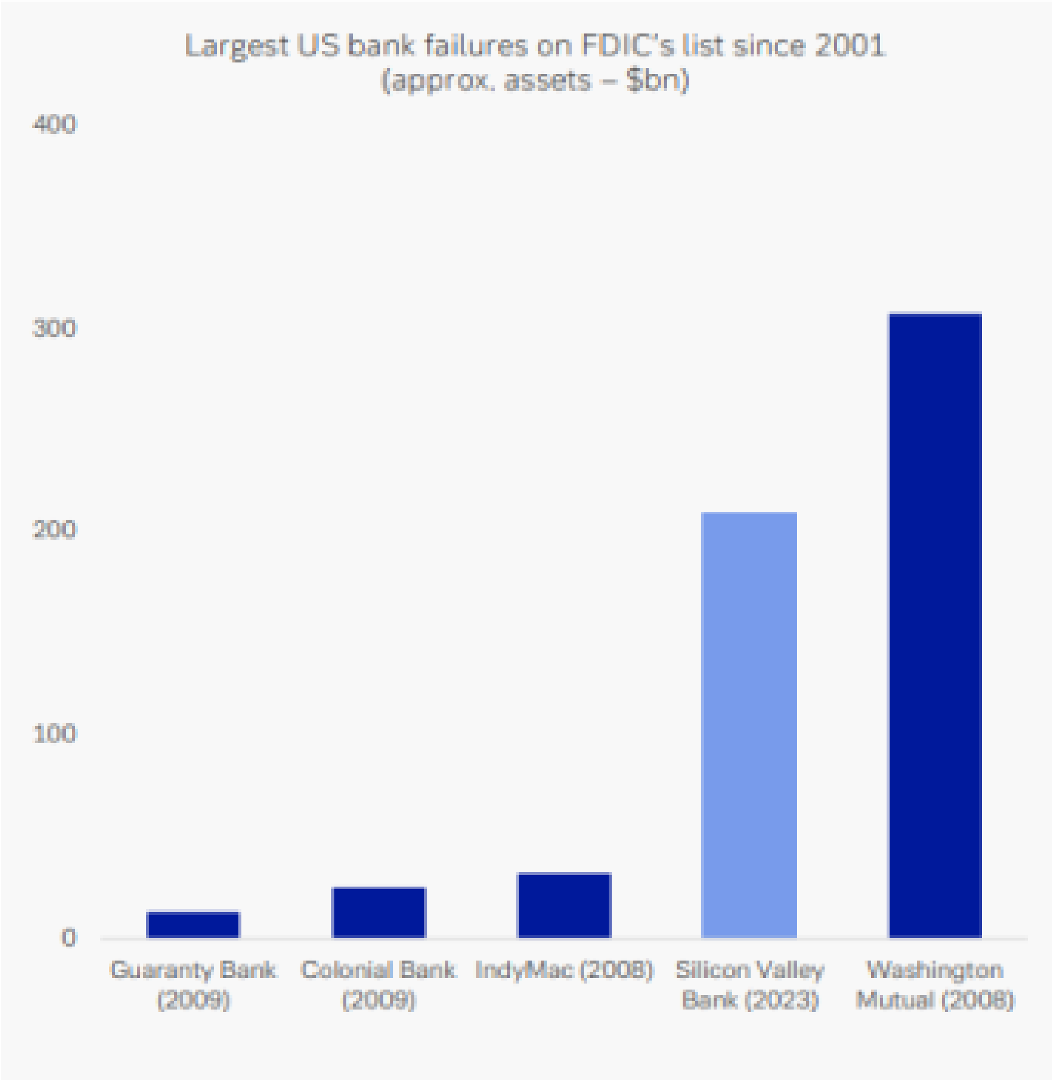
BANKING TROUBLES

SECOND LARGEST BANK FAILURE IN HISTORY



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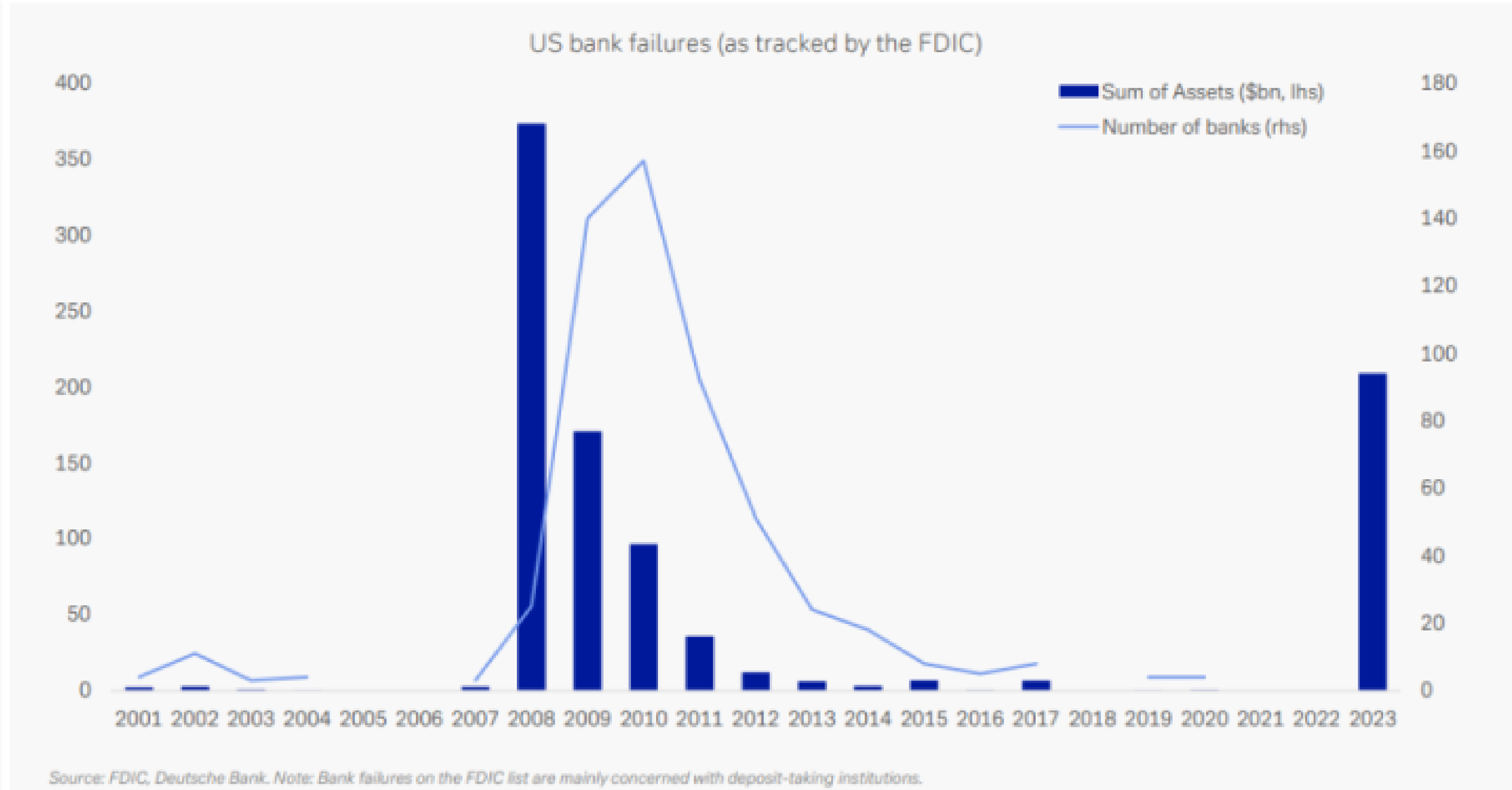
Source: JP Morgan

CANARY IN THE COAL MINE?



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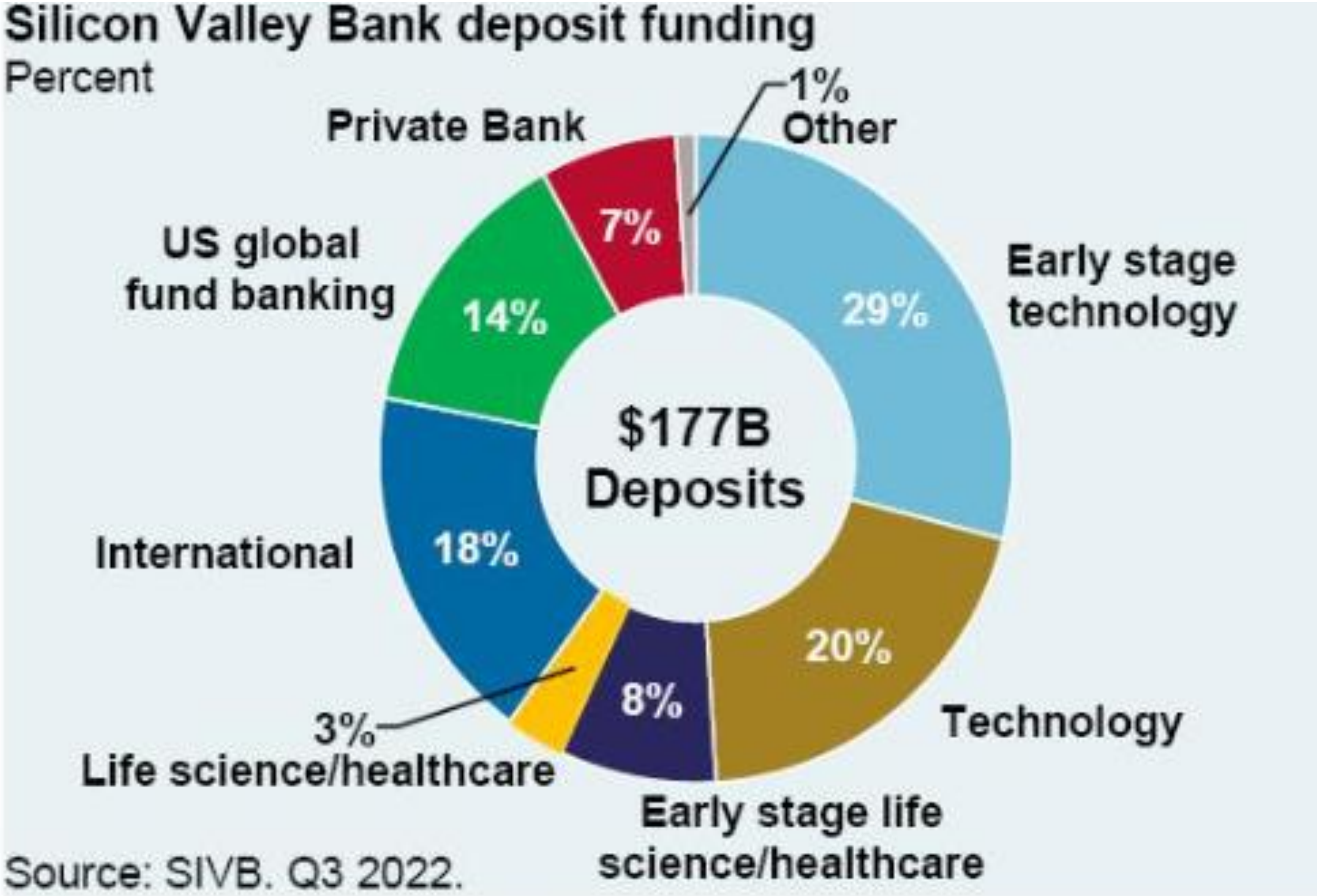
Source: JP Morgan

UNUSUAL DEPOSIT BASE...



