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City of Westminster

Committee Agenda

Title:	**Pension Fund Committee**
Meeting Date:	**Thursday 16th December, 2021**
Time:	**7.00 pm**
Venue:	**Rooms 18.01 & 18.03, 18th Floor, 64 Victoria Street, London, SW1E 6QP**
Members:	**Councillors:** Eoghain Murphy (Chairman) Barbara Arzymanow Angela Harvey Patricia McAllister

Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

Admission to the public gallery is by ticket, issued from the ground floor reception from 6.30pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.

An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Clare O'Keefe: Committee and Councillor Coordinator.

Email: cokeefe@westminster.gov.uk
Corporate Website: www.westminster.gov.uk

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Director of Law in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1.	**MEMBERSHIP** To note any changes to the membership.	
2.	**DECLARATIONS OF INTEREST** To receive declarations of interest by Members and Officers of any pecuniary interest or any other significant interest in matters on this agenda.	
3.	**MINUTES** To approve the minutes of the Pension Fund Committee meeting held on 21 October 2021.	**(Pages 5 - 12)**
4.	**PENSION ADMINISTRATION UPDATE**	**(Pages 13 - 20)**
5.	**PENSION ADMINISTRATION TRANSFER PROJECT UPDATE**	**(Pages 21 - 30)**
6.	**FUND FINANCIAL MANAGEMENT**	**(Pages 31 - 48)**
7.	**QUARTERLY FUND PERFORMANCE REPORT**	**(Pages 49 - 98)**
8.	**LONDON CIV ABSOLUTE RETURN FUND**	**(Pages 99 - 106)**
9.	**ASSET REBALANCING AND GLOBAL ALPHA EQUITY TRANSITION**	**(Pages 107 - 122)**
10.	**EXCLUSION OF PRESS AND PUBLIC** **RECOMMENDED:** That under Section 100 (A) (4) and Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following items of business because they involve the likely disclosure of exempt information on the grounds shown below and it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information:	

Agenda Item No	Ground	Para of Part 1 of Schedule 12A of the Act
11, 12 and 13	Financial information	3

PART 1 (IN PRIVATE)

Stuart Love
Chief Executive
8 December 2021

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CITY OF WESTMINSTER

MINUTES

Pension Fund Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee** held on **Thursday 21st October, 2021**, Rooms 18.01 - 18.03 - 18th Floor, 64 Victoria Street, London, SW1E 6QP.

Members Present: Councillors Eoghain Murphy (Chairman), Barbara Arzymanow, Angela Harvey and Patricia McAllister

Also Present: Phil Triggs (Tri-Borough Director of Treasury and Pensions), Sarah Hay (Strategic Pension Lead), Billie Emery (Pension Fund Manager), Matthew Hopson (Strategic Investment Manager), Diana McDonnell-Pascoe (Pensions Project Manager), Kevin Humpherson (Deloitte), Jonny Moore (Deloitte) and Clare O'Keefe (Committee and Councillor Coordinator).

1 MEMBERSHIP

There were no changes to the membership.

2 DECLARATIONS OF INTEREST

Councillor Eoghain Murphy declared that he is an employee of HSBC Global Asset Management, however, this did not directly involve any business for this meeting.

3 MINUTES

RESOLVED:

That the minutes of the meeting held on 24 June 2021 be agreed subject to the following amendments:

1) Accurately record reference to the staffing of the Surrey County Council (SCC) team in Item 4. Paragraph two, sentence two was amended to state: 'The team was going to be staffed by personnel who had been working on the processes already and that the team were to be led by an experienced person.'

2) Reflect the nuanced discussion of the Committee during Item 7. Paragraph two, sentence five was amended to state: 'The Committee was made aware that some aspects of the private rented sector, including the predominance of AirBnb, could be seen to be contributing to the problem of people not being able to buy their own home.'

4 PENSION ADMINISTRATION UPDATE

The Committee welcomed Andrew Lowe, Hampshire Pension Service (HPS), to the meeting and he was invited to address the Committee and provide an overview of the support and service it would be providing to WCC. The Committee was pleased to note that HPS was aware of the various current issues arising and in regard to processing leavers was confident that the backlog could be resolved when the transfer of the service occurred on the 8 November 2021.

Sarah Hay, Strategic Pension Lead, formally thanked Andrew and his team for the good work of HPS to date. Sarah then presented the report on the Pension Administration Update.

The Committee noted that the Update primarily concentrated on the performance of SCC, from May 2021 to August 2021. The Committee expressed concern that the overall KPI data was poor, and performance did deteriorate throughout the period assessed compared to the service that the fund received when the administration was run from the East Sussex office. Although it was noted that Members currently had not raised any complaints with WCC regarding delays to cases directly.

In response to questions from the Committee it was explained that performance had been impacted by the initial move to the SCC team, the setting up of the new Hub team that was currently managing the WCC pension fund, plus addressing any backlog data queries. An additional issue experienced had been that the Hub team was also asked to concentrate on supporting the London Borough of Hillingdon ahead of their exit to HPS from Monday the 27th of September and had therefore not been adequately resourced to manage WCC's administration work. SCC had confirmed that they would prioritise WCC now that Hillingdon had transferred to HPS. The Committee was pleased to note that all urgent casework retirements for October had been completed and Westminster had received good support from SCC to complete outstanding work.

The Committee held a detailed discussion regarding child payments: there had been a small reduction and two cases were being looked at going forward. The Committee welcomed Mr Lowe's comments on HPS's position on this, especially in regard to errors in administration and were advised that that Westminster was considering its position.

The Committee noted that the main focus of the WCC team in the last few months had been managing SCC to get to the point where Westminster's administration can move to HPS on 8 November 2021. The Committee was

advised that data would be kept by SCC until the end of January 2022 to ensure a smooth transition to HPS and that tests against the data were positive.

RESOLVED:

That the report be noted.

5 PENSION ADMINISTRATION STRATEGY (PAS)

Sarah Hay, Strategic Pension Lead, presented the report and informed the Committee that whilst the fund did have a Pension Administration Strategy (PAS) which outlined the strategy with the fund and employers, it had not been providing what was promised in the original 2017 PAS. There had been a lot of work undertaken to review existing pension policies to ensure they worked with the fund's new administration partner and to outline the expectations that the fund would have going forward for all employers. The team had drafted a new PAS to be sent out to employers.

The Committee held a detailed discussion on the enforcement of fines and Sarah advised that a traffic light warning system would be put in place and employers had been informed this was the direction of travel. The Committee advised they would appreciate a summary of the KPIs when the fines were enforced. The Committee considered the worth of including details of The Pensions Regulator and welcomed Sarah's comments on this.

RESOLVED:

That the daft Pension Administration was approved on the basis:

1) That reference to The Pensions Regulator be mentioned in the draft PAS.

2) That the Pensions team would advise the Committee of any employer response received to the new PAS at the next Committee meeting.

6 GUARANTEED MINIMUM PENSION RECONCILIATION UPDATE

Sarah Hay, Strategic Pension Lead, presented the report and updated the Committee on the GMP project which had been managed by SCC on behalf of Westminster. As the fund was now exiting the service with SCC, the Committee was advised that it was not appropriate for them to manage the final rectification part of the project. The Committee held a detailed discussion on contracting directly with Mercer (who have been running the project up to date and who held the fund's data) or to ask Mercer to return data (at additional cost) and then contract with HPS Civica (at additional cost). The Committee expressed concern that the contract had not been fulfilled by SCC despite there having been a deadline of 2018.

RESOLVED:

1) That the Committee noted the report;

2) That Westminster City Council's legal team be requested to review the contract with SCC and determine its enforceability; and

3) That the Committee to receive an update in due course.

7 FUND FINANCIAL MANAGEMENT

Matt Hopson, Strategic Investment Manager, presented the report and advised the Committee of the cashflow forecast for the next three years which had been updated with actuals to 30 June 2021 for the Pension Fund bank account and cash held at custody (Northern Trust). The Committee was pleased to note that the bank position continued to be stable. The Committee considered the risks in the risk register for the Pension Fund.

RESOLVED:

That the Committee noted:

1) The risks in the risk register for the Pension Fund.

2) The cashflow position for the pension fund bank account and cash held at custody, the rolling twelve-month forecast and the three-year forecast.

8 TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES (TCFD) REGULATIONS

Phil Triggs, Tri Borough Director of Treasury and Pensions, presented the report and stated that on 11 February 2021 the Pensions Schemes Act 2021 received Royal Assent. The Committee was informed that the act covered climate risk governance and reporting for the private sector scheme and was expected to have a direct impact on the LGPS. The Committee noted that the proposed new measures will ensure trustees are legally required to assess and report on the financial risks of climate change within their portfolios, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The Committee held detailed discussions on the Pension Schemes Act, impact of climate change on investments and working with other schemes and bodies.

The Committee was pleased to note that the fund was already doing 90 percent of what was necessary in accordance with the new regulation and would welcome a strategy to push past the minimum requirement to be at the front of this accelerating agenda. The Committee advised they would like to receive a report in due course setting out the direction of travel and Deloitte offered to hold information sessions on the relevant areas.

RESOLVED:

That the Committee noted the report submitted by Deloitte on the introduction of climate change governance disclosures for UK pension schemes, as aligned with the TCFD recommendations.

9 THE LONDON FUND

Matt Hopson, Strategic Investment Manager, presented the report which provided a summary of the London CIV's (LCIV) London Fund, as requested by the Committee at the Pension Fund Committee meeting on 24 June 2021. The Committee discussed the report and was pleased to note that it was positive for London and would welcome more information in due course especially in regards to entry evaluation and fees.

RESOLVED UNANIMOUSLY:

The Committee noted the summary on the LCIV's London Fund with a view to exploring this option post the 2022 actuarial valuation.

10 FIXED INCOME STRATEGY

Phil Triggs, Tri Borough Director of Treasury and Pensions, presented the report and detailed the review undertaken by the Fund's investment advisor, Deloitte, on the current fixed income mandates and strategic asset allocation. The Committee held a discussion on the most appropriate strategic fixed income asset allocation for the Fund going forward, including the current MAC portfolio.

The Committee was also informed of the various benefits of an allocation to private debt alongside the existing fixed income allocations. The Committee heard Deloitte's recommendation of splitting the fixed income allocation equally among MAC, Insight and Private Debt. This would increase the expected return as well as volatility. However, the impact at total Fund level would be a circa 0.3% per annum increase in expected return and a circa 0.1% per annum increase in volatility. Income distributions would also be expected to increase by £3.6m per annum to £12.4m, going some way to finance the cashflow deficit, alongside equity distributions and expected future infrastructure income flows. The Committee considered that the debt was something which sat with the fund's responsible investment strategy.

RESOLVED:

1) That the private debt be added to the 19% fixed income asset allocation, splitting the portfolio equally between buy and maintain bonds, multi asset credit (MAC) and private debt.

2) That the LCIV's proposal of adding a second, complementing manager to the current MAC fund be proceeded with.

11 QUARTERLY FUND PERFORMANCE

Jonny Moore, Deloitte, presented the report which detailed the performance of the Pension Fund's investments to 30 June 2021, together with an update of the funding position. The Committee was pleased to note that the Fund outperformed the benchmark net of fees by 0.4% over the quarter to 30 June 2021 and the estimated funding level was 101.8% as at 30 June 2021. The Committee understood that asset allocations may vary due to changes in market value and held a detailed discussion on uncertainties and risk.

RESOLVED:

That performance of the investments and the funding position be noted.

12 EXCLUSION OF PRESS AND PUBLIC

The Chair moved and it was

RESOLVED:

That under Section 100 (a) (4) and Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following Item of Business because it involves the likely disclosure of exempt information relating to the financial or business affairs of any particular person (including the Authority holding that information) and it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

13 AFFORDABLE HOUSING

Phil Triggs, Tri Borough Director of Treasury and Pensions, presented the report to the Committee and summarised the investment manager shortlist for a proposed new affordable housing mandate, as agreed at the Pension Fund Committee meeting on 24 June 2021. The Committee held a detailed discussion on the proposed strategies to determine which were the most suitable providers to meet the Fund's key investment criteria, investing predominately within affordable housing and social supported living and all were currently open for investment.

RESOLVED:

That the Committee considered four managers shortlisted for the proposed allocation to affordable housing, with Deloitte to prepare a manager selection report.