Source: JP Morgan

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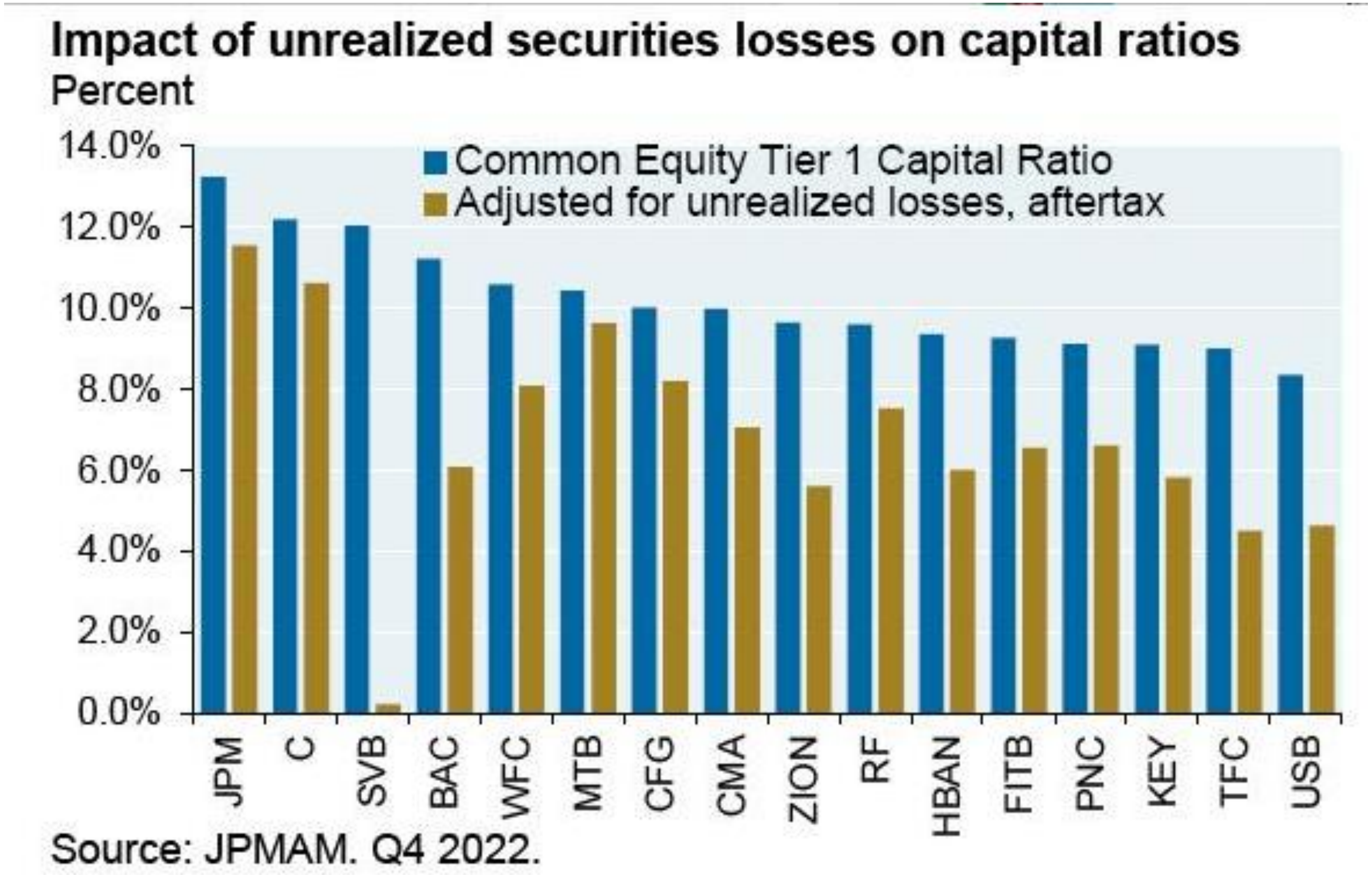
ASSETS WITH HIGH DURATION RISK



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CREDIT SUISSE RESCUED BY SWISS RIVAL UBS

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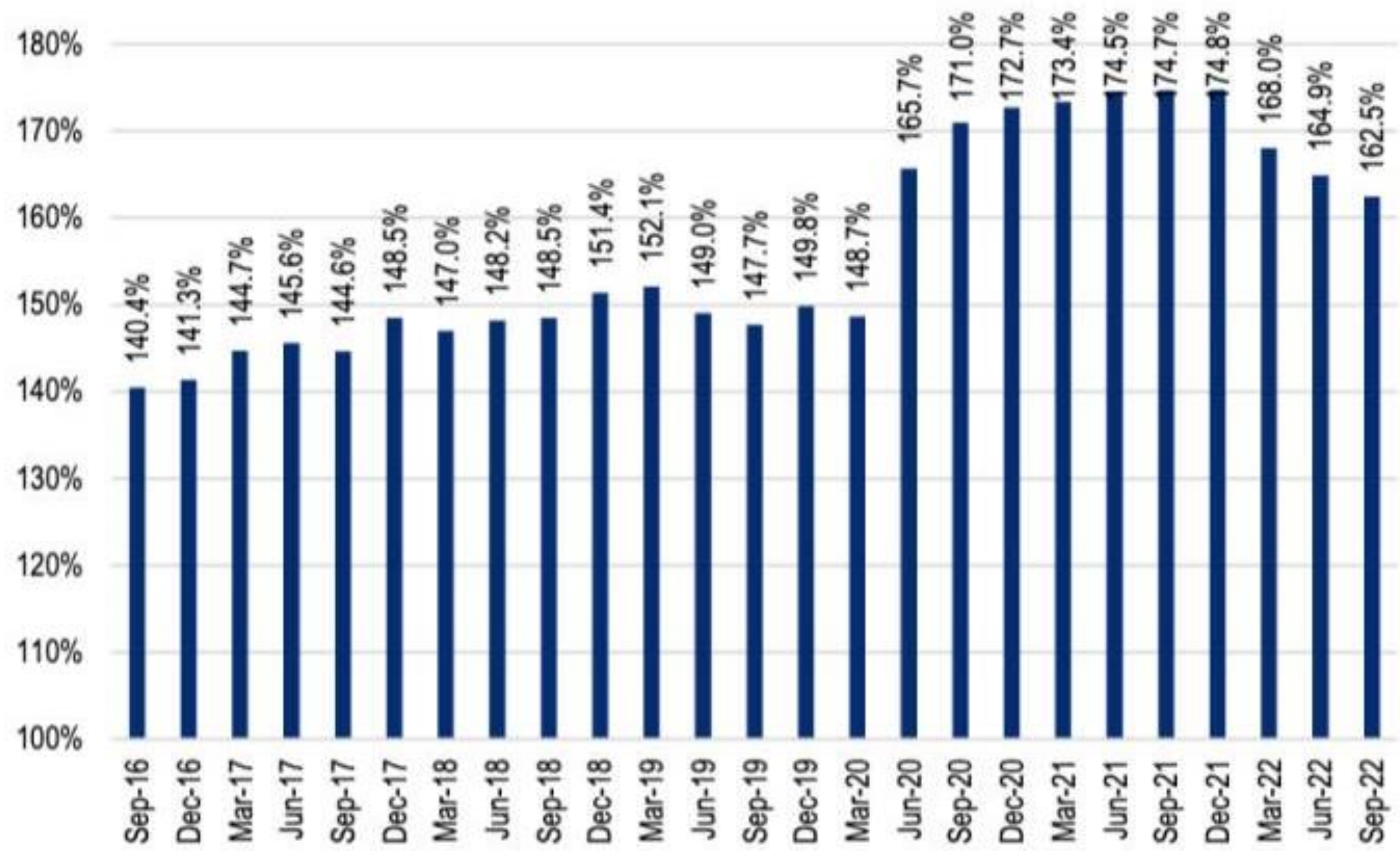
Citi, : "We see very limited read-across from the failure of Silicon Valley Bank to European Banks.."

Sunday 19 March Swiss President "On Friday the liquidity outflows and market volatility showed it was no longer possible to restore market confidence and a swift and stabilising solution was absolutely necessary".

Source: FT

FEW PARALLELS BETWEEN EUROPEAN BANKS AND SVB

European Banks – Average Liquidity Coverage Ratios



Source: EBA and Citi Research; * Data for EU/EEA.