14 PENSION COMMITTEE CONFIDENTIAL UPDATE

Diana McDonnell-Pascoe, Pensions Project Manager, presented the report which updated the Committee on the progress of the project to transfer the Pension Administration Service from SCC to HPS of Hampshire County Council. The Committee welcomed the reassurance that the project was on track to be delivered on time and within budget. The Committee suggested that an annual report be provided and urgent items be flagged to the Committee on an ad hoc basis. The Committee expressed disappointment at SCC's handling of the fund's administration.

RESOLVED:

That the successful running of the project be noted and commended.

15 LONDON CIV REGULATORY CAPITAL

Phil Triggs, Tri Borough Director of Treasury and Pensions, presented the report which arose from a discrepancy in the classification of regulatory capital by the London LGPS CIV Ltd (LCIV) and the Financial Conduct Authority's (FCA) interpretation as to its classification in accordance with prescribed regulatory practice.

RESOLVED:

That the Committee delegated authority to the Tri-Borough Director of Treasury and Pensions, following a consultation with the Chairman to agree a written resolution to approve the necessary changes to the Shareholder Agreement entered into with LCIV and the Articles of Association (Articles).

16 AOB

The Committee expressed concern that despite over half of the photographs in the Annual Report had been replaced, there were still photographs which could perhaps be considered not relevant to the lives of Westminster residents living in Westminster.

RESOLVED UNANIMOUSLY:

That the Committee requested the further replacing of photos be completed by the next edition of the Annual Report.

The Meeting ended at 21.41.

CHAIRMAN: _____ **DATE** _____

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City of Westminster

Pension Fund Committee

Date:	**16th December 2021**
Classification:	**General Release**
Title:	**Pension Administration Update**
Report of:	**Sarah Hay, Pensions Officer People Services**
Wards Involved:	**All**
Policy Context:	**Service Delivery**
Financial Summary:	**Negligible**

1. Introduction

1.1. This report provides a summary of the performance of Surrey County Council (SCC) with the Key Performance Indicators (KPIs) for the period September 2021. The detailed KPIs are shown in Appendix 1. We will also provide a brief update on the initial work with Hampshire Pension Services (HPS).

2. KPI Performance

2.1 The scope of the KPIs in this report have been agreed between WCC and SCC based on the section 101 agreement.

2.2 This paper covers the period of September 2021. Our last operational day with Surrey was the 20th of October. As at the date of writing this report, Surrey have not provided official KPI for their final partial month they were our administration partner. Hampshire Pension Services (HPS) only went live with WCC casework on the 8th of November 2021. As yet I have not yet received our first official KPI reports from HPS.

2.3 KPI performance in Appendix 1 is summarised as attached.

2.4 The average service level agreement, SLA% increased to 65% in September compared to 57% in August. However, this continued the poor overall performance against our expected KPI levels. I believe that KPI does also demonstrate the fact that the Hub 5 team working on our work were also

clearing some cases that should have previously been completed as urgent ahead of the transfer to HPS. For example, they have reported processing 21 death cases in September, most months we would expect to seeless than 5 cases. 9 were late that month and the KPI was therefore only 57%. Retirement cases is another example where Surrey have reported that they processed 15 retirements in September which is above the number I would generally consider normal for our fund. 7 cases were processed late and therefore the KPI is 47% although that was an improvement on 9% in August, it's clearly not what the fund will expect going forward. Lump sums and the processing of pensions on he next available pay run was again poor with 18 cases being processed but 16 outside of KPI. Despite the poor KPI data no noise is coming to me from our pension fund members in relation to Surrey.

2.5 The Hub 5 team did work to clear some WCC work after the exit of Hillingdon and the increase in case work processed in September does support this. However there is clear evidence that cases have been backlogged by the Surrey team for WCC, at least from the point where the admin moved to the Kingston team from East Sussex in April 2021. I can confirm that the overpayment case that was referenced in the last pension administration update has been resolved. Surrey has written to the member to advise them of the overpayment of pension and to confirm that Hampshire would reduce the pension to the correct amount from November 2021 which has been actioned. The overpayment had resulted from a pension increase issue and the member would have had no reason to know that their pension was being overpaid prior to notification. The overpayment in the region of £4000 is not being requested from the member.

2.6 Additionally I need to advise the committee that in late October a member of the treasury and pension team identified a significant monthly payment going through on the pension payroll. This element identified the payment as a commutation payment and had been paid monthly since June 2021. Commutations are offered in limited circumstances where the total pension the member could have is relatively low and the fund pays out a one off payment rather than an annual pension. In this case Surrey had managed to set up a commutation pension lump sum as a monthly pension payment. The overpayment resulting from this error was £46,266.78 net. Surrey made initial contact with the member over the error and the member has already paid back £40,000.00 of that sum but is stating that they do not have the balance, discussions with the member will continue regarding the remaining sum. The committee however will want to note that part of the reason the net overpayment escalated to such a high figure was due to the fact that the original case sat in checking for five months and therefore no one at Surrey picked up the mistake.

2.7 Also the committee may want to note that as part of the embedding of our new service with HPS it has come to light that Surrey had in some cases thought they had completed cases and made payments to the members but that payments had not actually been processed correctly. In a few cases I asked Surrey to complete payment as this made it simpler for HPS going forward but there are a number of potential cases that HPS will need to review and possibly

revise payments due to the time lapse between the original payment date and the date final payment would be made. I also want HPS to check if a payment is actually due. Surrey's access to the pension fund bank account is now closed.

2.8 Surrey are providing query support to HPS only now and will do so until our data is deleted in January. Surrey have confirmed to me that queries from HPS from the second week of the contract have been minimal and HPS are simply getting on with getting to grips with the casework they have inherited and in reviewing the payments as identified in 2.7 above.

2.9 There is no further update on the child's pension previously noted to the committee

3. Hampshire Pension Services. (HPS)

3.1 There are no HPS KPI to provide the committee at the time of writing this report. Initial feedback from people dealing with HPS and their staff has been positive. For example, when a member of the pension fund raised a complaint about his retirement and his data security a member of the team called the member to offer support.

3.2 We are now in business as usual and HPS appear to be dealing with issues in a timely manner. The first partnership meeting is due to take place on the 16th of December and that is when we will review the workloads inherited from Surrey and start to plan more actions going forward in preparation for the valuation in 2022.