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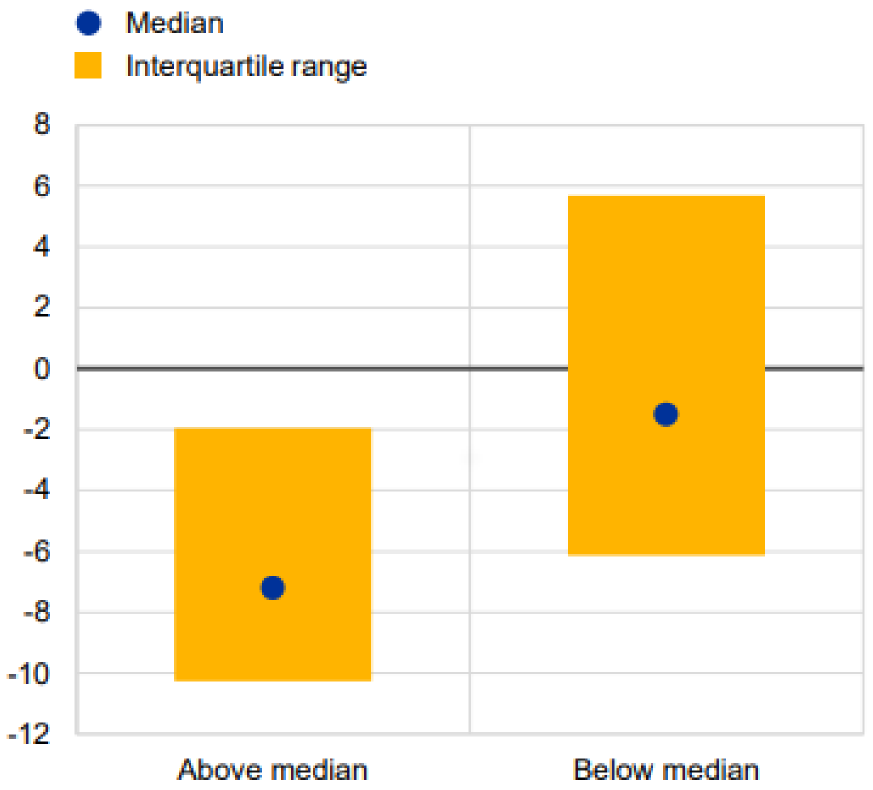
EUROPEAN BANKS RUN VERY LIMITED INTEREST RATE RISK

b) Change in bank net worth due to a 200 basis point increase in rates for banks with an above/below-median share of fixed-rate asset cash flows

(Q4 2021, percentages)



TIDE OF EASY MONEY IS GOING OUT

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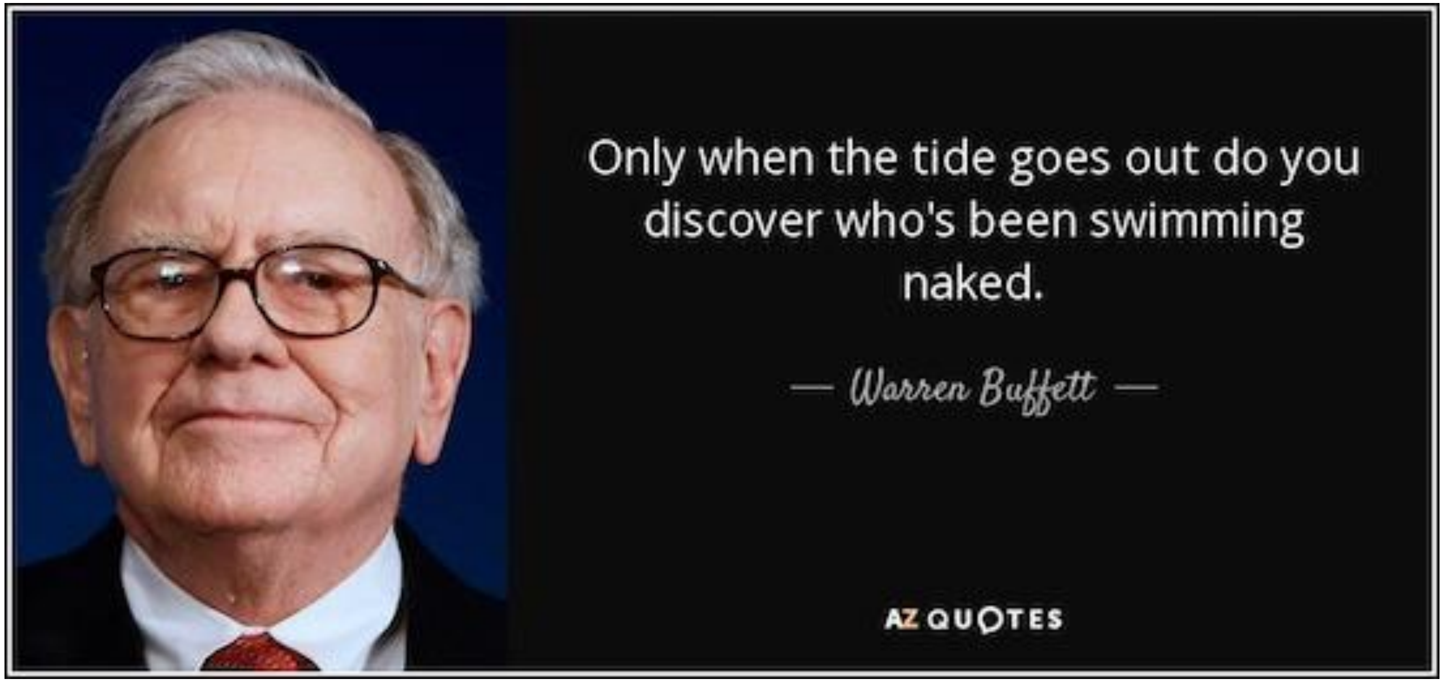

KEY TAKEAWAYS

- SVB collapse and Credit Suisse rescue illustrates sensitivity of markets and economies to rising rates and withdrawal of liquidity – recessionary "hard landing" remains a risk.
- Impact of these dynamics will be uneven across asset classes, regions, sectors so crucial to maintain a well diversified portfolio.
- Skilled active managers who can avoid the most stressed sectors/issues and capitalise on opportunities can add significant value.

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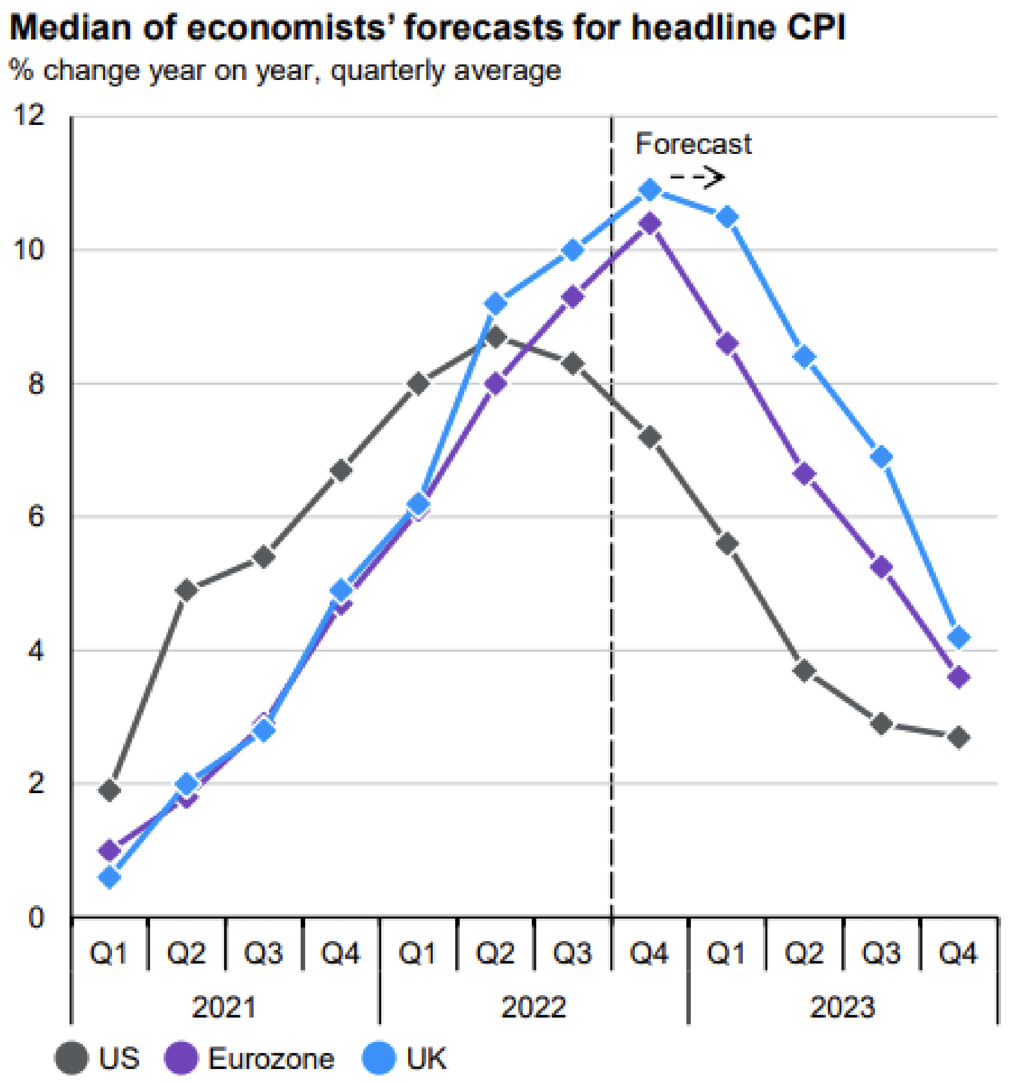
LOOKING AHEAD

INFLATION
FORECASTED TO FALL SIGNIFICANTLY



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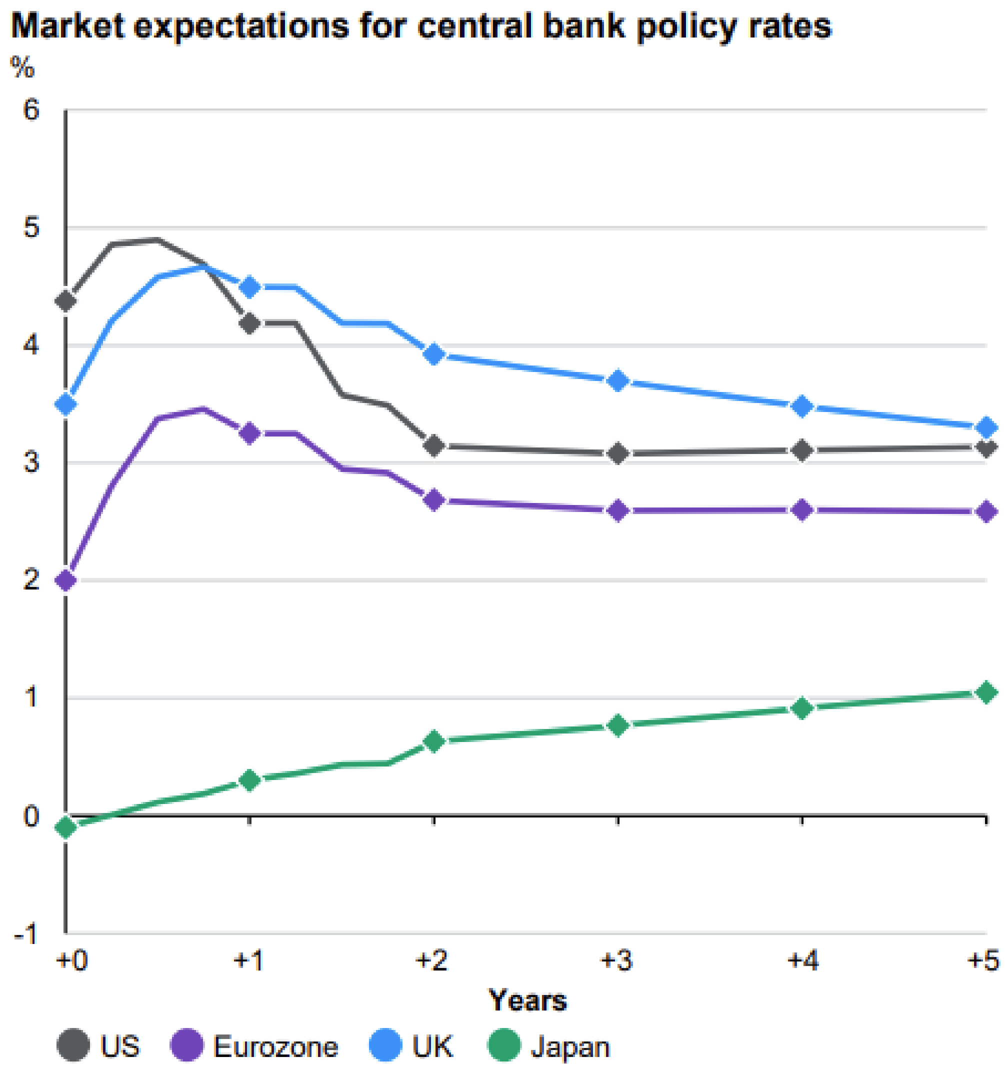
Source: J.P. Morgan

INTEREST RATES
EXPECTED TO PIVOT AND STABILISE



Source: J.P. Morgan

ECONOMIC OUTLOOK
GROWTH EXPECTED IN MOST MAJOR ECONOMIES...

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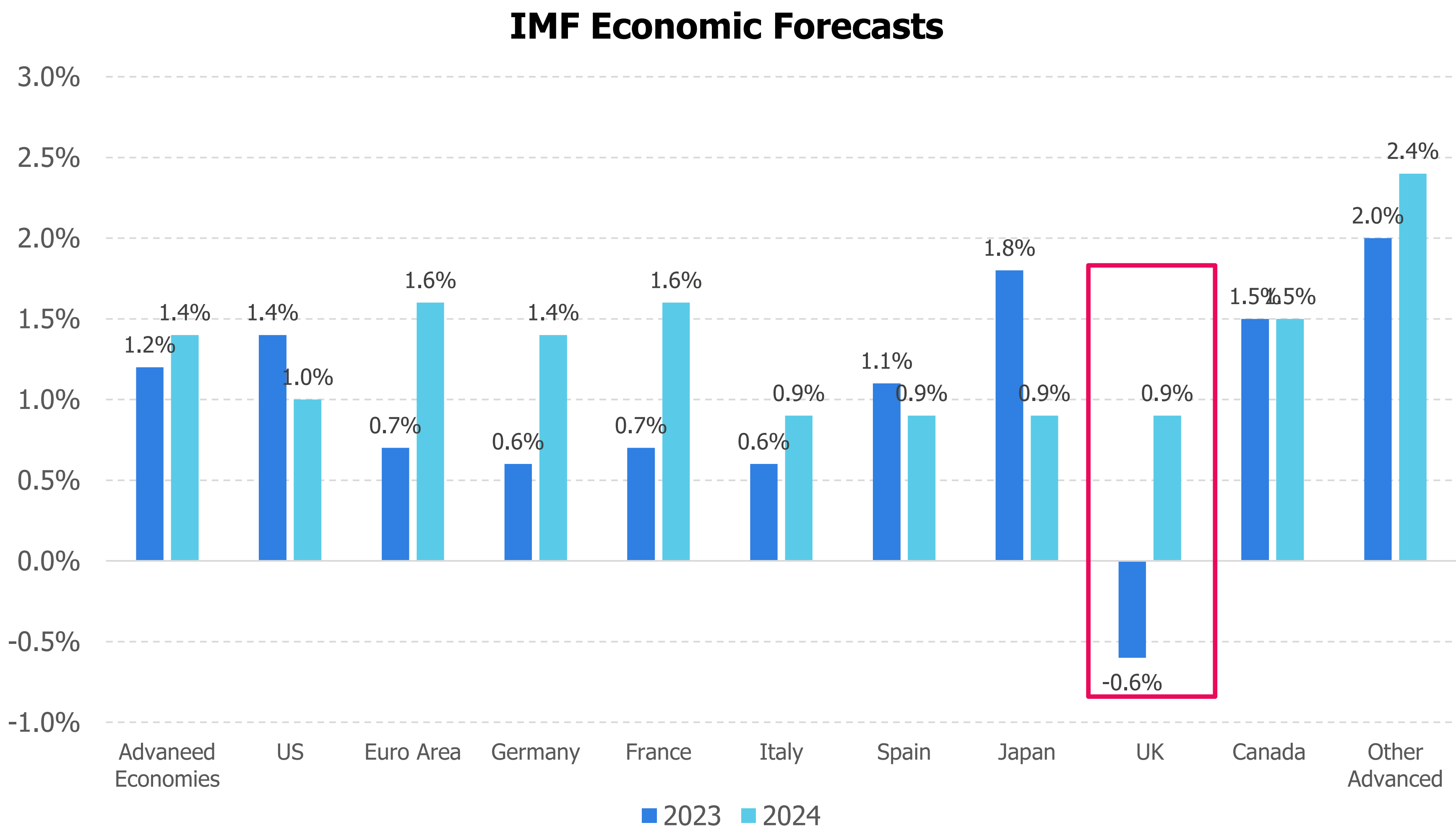

Source: International Monetary Fund

SO WHAT?

Key Takeaways	So what?
New environment of high inflation, higher interest rates and slowing growth has presented significant challenges for investors	The Fund has a long time horizon and has made excellent progress on diversifying its risk/return away from more traditional asset classes. However, the level of inflation linkage and interest rate duration in the portfolio should be considered / understood
Recent data provides some support for "goldilocks" (soft landing) scenario…but markets remain vulnerable to bad news on inflation and/or growth.	There is likely to be a bumpy ride ahead, particularly in equity markets. The Fund's equity portfolio at more than 25% above target with a high exposure to growth stocks could continue to face headwinds.
Higher yields give attractive opportunities for investors to achieve return objectives at lower risk.	Expected future returns are now higher, particularly in credit, where there is likely to be opportunities in higher quality bonds (although be wary of interest rate risk).

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2021 FINANCIAL NEWS **INVESTMENT CONSULTANT OF THE YEAR**

2021 PIPA AWARDS **INVESTMENT CONSULTANT OF THE YEAR**

2020 PROFESSIONAL PENSIONS UK PENSIONS AWARDS **DC INNOVATION OF THE YEAR**

2018 CEO MONTHLY MAGAZINE **CEO OF THE YEAR: LONDON**

2017 PENSION INSIGHT DC AWARDS **BEST INNOVATION IN DC**

2017 EUROPEAN PENSIONS AWARDS **RISK MANAGEMENT FIRM OF THE YEAR**

2017 FINANCIAL NEWS AWARDS FOR EXCELLENCE **INVESTMENT CONSULTANT OF THE YEAR**

2017 INVESTMENT WEEK WOMEN IN INVESTMENT AWARDS **YOUNG INVESTMENT WOMAN OF THE YEAR**

2016 LONDON STOCK EXCHANGE **1000 COMPANIES TO INSPIRE BRITAIN**

2016 EUROPEAN PENSIONS AWARDS **CONSULTANCY OF THE YEAR**

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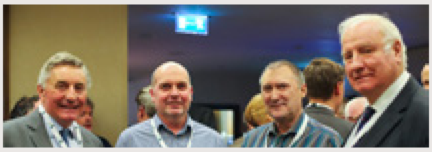
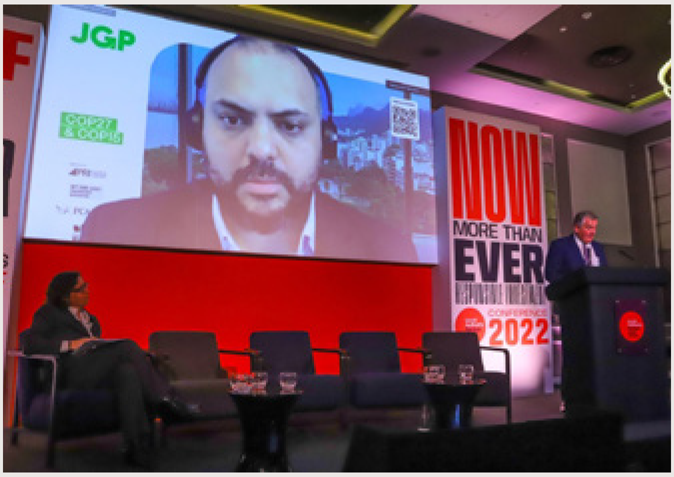
Quarterly Engagement Report

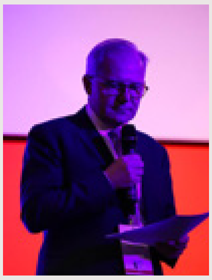
October-December 2022

Local Authority Pension Fund Forum

Human Rights, Mining, Drax, Renault, Mercedes, Chipotle







LAPFF Conference 2022

LAPFF held its annual conference in Bournemouth this quarter with a heavy focus on human rights and climate. On the first afternoon, delegates heard from a Total representative about the company's decision to withdraw from Myanmar and from the Vale Chair about his company's efforts to move on from the 2015 and 2019 tailings dam disasters in Brazil. The LAPFF Chair also thanked a Brazilian communities' representative for hosting LAPFF's visit in August and September, and spoke with José Pugas of JGP Asset Management about his organisation's work with Vale, as well as on deforestation.