3.3 We are also reviewing our internal controls to ensure that they are fit for purpose in ensuring the fund gets value for the money we pay to HPS on behalf of our members.

4 Summary

4.1 I have kept this administration update relatively simple this time. The focus of the team since the last committee meeting has been in supporting the transfer to HPS.

4.2 The KPI data is disappointing for September although the numbers of cases being actioned does at least reflect that the team were concentrating on WCC work in September and I believe October up to the 20th after which we shut down Altair prior to the final data cut.

4.3 Data issues have continued to surface including new overpayments including the noted commutation case which is now down to £6266.78. The child's pensions for our fund of £53,636 previously advised remain on our radar as well.

4.4 HPS have yet to report any KPI data but feedback from people who have dealt with the new provider is generally positive. We will be working hard to ensure that we develop a close working relationship with HPS and to build in the correct internal governance to help ensure we do not find ourselves in a similar position going forward.

Westminster County Council - September 2021 Results on KPI Reporting

Description	Target time/date as per Partnership Agreement	Target	Quantity September 2021	Actual Score September 2021	Comments	Comments	Trend	People services Comments
Pension Administration								
Death Benefits Notify potential beneficiary of lump sum death grant	5 days	**100%**	21	57%	9 cases missed the SLA target			High number of cases processed but high percentage outside KPI.
Write to dependant and provide relevant claim form	5 days	**100%**						
Set up any dependants benefits and confirm payments due	14 days	**100%**	11	82%	2 survivor pensions missed the SLA target.			Poor performance across the reporting months of May, June and July which followed previous poor performance.
Retirements Retirement options issued to members	5 days	**100%**	15	47%	7 cases missed the SLA target			Poor performamce although relatively high numbers processed.
New retirement benefits processed for payment following receipt of all necessary documents	5 days	**100%**	7	28%	5 missed the SLA target			Poor again.
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run		7	100%				amazing that this KPI is 100% in the circumstances.

Refunds of Contributions Refund paid following receipt of claim form	14 days	**100%**	34	79%	7 cases missed the SLA target			Sepetmber was again dissapointing.
Deferred Benefits Statements sent to member following receipt of leaver notification	30 days	**100%**	20	95%	1 missed the SLA target			This KPI looks ok.
Notification to members 2 months before payments due	2 months		38	100%				It's good this KPI is 100%
Lump Sum (on receipt of all necessary documentation)	5 days		18	11%	16 missed the target			Unfortunately this KPI was poor.
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run		18	11%				Unfortunately this KPI was poor.
New Joiners New starters processed	30 days	**100%**	57	100%	57 starters processed			This KPI is ok
Transfers In Non LGPS transfers-in quotations	30 days	**100%**	2	100%				This KPI is ok
Non LGPS transfers-in payments processed	30 days	**100%**	4	25%	3 missed the SLA target			Unfortunately this KPI was poor.
Transfers Out Non LGPS transfers-out quotations processed	30 days	**100%**	5	60%	2 missed the SLA target			Unfortunately this KPI was poor.
Non LGPS transfers out payments processed	30 days	**100%**	0	N/A				
Interfunds In - Quotations	30 days	**100%**	14	57%	6 missed the SLA target			Unfortunately this KPI was poor.
Interfunds In - Actuals	30 days	**100%**	8	88%	1 missed the SLA target	3 cases missed SLA target		Unfortunately this KPI was poor.
Interfunds Out - Quotations	30 days	**100%**	13	92%	1 missed the SLA target			This KPI is OK
Interfunds Out - Actuals	30 days	**100%**	13	85%	2 missed the SLA target			Unfortunately this KPI was poor.
Estimates								
1-10 cases	5 Days		7	14%	6 missed the SLA target			Surrey have been very late in sending through estimates for employer redundancy cases in particular.

11-50 cases	Agreed with WCC		n/a	n/a				
51 cases or over	Agreed with WCC		n/a	n/a				
Material Changes								
Any changes to data which materially affect actual or potential benefits to be processed within 30 days of receiving all necessary data	30 days		17	88%	2 missed the SLA target			
Members notified of terms of purchasing additional pension	15 days		0	N/A				
Monthly Pensioner Payroll								
Monthly Pensioner Payroll	Last day of month			100%				We are pleased this remains 100%.
Issue of monthly payslips	3 days before pay day			100%				We are pleased this remains 100%.
RTI file submitted to HMRC	3 days before pay day			100%				We are pleased this remains 100%.
BACS File submitted for payment	3 days before pay day			100%				We are pleased this remains 100%.
P35	EOY			31-Mar-21				
Annual Exercises								
Annual Benefit Statements Issued to Active members	31 August each year			Annual				
Annual Benefit Statements Issued to Deferred members	31 August each year			Annual				
P60s Issued to Pensioners Non LGPS transfers-in quotations processed within 20 days	31 May each year				Issued April 2021			
Apply Pensions Increase to Pensioners	April each year				Pension Increase applied for 21/22			
Pensioners Newsletter	April each year				Pensioner newsletter sent in April 2021			
Customer Service								
Correspondence								
Response	10 days		17	76%	4 cases missed the SLA target			There has been increased contact due to member coms on the transfer.
Helpdesk Enquiries								
			588	90%	90% of calls in September 2021 were dealt with at first point of contact			

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City of Westminster

Pension Fund Committee

Date:	**16th December 2021**
Classification:	**General**
Title:	**Pension Administration Transfer Project**
Report of:	**Diana McDonnell-Pascoe, Pensions Project Manager, People Services**
Policy Context:	**Service Delivery**
Financial Summary:	**General**

1. Introduction

1.1. This report is to update the committee on the progress of the project to transfer the Pension Administration Service from Surrey County Council (SCC) to Hampshire Pension Service (HPS) of Hampshire County Council. This update includes updates which are sensitive and not for public release.

2. Transfer of service to Hampshire Pension Service

2.1. Project Status – the Pension Administration Transfer Project has a final RAG status of GREEN on both delivery and risk as per the final Project Board with Hampshire County Council and Surrey County Council and is successfully progressing to conclusion as per the planned delivery timetable. The project is now in CLOSE with mop-up/handover activities being compiled and moved to being managed through business as usual (BAU) activity.