On the second day, the conference delegates heard from a range of asset managers about their experiences of working to implement sustainability in their operations. Moving onto climate specifically, engaging non-executive directors on the topic, and a panel on electric vehicles followed, along with a session on executive remuneration. There was a fascinating, if disturbing, session on the fall of FTX and a panel discussing the growing importance of the 'S' in ESG. An LGPS panel on 'levelling up' was followed by two sessions on the need for sustainable water use. The day ended with an update on shareholder resolutions requesting racial equity audits.

The final day of the conference opened with a recount of the Covid pandemic from Devi Sridhar, a University of Edinburgh professor who has been vocal about government and societal responses to the pandemic. She was followed by Nell McShane, who has written a book about sex discrimination and harassment against female flight stewardesses and their path to unionising. Brendan Curran from the Grantham Institute at the London School of Economics then spoke about the just transition to a zero-carbon economy. The day ended with a synopsis of the state of affairs globally by political editor and broadcaster, Robert Peston.

COMPANY ENGAGEMENTS

UN Forum on Business and Human Rights

In light of LAPFF's summer visit to Brazil, the LAPFF Chair, Cllr Doug McMurdo, was invited to speak on an investor panel at the 2022 UN Forum on Business and Human Rights in Geneva. He was joined by colleagues from Principles for Responsible Investment, Domini Impact Investments, and Business for Social Responsibility. Cllr McMurdo spoke about the need to engage with affected stakeholders, including communities affected by company operations, in order for investors to understand better the true value of their investments. He implored investors to do more on human rights as a matter of financial materiality.

BHP

Objective: LAPFF attended a BHP webinar on the company's sustainability activities and met with CEO, Mike Henry, informing a position for a voting alert ahead of BHP's November AGM. The LAPFF Chair, Cllr Doug McMurdo, also met with the Australasian Centre for Corporate Responsibility (ACCR) to find out more about why the organisation filed three shareholder resolutions ahead of BHP's AGM.

Achieved: LAPFF issued a voting alert in favour of the ACCR resolutions, recommending that its members oppose the BHP Chair, Ken MacKenzie, and vote in favour of three shareholder resolutions aimed at improving the company's climate practices.

In Progress: While LAPFF was grateful to the CEO for meeting to discuss the shareholder resolutions put to the AGM, there is still concern that the company has denied a meeting on the Samarco tailings dam collapse that occurred in 2015. LAPFF is continuing to engage BHP on both human rights and climate, but the views of both parties diverge significantly at the moment.

Vale Chair, José Penido, speaking at the LAPFF conference

Vale

Objective: One of LAPFF's main objectives with Vale is to have the company engage effectively with stakeholders affected by its operations. While Vale, and particularly the Chair, has remained open to engagement with LAPFF and other investors, LAPFF would still like to see the company engage more effectively with workers and communities affected by its operations.

Achieved: Vale Chair, José Penido, travelled to the LAPFF conference to speak in person to investors about Vale's work to provide adequate reparations and recover reputationally from the Mariana and Brumadinho tailings dam collapses from 2015 and 2019, respectively. LAPFF is therefore encouraged that the company is taking investor action seriously in respect of these disasters.

In Progress: It remains the case that the vast majority of houses in the various resettlements need to be rebuilt for affected community members. These houses are among many other reparations that still need to be carried out to an acceptable standard. LAPFF also has continued to express concerns that the company is not yet engaging in a meaningful way with affected community members. Fulfilment of Vale's reparations obligations and establishing a process for effective engagement with all stakeholders therefore remain high priorities for LAPFF.

Anglo American

Objective: Cllr McMurdo wrote to Anglo American Chair, Stuart Chambers, and offered to report back on his findings from speaking to communities in Brazil impacted by Anglo American operations.

Achieved: Mr Chambers appeared to be receptive to LAPFF's findings and requested more detailed information from LAPFF.

COMPANY ENGAGEMENT

In Progress: LAPFF is in the process of compiling the detailed findings from the Brazil visit to share with Mr Chambers and his colleagues. After this process has been completed, LAPFF is planning to meet with Anglo American's technical staff to talk them through the findings.

Glencore

Objective: Although LAPFF was keen to meet Anglo American, BHP, and Vale in relation to its Brazil visit, it wanted to share its findings and observations with other mining companies covered in LAPFF's mining and human rights report issued earlier this year. Therefore, Cllr McMurdo met with Glencore Chair, Kalidas Madhavpeddi, to talk about LAPFF's work in Brazil, to discuss concerns community members in Peru have raised about Glencore's activities in that country, and to discuss various bribery and corruption allegations against the company. Glencore's approach to climate was also discussed.

Achieved: For a number of years, LAPFF had requested that Glencore undertake an independent assessment of the company's internal controls. This request stemmed from an investor collaboration spearheaded by Sarasin when details of Glencore's business relationships in the Democratic Republic of Congo raised concerns of bribery and corruption. Although Glencore does not appear to have heeded this request, the company has now entered settlements in numerous countries in relation to various bribery and corruption allegations. It is hoped that these settlements will place internal control requirements on Glencore to prevent the occurrence of future problems in this area.

In Progress: LAPFF is hearing concerns from community members affected by Glencore's operations in Peru that are eerily similar to those LAPFF encountered in Brazil, Colombia, Mexico, Papua New Guinea, and elsewhere. Namely, communities allege that mining companies have polluted, and are continuing to pollute, their water. The companies respond by stating that the water is naturally polluted. LAPFF needs to investigate to understand what is happening in these situations.

Rio Tinto

Objective: LAPFF has been pleased to see some progress made by Rio Tinto after the company's destruction of a 46,000-year-old cultural heritage site at Juukan Gorge, Australia. Rio Tinto has been particularly transparent about its challenges on both community relations and workplace culture. During the year, the company issued both a community engagement update and a workplace culture report by a reputed independent consultant that highlighted a range of practices that need to be improved at the company. LAPFF is keen to ensure that Rio Tinto is undertaking effective social and environmental impact assessments and that the company does not face the same problems in relation to reparations at Juukan Gorge that BHP and Vale are facing in relation to reparations for the Mariana tailings dam collapse in Brazil.

Achieved: LAPFF attended an ESG briefing for investors to discuss the company's new 'Communities and Social Performance (CSP) Commitments Disclosure Final Report'. Given Rio Tinto's description of increased cultural heritage assessments, LAPFF asked if the company has also committed to independent environmental and social impact assessments (ESIAs) as part of its CSP approach.

In Progress: Although it seems that there is a fair amount of external input into various assessments, LAPFF is concerned that the company does not have a consistent or coherent approach to ESIAs. The independent assessment at Panguna in response to the OECD National Contact Point complaint on this issue is apparently underway and is to be commended, but it is reportedly a one off. Acknowledging the expense and resources involved in this type of assessment, LAPFF would like to work with a range of mining companies to determine how it could be feasibly done much more widely.

Drax

Objective: LAPFF has been increasingly concerned about the business model of Drax Group plc, which runs the UK's largest power plant at Drax in Yorkshire. Instead of coal, the plant burns imported wood pellets, mainly from North America. The concerns about sustainability flow from the burning of wood on such a scale, as well as the harvesting of wood, removing a near-term living carbon sink (trees) that can only be replaced over a long period.

Achieved: LAPFF requested a meeting with the chair of Drax Group. A meeting was held, and a comprehensive follow-up letter has been sent to the chair as a result.

In Progress: Because discussions are ongoing, further reporting and updates will occur in due course.

Drax Power Station

COMPANY ENGAGEMENT

Chipotle

Objective: LAPFF has been engaging with Chipotle on the company's approach to water stewardship for three years. The focus of the engagement has been to encourage the company to undertake a full value chain water risk assessment. After a period of heightened engagement with the company, LAPFF member Greater Manchester Pension Fund filed a resolution on this issue ahead of Chipotle's 2022 AGM. Following discussions between LAPFF and the company, an agreement was reached that would see the resolution withdrawn from the ballot. The withdrawal was conditional upon formal commitments being made relating to the company's water stewardship programme.

Achieved: LAPFF held a follow-up call with Chipotle to measure progress made against LAPFF's initial asks. In response to the resolution, the company has completed a materiality assessment covering ingredients, its supply chain and restaurants.

In Progress: Given the company now has a better understanding of the water-related risks facing the business, the next phase of the stewardship plan is to develop context-based targets that relate specifically to areas of the operations under high water stress. LAPFF will continue to work with the company to develop these goals.

KLA

Objective: Given the investment risks associated with global warming LAPFF has been issuing climate change voting alerts focused on shareholder resolutions, including those seeking to ensure companies have 1.5°C aligned targets and transition plans.

Achieved: LAPFF issued a voting alert at US company, KLA, regarding a proposal for a report on net zero targets and climate transition planning. LAPFF recognised the work being undertaken by the company. However, given the risks posed by climate change and the need to disclose a strategy for addressing climate risk and carbon emissions (covering Scopes 1, 2 and 3 and targets aligned to a 1.5°C trajectory) LAPFF recommended a vote in favour of the resolution. In the end, the resolution secured the backing of a quarter of the votes, sending a strong message to the board about what action a significant minority of shareholders want to see.

In Progress: LAPFF expects companies to reflect and respond to such results given the level of support from shareholders. LAPFF will continue to issue climate-related voting alerts in 2023.

Rolls Royce production site

Rolls Royce

Objective: A meeting with Rolls Royce Chair, Anita Frew, was held to follow up on LAPFF's collaborative correspondence to FTSE All Share chairs requesting they set out the company's carbon transition strategy to investors and put an appropriate resolution to shareholders at the AGM.

Achieved: A meeting with the head of sustainability and others covered various aspects of business strategy, targets, governance and disclosure. LAPFF asked

COMPANY/COLLABORATIVE ENGAGEMENT

if a timeline to commercialisation could be given for the company's development of electric prototypes for commuter aircraft and regional flights, noting that Norwegian airline Widerøe, that Rolls Royce has partnered with, has targeted 2025 for its first commercial launch. A separate meeting of the LAPFF Chair with Anita Frew, provided insight into the workings and chairing of the 13-strong board. Discussions on the company's carbon impact and transition plan made evident the emphasis placed on the development of new businesses and products.

In Progress: The LAPFF Chair again pressed for the board to put the transition plan to the AGM for shareholder approval. This may be considered too soon for the 2023 AGM but has not been ruled out for future AGMs.

Responsible Mineral Sourcing

Objective: LAPFF has continued its engagement with electric vehicle manufacturers to gain a better understanding of how they are addressing the risks associated with sourcing the minerals they need to produce the batteries for their vehicles. LAPFF met with Renault and General Motors on this issue for the first time this quarter and with Mercedes for the second time.

Achieved: An overview of Renault's work on risk assessments for the minerals it sources and contingent reporting was discussed. LAPFF also raised the potential benefits of membership of the Initiative for Responsible Mining Assurance (IRMA).

The discussion with Mercedes provided an in-depth view of the work the company was doing with regards to risk assessment of minerals and some of the work the company was doing in the Democratic Republic of the Congo.

General Motors laid out new additions to its board and the skills they would bring in the transition to electric vehicles. The company also spoke about the aspirations it had with its risk assessment process, audit programme and its dialogue with suppliers on the IRMA.

In Progress: LAPFF is continuing to seek engagements with electric vehicle manufacturers, impressing upon them the benefits of transparent reporting and enhanced due diligence, whilst seeking to better understand what work companies are doing and how they are managing a just transition.

Tesco

Objective: Following the military coup in Myanmar in February 2021, it has been widely reported that there has been a drop in human rights and labour standards throughout the country, with union leaders targeted, internet connections cut, wages withheld, and a lack of freedom of assembly for workers. Tesco announced a responsible exit from the country, concluding in May 2022. LAPFF sought a meeting with the company to discuss this responsible exit and gain insight into the company's global supply chain due diligence.

Achieved: When LAPFF met with Tesco, a range of factors for the company's withdrawal from Myanmar were discussed. The Ethical Trade Initiative's recommendations for responsible business in the garment sector arose as a point of reference. There was also a useful discussion about whether companies are able to maintain leverage over factories and the human rights situation on the ground with the Junta in power.

In Progress: LAPFF is continuing to monitor a number of companies that have supply chain links to Myanmar and will likely seek meetings with those that are seeking to exit the country or have already done so to gain a broader picture of how companies are approaching a 'responsible exit'.

COLLABORATIVE ENGAGEMENTS

Asia Transition Platform (MUFG, SMBC, Kasikornbank, J Power)

Objective: Meetings were held with Asian financial institutions and coal-exposed power companies in collaboration with investors in the Asia Transition Platform. Meetings with banks focused on strategies to anticipate regulatory developments, mitigate risks to capital and capitalise on investment opportunities. Engagement with J-Power followed up on LAPFF's voting recommendation for the 2022 AGM, advising support for a resolution requesting carbon emission reduction targets aligned with the goals of the Paris Agreement.

Achieved: Engagement with MUFG sought to elicit further details on the company's proposed transition plan. LAPFF executive member, Cllr Wilf Flyn, pressed particularly on ostensible support for ammonia co-firing in the power industry, given that it delays transition

Workers ride a ferry truck as they go to a factory in the morning in Yangon, Myanmar

COLLABORATIVE ENGAGEMENT

Metal manufacturing and recycling

to renewables and may not provide much benefit due to marginal emission reductions and high costs relative to renewables.

At SMBC, progress was recognised since the last meeting, with the bank setting absolute reduction targets for the oil, gas and coal sectors. It appeared that targets for investment and underwriting were still under development.

A discussion with the President of Kasikornbank, Khun Krit Jitjang, focused on how to work with client companies and bring industry along, noting work undertaken with members of the Thai bankers' association. It appears that there is now no financing for new coal plants or expansion of existing ones.

A meeting with J-Power's Executive Vice President and Director, Hitoshi Canno, covered the company's target to achieve net zero for all operations. Critical points of discussion included a stable supply of electricity for the Japanese domestic market, and a roadmap on these issues.

In Progress: LAPFF intends to continue challenging J-Power's strategy to invest in carbon capture and co-firing, with the associated risk of being 'locked-in' to coal fired plants. Regular meetings continue with Asia Research and Engagement to determine company-specific coverage for 2023, including Chinese-listed companies.

CA100+ ENGAGEMENTS

Lyondell Bassell

Objective: LAPFF sought an update on the multinational chemical company's decarbonisation strategy, subsequent to Peter Vanacker having taken over as CEO in May.

Achieved: With the arrival of the new CEO, it appears that much work has been put into an overall review of company strategy, with low-carbon initiatives poised to be a major part of company growth going forward. The meeting provided initial feedback on progress against the CA100+ benchmark results, set out investor expectations on lobbying and explored policy challenges facing the company and where there might be areas for collaboration. Company representatives noted that engagement with the investor group has helped to promote this low-carbon focus.

In Progress: On Lyondell Bassell's lobbying activities, the company discloses the trade associations it is part of but little else. It is hoped that more company policies will be disclosed by next March when the full revised company business strategy is due to be announced.

ArcelorMittal

Objectives: LAPFF has undertaken a number of engagements with ArcelorMittal and wished to determine progress in implementing zero-carbon technologies, as well as press for shareholders to be able to endorse company initiatives through a 'Say on Climate' resolution at the AGM.

Achieved: ArcelorMittal has joined the Energy Transition Commission (a LAPFF request from 2019) and referred to the

COLLABORATIVE ENGAGEMENT

Mission Possible Partnership's 'net zero steel' report which shows two thirds of the US$5 trillion required to decarbonise the global steel industry is in enabling infrastructure for green hydrogen and renewable electricity. There was a discussion about the Science-Based Targets initiative to develop appropriate methodology for the steel sector. This approach differentiates between primary and secondary steelmaking. The latter is based on recycling scrap steel and accounts for about one-third of production. It is hoped that ArcelorMittal will issue its next climate report after the AGM so it appears there is no plan for a 'transition plan' resolution for the 2023 AGM.

In Progress: The company appears to have made progress in decarbonising primary steelmaking. The Inflation Reduction Act is spurring similar initiatives in the US. In Europe however, the pace of change appears to be slower.

National Grid

Objective: A meeting with National Grid representatives sought to ascertain why the company is not aiming to align with proposed ambitious US state policy for the decarbonisation of heat, and to follow-up on requests around policy disclosure.

Achieved: In the meeting, as ever, the divergence between the US and UK businesses was apparent. The north eastern US states where National Grid operates have set policies for 100% electrification of households in the decarbonisation of heat by 2050. It appears that the company wishes to keep the benefit of existing gas infrastructure. Cllr Chapman attended the meeting and highlighted comments made by the company, which LAPFF shares, that there is no long-term future in gas and that the future is in electrification.

In Progress: Engagement continues to identify and unlock potential policy barriers for National Grid's decarbonisation strategy. LAPFF and other CA100+ investors are interested in partnering with the company in calling for the necessary policies that can unlock the barriers to fast and decisive climate action.

Sarasin – Paris-aligned accounts

Objective: In conjunction with Sarasin, LAPFF co-signed correspondence to the audit committee chairs of Equinor, CRH, Air Liquide and Rio Tinto setting out investor expectations on 1.5°C aligned accounting and audit disclosures.

Achieved: This was a follow up to previous correspondence with the committee chairs, who were also provided with Carbon Tracker's assessment of the company's 2021 audited accounts. In all four cases, there has been evidence of progress. The most substantive was Equinor's accounts where there were additional notes to the accounts and a 1.5°C sensitivity analysis for Property, Plants and Equipment. This led to the identification of a potential impairment of $11.4 billion, equivalent to just under 30% of reported 2021 equity.

In Progress: Correspondence with all four companies recognised inherent uncertainties in the transition to net zero, and responses were welcomed with a meeting offered to discuss the requests made.

Investor Alliance for Human Rights (IAHR) – The Home Depot

Objective: LAPFF joined the Investor Alliance for Human Rights (IAHR) Uyghur Working Group earlier in 2022 as part of a collaborative effort in engaging companies with alleged Uyghur forced labour in their supply chains. Through this group, LAPFF has taken the lead on The Home Depot, a company with alleged links to forced labour in its polyvinyl chloride (PVC) supply chain noted in the 'Built on Repression' report produced by Sheffield Hallam University.

Achieved: LAPFF met with The Home Depot in December after an initial letter was sent with multiple expectations. These expectations included asking the company to complete a mapping of its value chain both inside and outside of China. The objective of this mapping is to identify both direct and indirect business relationships that are connected to the East Turkestan/Xinjiang region. Other questions were raised around the company's audit programme, including issues with undertaking thorough audits in Xinjiang.

In Progress: LAPFF is continuing to participate in the IAHR's Uyghur working group and will look to follow up with The Home Depot in 2023 to ask further questions about the company's audit programme and mapping process.

Principles for Responsible Investment (PRI) – Advance Human Rights Initiative

Over the course of the year, the PRI has been developing its Advance initiative for investors to promote corporate respect for human rights. The programme was launched at the annual PRI in Person conference this quarter. LAPFF has been assigned to investor groups engaging with Anglo American and Vale. Planning for these group engagements is already under way and will complement LAPFF's own work on human rights, as well as its collaborations through IAHR.