2.2. Project Costs – All costs are as expected and correct as of the date of writing this report.

2.3. Comms and Engagement – as the committee was previously advised, we had a timetable of Comms and Engagement for our members (active and deferred), pensioners and employers. We started our comms and engagement activity in the Summer and increased our engagement as we got closer to Go-Live. Our

aim was to ensure we had comprehensive engagement planned to ensure our stakeholders were fully informed as to the change of administrator and the opportunities it offers them in terms of improved service.

2.4. Post go live a deferred member in the process of retiring, escalated concerns that they did not receive notification from Westminster of the transfer of service. We conducted a review of that comms activity and discovered that a bulk email exercise failed to include all the email addresses that were included in the exercise. We immediately identified all those members who failed to receive the comms and contacted them to apologise and resend them the comms, albeit later than intended.

2.5. While it is true that there was a failsafe in the plan whereby HPS were going to email members to welcome them to the scheme (and our members would have been communicated with regardless), it was our intention that members would be informed of the change of administrator by WCC in the first instance. I would like to apologise to the Committee for this failure to quality assure the comms activity and would like to reassure the Committee that we are working with our comms colleagues to improve the comms planning now and in the future.

2.6. Despite that, we have delivered the Engagement and Comms plan as per the timetable below and we will be sending out the direct email to high earners shortly. We will conduct a feedback survey with members, pensioners and employers in January and we will analyse the feedback for our lessons learned. We will also update the Committee with a summary of the feedback as appropriate.

FY 21-22	**Engagement and Comms**		
	Members	**Employers**	**WCC Officers**
Jun		Email to employers / Schools' bulletin	
Jul	Letters to schools to inform staff before holidays		
Aug	Message on Annual Benefit Statements		
Sep	Letters to deferred members, pensioners, undecided leavers, schools	Follow on email to employers / information in Surrey newsletter / setup access to Employer Hub.	Launch of staff campaign on Loop Live. Wire/Yammer/ Newsletter comms to follow
Oct	Message on final physical payslip.	Employer Workshops / Schools bulletin & mgr. meetings /	HRBP Workshop / update to Directorate SLTs. Comms campaign continues

	Updated message on Pensions Website		
Nov	Member Portal Go-Live on 15th	Employer Portal Go-Live on 17th	Follow on Comms in LL, Newsletter and Wire/Yammer
Dec	Direct email to high earners	Follow on email to employers	Direct email to high earners
Jan	Feedback Survey	Feedback Survey	Feedback Survey

3. Administration Exit: Surrey County Council (SCC)

3.1. The final date of full-service delivery from SCC was 20th October 2021. This was the final date for pensioners and members to use the self-service SCC Member Portal. The period of transfer from SCC to HPS took place between end of business hours on 20th October 2021 and 7th November 2021 and on 21st October and during this transfer period, continuity of service for members and pensioners was maintained through “read-only” query management of the pension software Altair via Surrey’s contact centre. Casework was managed offline using HPS templates for ease of information transfer.

3.2. As previously advised; from 8th of November 2021 COWPF data will remain on SCC servers and in a read-only state on Altair until the end of January 2022, when WCC data will be deleted from SCC Servers in line with GDPR. Between 8th of November and 31st January, SCC will be aiding HPS, where required, with casework queries. Written confirmation of the data deletion will mark the formal exit from our contract with Surrey.

3.3. Surrey exit costs: We officially exit Surrey upon deletion of COWPF data from their servers at the end of January. We expect to have the confirmation of final calculation of exit costs post-deletion.

4. Administration Commencement: Hampshire Pension Services (HPS)

4.1. Service delivery with Hampshire Pension Services commenced on 8th November 2021. The first payroll run was successful and as planned, printed payslips were sent out. The bank account and BACS functions are operating normally with transfers in and out, payroll and other payments being made without issue.

4.2. As the committee is already aware, there was an issue that came to light post go-live where a piece of code in HPS’ software provider’s conversion script did not successfully map members marital status correctly to the new pension

software, UPM. This script error was neither identified prior to software conversion by Civica nor post conversion during user acceptance testing by HPS. This error has now been rectified by Civica and marital statuses in UPM match the marital statuses that were on Altair at Surrey at the point of the final data cut. Subsequently, Civica have reviewed the conversion process and have confirmed that this was the only error. Both HPS and Civica have apologised for the error and are reviewing their onboarding processes to ensure that they are more robust for the future. Civica are conducting a root cause analysis on the issue because this is first time that this has happened to them, and we expect to hear an update post-review.

4.3. As previously advised, Members and Pensioners were able to self-service their account via the new Member Portal as of 15th November 2021 with those that wished to opt-out of digital engagement being advised to do so by writing to HPS. I am pleased to inform you also that since commencement of delivery with HPS, we have had 2,152 member registrations to the HPS Member Portal. This is an extremely positive start given that we had a contract lifetime (Sept 2014 – Sept 2021) total of 5,877 members signed up to Surrey's Member Portal.

i. The HPS registrations breakdown is as follows:

a. Active members – 1,067

b. Deferred members – 652

c. Pensioners – 433

ii. The Surrey lifetime total registrations breakdown is as follows:

a. Active members – 2,209

b. Deferred members – 2,082

c. Widower/Dependent/Pensioner members – 1,586

4.4. Employers are able to self-service via the Employer Hub since 17th November 2021. Those employers that didn't wish to use the hub have been informed that they can correspond and complete their administration via secure email to HPS' employer email address. I am pleased to inform you that as of 3rd December 2021, the HPS Employer Hub has 37 Westminster employers set up, 114 Westminster users set up and of those users, 85 have activated (72%). This is encouraging and we will of course, keep track with HPS to ensure all the employers have made contact with HPS so that they can discharge their responsibilities as per the Pension Administration Strategy and their obligations.

4.5. HPS Costs

i. *Onboarding* – HPS onboarding costs remained unchanged with a total onboarding cost of £284k and a 20% contingency cost of £57k. We had an additional one-off cost of £6.6k to include historical payroll transfers into UPM which the committee was previously advised of. As of the date of writing this paper, we are not planning on using any of the contingency funds and should that remain the case, we will get written confirmation (for evidence logging) from HPS that the funds are not required.

ii. *Casework backlog* – SCC handed over a large amount of backlogged casework to HPS during the transfer. HPS have agreed to try and absorb as much of the backlog in their usual BAU service costs but there may be additional and as yet unknown costs to remove the backlog. HPS have requested adequate time to review and assess the remaining casework backlog with respect to the timescales and resources required to complete it. We expect to hear the results of this assessment and receive a written quotation (if necessary) of remediation costs in the new year.