Investor Alliance for Human Rights (IAHR) – Investor Statement on the Corporate Sustainability Due Diligence Directive

The PRI, Eurosif, and IAHR drafted an investor statement in relation to proposed changes to the EU's Corporate Sustainability Due Diligence Directive (CSDDD). The statement proposed five improvements, all of which align with LAPFF positions on human rights, corporate governance, supply chain, and climate. These proposed improvements

COLLABORATIVE/POLICY ENGAGEMENT

are aimed at greater inclusion of financial companies and value chains, strengthening board responsibility for human rights and environmental due diligence (including through executive remuneration), and ensuring alignment with other corporate sustainability legislation within the EU. LAPFF signed onto this statement along with other investors.

SHARE – Amazon Sign-On Letter
Canadian investor body, SHARE, circulated a sign-on letter to Amazon for investors to support. The letter followed a shareholder proposal at the company's AGM asking the Board of Directors to produce a report analysing how Amazon's current human rights policies and practices protect the rightful application of the fundamental rights of freedom of association and collective bargaining. The letter requested that the Board conduct an independent third-party assessment of Amazon's commitment, policies, practices on freedom of association to identify, address and prevent any misalignments with the ILO Declaration on Fundamental Principles and Rights at Work and the UN Guiding Principles on Business and Human Rights. LAPFF joined other investors in signing onto this letter.

POLICY ENGAGEMENT

All-Party Parliamentary Group for Local Authority Pension Funds

Objective: LAPFF supports the All-Party Parliamentary Group (APPG) for Local Authority Pension Funds, established to discuss the issues and concerns of local authority pension funds. The APPG hosted a meeting in October to discuss the issue of levelling up. Part of the government's levelling up agenda has been to encourage and support private investment into local areas. The levelling up white paper also highlighted the role that local authority pension funds could play and called for LGPS funds to invest 5% locally. Through this white paper, the UK Infrastructure Bank has been tasked with engaging LGPS funds on supporting local growth. The meeting provided an opportunity to discuss barriers facing funds to reaching a local investment target as well as the potential opportunities.

Achieved: At the meeting chaired by Clive Betts MP, Lord Jim O'Neill, Vice-Chair of the Northern Powerhouse Partnership, set out the role investment could play in supporting local growth and how some LGPS funds had backed Northern Gritstone, which is financing companies being spun out of northern universities. Kate McGavin, Policy and Strategy Director at the UK Infrastructure Bank, focused on risk appetite, green infrastructure opportunities and investment some local authority pension funds had already made. The meeting provided an opportunity to hear about what funds were doing and their focus on their fiduciary duties and securing returns.

In Progress: The APPG for Local Authority Pension Funds will continue to discuss relevant policy issues facing the LGPS.

Party Political Conferences

Objective: LAPFF supports fringe events at political party conferences; they are an effective way to raise issues that LAPFF has been involved in with national politicians and among stakeholders. This year the focus of the meetings was on investing in a just transition, following the launch of the report into the issue by the LAPFF-supported APPG on Local Authority Pension Funds. The meetings provided the opportunity for LAPFF to highlight the work of the Forum on the just transition and take part in a discussion about the respective roles of government and investors.

Achieved: LAPFF held meetings at Labour, Conservative and SNP conferences, with the Liberal Democrat conference being cancelled due to the Queen's funeral. At the meetings, LAPFF highlighted why ensuring a just transition was important for investors, including reducing the risks of political resistance to climate action. LAPFF set out how it seeks to reduce risks for members by engaging companies on ESG issues and showcased the engagement work that it has undertaken on a just transition. LAPFF Executive representatives were able to discuss the issues with politicians from the respective parties and answer questions from the audience about the work of LAPFF.

In Progress: LAPFF will continue to be involved in discussions with national politicians given the importance legislation and regulation plays in shaping the environment in which LAPFF members operate.

Government Taskforce on Social Factors

Objective: Since it was founded over 30 years ago, LAPFF has been engaging on social issues and highlighting the importance of social factors to investment value. Despite the importance of social risks to responsible investors, it has often not had as much attention as governance and environmental risks. LAPFF has sought to change this situation, including among policymakers by engaging them through events and responding to consultations. In June last year LAPFF responded to the Department for Work and Pensions' call for evidence on consideration of social risks and opportunities by occupational pension schemes. As part of the Government's response, it decided to establish a Taskforce on Social Factors and LAPFF was invited to be a member.

Achieved: The establishment of the taskforce is to be welcomed and hopefully marks greater emphasis on the social risks that LAPFF engages on, including around human rights and employment standards. It is testament to the work of LAPFF and its members on social issues that it has been invited to take part in the taskforce and shows the importance of engagement with policymakers.

In Progress: The taskforce is running for a year with the expectation that it will culminate in a final report with recommendations.

ENGAGEMENT

CONSULTATION RESPONSES

LGPS Climate Governance and Reporting

In September, the Department for Levelling Up, Housing and Communities issued a consultation on governance and reporting of climate change risks for LGPS funds. The proposals within the consultation would broadly align LGPS funds with the Task Force on Climate-Related Financial Disclosures (TCFD) requirements introduced for DWP regulated funds. LAPFF responded to the consultation welcoming the move and noting LAPFF's long support for TCFD reporting. The response, based on LAPFF's policies and its Climate Change Investment Policy Framework, set out the Forum's positions on alignment with a 1.5°C scenario, the importance of a just transition, and called for further consultation on any guidance to funds that might be issued.

CA100+ Benchmark

LAPFF's response to proposed amendments for the CA100+ benchmark provided input to several proposed amendments. For example, LAPFF supported a new indicator on climate solutions where the proposed definition was for technologies, infrastructure or other activities "which help displace fossil fuels". Areas of concern included a new indicator citing 2050, which current indicators do not. LAPFF considers a 2050 focus to be unhelpful, as recent IPCC reports show the global carbon budget for remaining within 1.5°C is very likely to be used up well before then.

WEBINARS

IndustriALL Social Protection Webinar

IndustriALL and LAPFF joined forces to co-host a second webinar on the need for universal social protection. This webinar focused specifically on an ILO employee injury protection pilot project in Bangladesh. Representatives from brands H&M and Associated British Foods spoke about the reason that their companies see the need for this type of social protection. The Rana Plaza factory collapse in Bangladesh was cited as a catalyst for understanding why social protection is so important, but more brand support is needed (although there are fears of freeriding). It is hoped the pilot leads to long-term, permanent, systemic solutions. You can find a film with worker testimonials here and a brief from IndustriALL here.

MEDIA COVERAGE

Environment

ESG Investor: Firms Looking for the Right Lever to Lead on Net Zero

Mining and Human Rights:

ESG Investor: "Work Still to Do" on Brazilian Tailings Dams
Sydney Morning Herald: BHP investors dial up scrutiny of fatal dam disaster remediation and in the Age
Instit Invest: Un fonds de pension britannique mène son engagement actionnarial sur le terrain
Responsible Investor: Investor pressure builds over human rights in mining
Conectas: Tragedy in Mariana: With no agreement with affected people, companies are under pressure from international investors [in Portuguese]
BN Americas: Horizonte Minerals awards feasibility study contract for Brazil nickel-cobalt project

Health

City Wire: Firms with €5.7tn in total assets join new health coalition
ESG Investor: Investors Unite on Public Health
The Actuary: Investor alliance launched to support "healthier and fairer" societies
Ethical Marketing News: Global investor alliance managing $5.7 trillion unites to improve population health
IPE: Group of investors form health alliance

Due Diligence

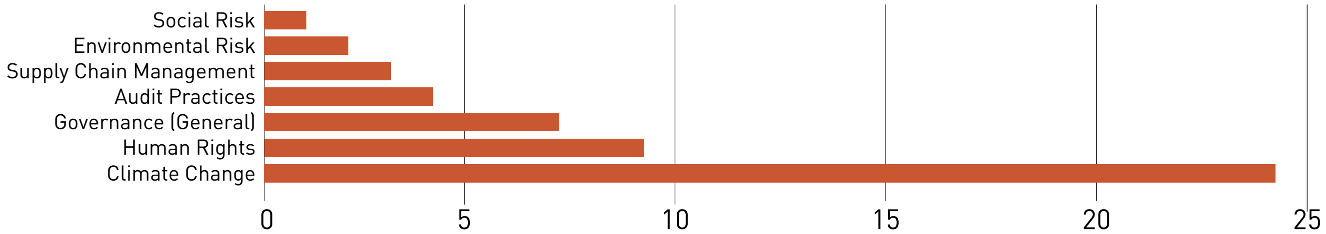
Responsible Investor: Alarm sounded over push for exclusion of FIs from EU due diligence directive

CHAIR'S QUOTE

"The LAPFF Conference this year showcased the breadth of LAPFF's work and the range of its network and partnerships. All of these endeavours and partnerships are aimed at informing our members in the best possible way so that they can make good, responsible investment decisions."