5. HPS Administration Delivery, Contract Governance and Monitoring

5.1. HPS Service Delivery (Operations) Monitoring

i. On the 5th working day of each month there will be a key performance indicator (KPI) pack issued to WCC on the operational performance of the administration service.

ii. There will be a monthly partnership meeting, post this issuing of the pack, to discuss the KPIs and operational delivery of the administration service. The first monthly partnership meeting will be held on 16th December 2021.

iii. Where required, and outside of this regular timetable, there will be ad hoc calls between the administration service and WCC Officers to answer queries and/or resolve issues as they present.

5.2. Contract Monitoring

i. Procurement – Contract Monitoring requirements

a. We have obtained the relevant templates from the contract team in Procurement so that we can complete monthly contract reporting.

b. We will be enrolling the contract onto the Council's digital monitoring service, Capital eSource so that it is flagged with the Procurement teams as a significant contract so that we have their assistance when required.

c. We do not expect any regular internal meetings on contract monitoring with procurement. There may be an annual update for which any meetings will be agreed as required.

ii. Fiscal Monitoring

a. There will be an annual schedule of costs which will be invoiced quarterly and a control spreadsheet for the monitoring of planned and actual expenditure will be maintained by WCC Officers.

b. This spreadsheet will also record one-off costs that occur naturally through service delivery improvements and/or other ad hoc requests. These agreed expenditures will have written confirmation as evidence and invoiced as they occur because they are not scheduled.

c. There will be a bi-annual (every six months) review meeting between the HPS and WCC finance and operations teams to provide quality assurance on fiscal monitoring by ensuring that all expenditure is as planned and/or agreed and yearly schedules are confirmed.

5.3. Formal Governance

i. Pension Committee and Pension Board

a. Andrew Lowe, Head of Pensions, Investment and Borrowing at Hampshire County Council or his suitable deputy, will attend the quarterly Pension Committee and Pension Board at WCC as required to answer any questions the Committee and/or Board may have.

ii. Annual Employers AGM or similar

a. Andrew Lowe, Head of Pensions, Investment and Borrowing at Hampshire County Council or his suitable deputy, will attend any formal annual employers meeting we will have to answer any questions and to support WCC Officers during the event.

6. Project Legacy Activities

6.1. COWPF Website – www.wccpensionfund.co.uk

i. There is a legacy project being undertaken to review the Fund's website with respect to viability, use and cost now that we have moved to administration service to HPS. We needed a dedicated Fund website previously as SCC didn't provide the facility, however HPS have a comprehensive website that covers most but not all of our requirements and obligations namely Westminster-specific information for employers, members, pensioners, and other parties that would require or need access to that information.

ii. With the original intention of saving the Fund from unnecessary expense by decommissioning the existing website (which costs approximately £4,000 per annum) at the end of its current subscription period (Sept 2021), we conducted some preliminary investigations into other options available to the Fund including moving the Westminster-specific information to the council's main website www.westminster.gov.uk and perhaps moving to a lower cost, lower functionality website with another hosting service. However, in October, Hymans Robertson completed a significant upgrade to the existing website, and we have been greatly impressed at the possibilities this offers the Fund with respect to improving members' and pensioner's experience and the Fund's digital offering online.

iii. Consequently, and after discussing our initial options analysis, Sarah Hay and I considered that the website was effectively the digital public window display of the Fund and that there were more factors to consider than just cost when we consider the website as a tool in our comms and engagement arsenal. These factors include and are not limited to:

a. **Consistency and continuity of service for members, pensioners and employers who have had the same website address for years**. At present they can use the website to navigate to the new service with HPS quickly and easily and it can also be used as a "digital safety check" against concerns that any email correspondence they receive from HPS is actually "spam" or "phishing" and not valid. We feel that this reassurance in terms of consistency and continuity of service is a significant factor to be considered in light of the recentness of change of service administrator.

b. **Accessibility and Diversity and Inclusion.** We have recognised that we can do more on behalf of the Fund with respect to being Accessibility and Diversity and Inclusion friendly to members and pensioners who may have varied abilities when trying to navigate their LGPS. We have engaged with the staff networks (including the ABLE Network and the Dementia Friends Network), the council's diversity and

inclusion team and via a colleague in Public Health, we are engaging with the Alzheimer's Society to help us review and make recommendations on how to be more accessible to all. We have also engaged with HPS with plans to work together to improve both our digital engagements with respect to accessibility and diversity and inclusion.

c. **Other Factors (not exhaustive)**

- **Website design, development, and operation experience** – Hyman's have many years' experience in hosting and supporting Pension Fund Websites. Currently, they host 27 Pension Fund Websites. Replacing or supplanting this level of expertise may be tricky. Also, as part of the upgrade, WCC Officers have been given owner access to the website template for the first time and can make real time updates or corrections to information and/or post new articles relating to the scheme/Fund very easily. This change is a welcome one as it gives supported ownership of management of the website to WCC directly which wasn't available previously.

- **Further integration with Treasury and links with LGPS etc**. We have an opportunity to work with Treasury and Investment colleagues to do more in promoting the Fund activities we want to celebrate or highlight online. We would like time to workshop with them to explore this avenue of possibility.

iv. Therefore, we would like the Committee's approval to extend the subscription for the website for another twelve months (1st November 2021 to 31st October 2021) so that we can conduct a more thorough internal review and cost-benefit analysis as to how to move forward with the Fund's digital presence for our members, pensioners, and employers. This cost would be £4,333 which comprises the £4000 annual subscription and a prorated bridging fee of £333 to cover the two months between the end of the old subscription period (Sept 21) to the new start of the subscription period (Nov 21). During this extension we will conduct a more in-depth options analysis of the digital options available to the Fund and complete a cost-benefit analysis with a recommended option that the Committee can review and approve. Additionally, it would give us time to curate and improve the information we need to retain for our members, pensioners, employers et al.

7. Summary

7.1. This paper was to update the committee on progress of the project to date and to reassure the committee that the transition to business-as-usual service delivery with Hampshire Pension Service has been largely smooth and that the benefits of their professional service delivery are already being recognised. It was also to advise the committee that the project has moved to the CLOSE stage and that we are in handover to business-as-usual activities internally also.

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City of Westminster

Committee Report

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**16 December 2021**
Classification:	**Public**
Title:	**Fund Financial Management**
Wards Affected:	**All**
Policy Context:	**Effective control over council activities**
Financial Summary:	**There are no immediate financial implications arising from this report.**
Report of:	**Phil Triggs** ***Tri-Borough Director of Treasury and Pensions*** **ptriggs@westminster.gov.uk** **020 7641 4136**

1. Executive Summary

1.1 The risk register is divided into two sections: governance (investment and funding) and pensions administration. The top five risks are highlighted in the report below.

1.2 The cashflow forecast for the next three years has been updated, with actuals to 30 September 2021 for the Pension Fund bank account and cash held at custody (Northern Trust). The bank position continues to be stable.

2. Recommendations

2.1 The Committee is asked to note the risk registers for the Pension Fund.

2.2 The Committee is asked to note the cashflow position for the pension fund bank account and cash held at custody, the rolling twelve-month forecast and the three-year forecast.

3. Risk Register Monitoring

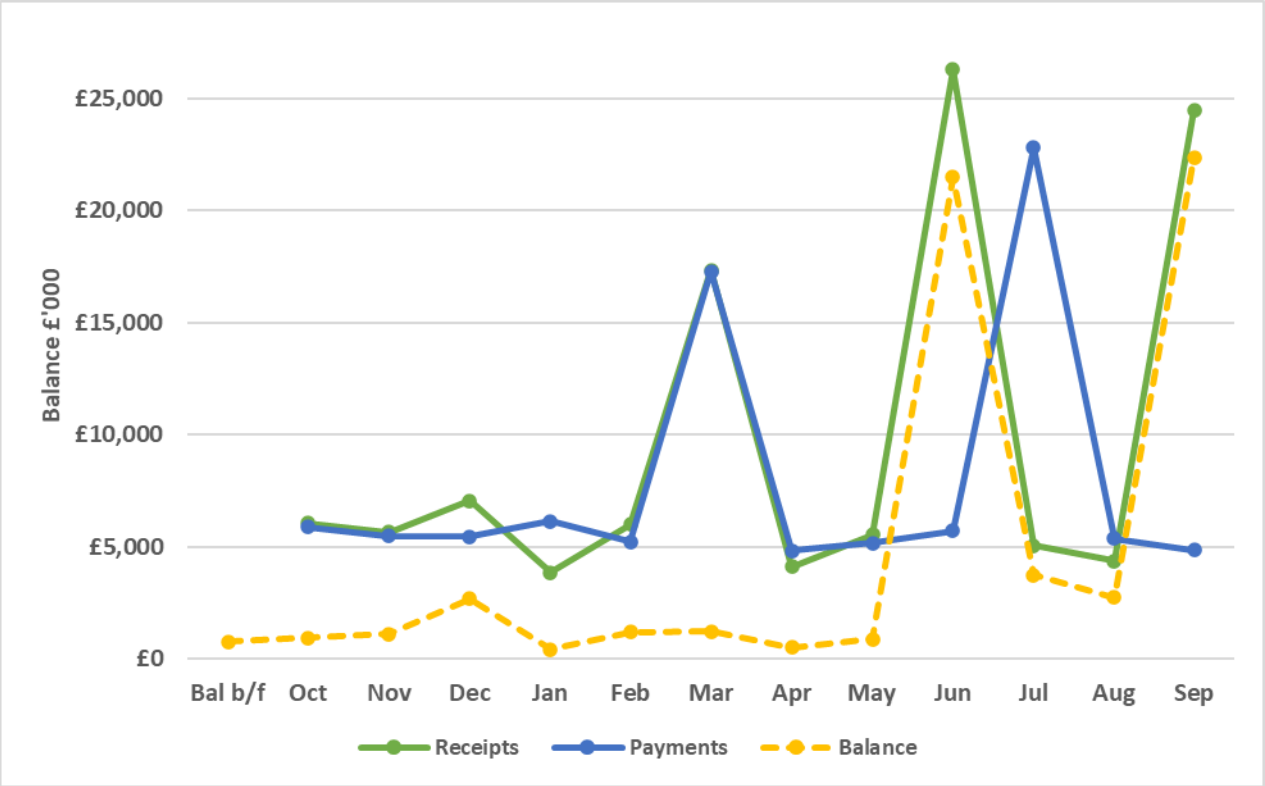
3.1 The risk register is divided into two sections: investment and pensions administration. The risk groups have been updated to reflect the CIPFA guidance on risk categories. The current top five risks to the Pension Fund, as updated in November 2021, are highlighted in the table below:

CIPFA Risk Group	Risk Rank	Risk Description	Trending
Liability Risk	1st/40	Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 2.7%. CPIH was 3.8% as at 31 October 2021. Hymans Robertson was appointed as the new Fund actuary from 1 October 2021. The funding level is expected to remain consistent with previous actuary.	
Asset and Investment Risk	2nd/40	Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in September 2019: how this will affect the Pension Fund going forward is currently unknown. Taskforce climate change financial disclosure (TCFD) regulations will impact on LGPS schemes, but these are currently unknown, expected to be published in 2022 and take effect from 2023.	
Asset and Investment Risk	3rd/40	Investment managers fail to achieve benchmark/ outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.9m. Following COVID-19, there was some concern around fund managers achieving their benchmarks.	
Liability Risk	4th/40	Scheme members live longer than expected leading to higher than expected liabilities.	
Asset and Investment Risk	5th/40	Significant volatility and negative sentiment in global investment markets following disruptive geo-political uncertainty. Increased risk to global economic stability.	

4. Cashflow Monitoring and Forecasted Cashflows

4.1 The balance on the pension fund's Lloyds bank account at 30 September 2021 was £22.365m. The Lloyds bank account is the Fund's main account for day-to-day transactions which includes receiving member contributions and transacting out pension payments to scheme members. Payments from the bank account will continue to exceed receipts on an annual basis. During the year, withdrawals from cash at custody are expected to take place to maintain a positive cash balance.