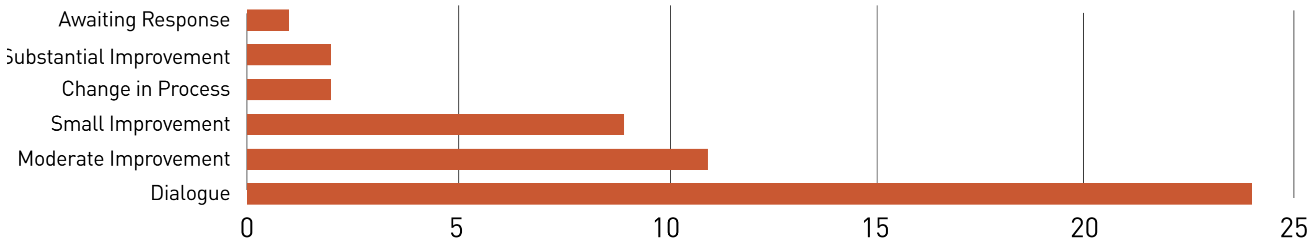
ENGAGEMENT DATA

ENGAGEMENT TOPICS

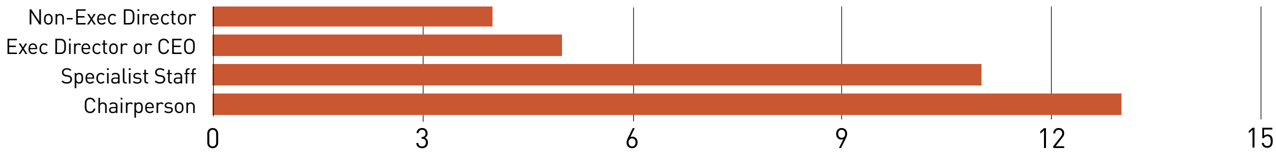


ACTIVITY

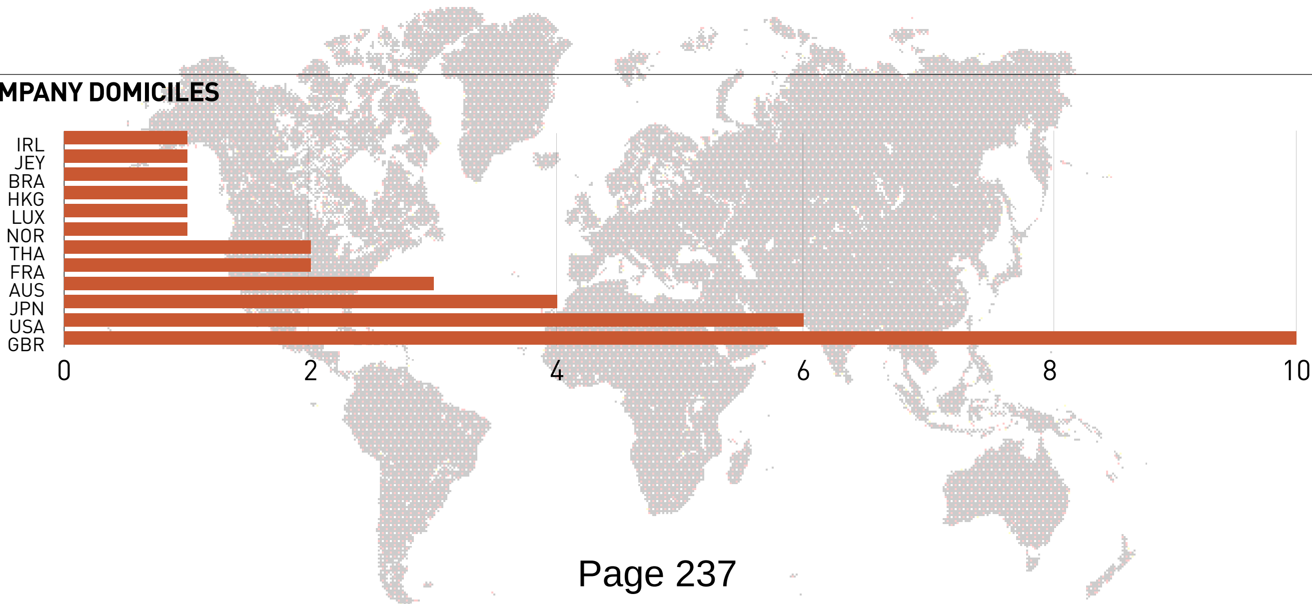
MEETING ENGAGEMENT OUTCOMES



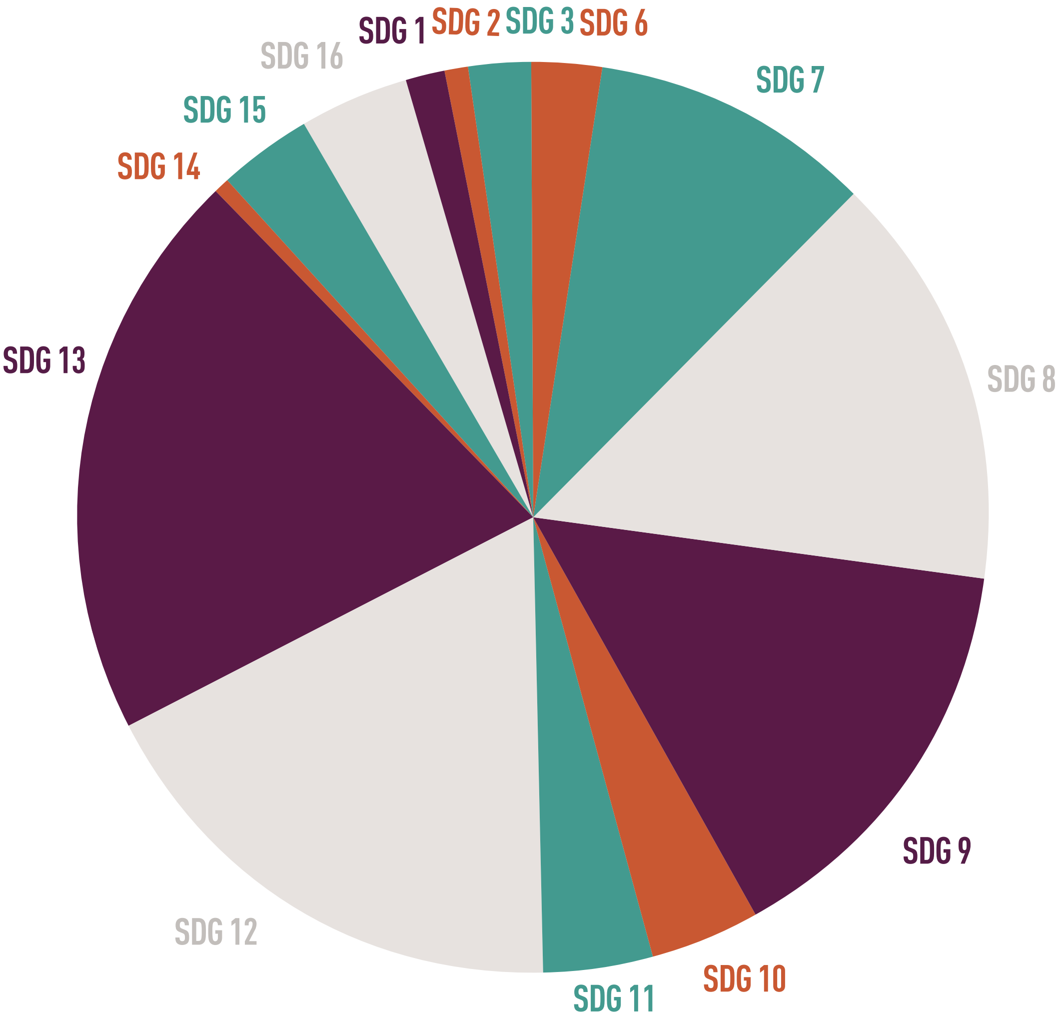
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	2
SDG 2: Zero Hunger	1
SDG 3: Good Health and Well-Being	3
SDG 4: Quality Education	0
SDG 5: Gender Equality	0
SDG 6: Clean Water and Sanitation	3
SDG 7: Affordable and Clean Energy	13
SDG 8: Decent Work and Economic Growth	19
SDG 9: Industry, Innovation, and Infrastructure	19
SDG 10: Reduced Inequalities	5
SDG 11: Sustainable Cities and Communities	5
SDG12: Responsible Production and Consumption	23
SDG 13: Climate Action	26
SDG 14: Life Below Water	1
SDG 15: Life on Land	4
SDG 16: Peace, Justice, and Strong Institutions	5
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

COMPANY PROGRESS REPORT

26 Companies engaged over the quarter

*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

Company/Index	Activity	Topic	Outcome
AIA GROUP LTD	Sent Correspondence	Climate Change	Awaiting Response
AIR LIQUIDE SA	Sent Correspondence	Climate Change	Moderate Improvement
ANGLO AMERICAN PLC	Meeting	Human Rights	Dialogue
ARCELORMITTAL SA	Meeting	Climate Change	Moderate Improvement
BHP GROUP LIMITED (AUS)	Meeting	Governance (General)	Dialogue
BHP GROUP LIMITED (AUS)	Alert Issued	Governance (General)	Dialogue
CHIPOTLE MEXICAN GRILL INC	Meeting	Environmental Risk	Moderate Improvement
CRH PLC	Sent Correspondence	Climate Change	Moderate Improvement
DRAX GROUP PLC	Meeting	Climate Change	Dialogue
ELECTRIC POWER DEVELOPMENT CO	Meeting	Climate Change	Small Improvement
EQUINOR ASA	Sent Correspondence	Climate Change	Substantial Improvement
GLENCORE PLC	Meeting	Governance (General)	Change in Process
KASIKORNBANK PCL	Meeting	Climate Change	Moderate Improvement
KELLOGG COMPANY	Sent Correspondence	Social Risk	Dialogue
KLA CORPORATION	Alert Issued	Environmental Risk	Dialogue
LYONDELLBASELL INDUSTRIES N.V.	Meeting	Climate Change	Small Improvement
MITSUBISHI UFJ FINANCIAL GRP	Meeting	Climate Change	Small Improvement
NATIONAL GRID PLC	Meeting	Climate Change	Change in Process
RENAULT SA	Meeting	Supply Chain Management	Small Improvement
RIO TINTO GROUP (AUS)	Meeting	Governance (General)	Dialogue
RIO TINTO PLC	Sent Correspondence	Climate Change	Moderate Improvement
ROLLS-ROYCE HOLDINGS PLC	Meeting	Climate Change	Moderate Improvement
SUMITOMO MITSUI FINANCIAL GROUP	Meeting	Climate Change	Moderate Improvement
TESCO PLC	Meeting	Human Rights	Small Improvement
THE HOME DEPOT INC	Meeting	Human Rights	Small Improvement
VALE SA	Meeting	Governance (General)	Dialogue

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Brent (London Borough of)
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hounslow Pension Fund
Isle of Wight Pension Fund
Islington Pension Fund
Kensington and Chelsea (Royal Borough of)
Kent Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Scottish Borders Council
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members

Border to Coast Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

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