4.2 The graph below shows changes in the bank balance from 1 October 2020 to 30 September 2021.



4.3 Payments and receipts have remained stable over the last twelve months. Officers will continue to keep the cash balance under review and take appropriate action where necessary to maintain necessary liquidity. The Fund received a deficit recovery receipt of £20m from Westminster City Council during June and September 2021, these were subsequently paid over to the Custodian for safeguarding. The September deficit recovery receipt was not paid over to the Custodian until October 2021.

4.4 The Pension Fund held £19.551m in cash with the global custodian, Northern Trust, as at 30 September 2021. Fund manager distributions, deficit recovery receipts, proceeds from the sale of assets and purchases of assets, take place within the Fund's custody account at Northern Trust. The income distributions are largely from the Baillie Gifford global equity and CQS multi asset credit mandates. The following table shows the cash inflows and outflows within cash at custody for the three-month period from 1 July 2021 to 30 September 2021.

Cash at Custody	Jul-21	Aug-21	Sep-21
	£000	£000	£000
	Actual	Actual	Actual
Balance b/f	**59,424**	**77,444**	**27,525**
Distributions	0	70	397
Deficit Recovery	18,000	0	0
Sale of assets	0	0	0
Interest	0	15	0
Cash withdraw	0	0	0
Foreign Exchange Gains/Losses	20	(4)	49
Purchase of Assets	0	(50,000)	(8,324)
Management fees	0	0	(95)
Balance c/f	**77,444**	**27,525**	**19,551**

4.5 During the quarter, the Fund paid £50m into the Northern Trust Sterling Conservation Ultra Short ESG Bond fund and a capital call totalling £8.3m took place within the Pantheon Infrastructure fund. In addition to this £18m was paid over to Northern Trust in July 2021, relating to a deficit recovery receipt, to safeguard on the Funds behalf.

4.6 The total cash balance, including the pension fund Lloyds bank account and cash at custody, is shown below for the period from 1 July 2021 to 30 September 2021. The total cash balance as at 30 September 2021 was £41.916m.

Cash at custody & Bank account	Jul-21	Aug-21	Sep-21
	£000	£000	£000
	Actual	Actual	Actual
Balance b/f	**80,905**	**81,169**	**30,269**
Cash outflows	(4,654)	(55,354)	(13,278)
Cash inflows	4,919	4,453	24,925
(Withdraw)/Deposit from custody to bank account	18,000	0	0
Withdraw/(Deposit) from bank account to custody	(18,000)	0	0
Balance c/f	**81,169**	**30,269**	**41,916**

4.7 During July 2021, £18m was paid over to the Custodian relating to the Council's June 2021 deficit recovery.

4.8 The following table illustrates the expected rolling cashflow for the 12-month period from 1 April 2021 to 31 March 2022 for the pension fund Lloyds bank account. Forecast cashflows are calculated, using the previous year's actual cashflows, which are then divided equally over the 12 months and then inflated by 2%.

Current Account Cashflows Actuals and Forecast for period April 2021 - March 2022:

	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	*Oct-21*	*Nov-21*	*Dec-21*	*Jan-22*	*Feb-22*	*Mar-22*	***Forecasted Rolling Total***
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	
	Actual	**Actual**	**Actual**	**Actual**	**Actual**	**Actual**	***F'cast***	***F'cast***	***F'cast***	***F'cast***	***F'cast***	***F'cast***	
Balance b/f	**1,224**	**506**	**886**	**21,480**	**3,726**	**2,744**	***22,365***	***1,127***	***889***	***952***	***1,714***	***1,476***	***£000s***
Contributions	3,077	2,896	3,296	3,221	3,191	3,021	*3,231*	*3,231*	*3,231*	*3,231*	*3,231*	*3,231*	*38,089*
Transfers in, overpayments, VAT reclaim, recharges & misc. receipts	215	807	188	898	377	658	*373*	*373*	*373*	*373*	*373*	*373*	*5,382*
Pensions	(3,490)	(3,500)	(3,525)	(3,507)	(3,521)	(3,566)	*(3,575)*	*(3,575)*	*(3,575)*	*(3,575)*	*(3,575)*	*(3,575)*	*(42,561)*
HMRC Tax Payments	(604)	(603)	(615)	(629)	(615)	(613)	*(620)*	*(620)*	*(620)*	*(620)*	*(620)*	*(620)*	*(7,398)*
Transfers out, lump sums, death grants, refunds & misc. payments	(660)	(898)	(1,410)	(517)	(1,205)	(676)	*(1,286)*	*(1,286)*	*(1,286)*	*(1,286)*	*(1,286)*	*(1,286)*	*(13,080)*
Expenses	(57)	(133)	(140)	(22)	(8)	(5)	*(161)*	*(161)*	*(161)*	*(161)*	*(161)*	*(161)*	*(1,329)*
Net cash in/(out) in month	**(1,518)**	**(1,432)**	**(2,206)**	**(555)**	**(1,782)**	**(1,180)**	***(2,038)***	***(2,038)***	***(2,038)***	***(2,038)***	***(2,038)***	***(2,038)***	***(20,897)***
Withdrawal/(deposit) from custody cash	0	1,000	2,000	(18,000)	0	0	*(20,000)*	*1,000*	*(16,000)*	*2,000*	*1,000*	*(12,000)*	*(59,000)*
Deficit Recovery Contributions	800	812	20,800	800	800	20,800	*800*	*800*	*18,100*	*800*	*800*	*13,900*	*80,012*
Balance c/f	**506**	**886**	**21,480**	**3,726**	**2,744**	**22,365**	***1,127***	***889***	***952***	***1,714***	***1,476***	***1,339***	

4.9 The three-year cashflow forecast for 2021/22 to 2023/24 for the pension fund's Lloyds bank account is shown below. Forecasted cashflows are calculated using the previous year's cashflows which are then inflated by 2%. Please note this will not match the rolling cashflow.

Three Year Cashflow Forecast for 2021/22 to 2023/24:

	2021/22	2022/23	2023/24
	£000	£000	£000
	F'cast	F'cast	F'cast
Balance b/f	**1,224**	**803**	**862**
Contributions	38,773	39,549	40,340
Transfers in, overpayments, VAT reclaim, recharges & misc. receipts	4,481	4,570	4,662
Pensions	(42,905)	(43,763)	(44,638)
HMRC Tax	(7,440)	(7,589)	(7,741)
Transfers out, lump sums, death grants, refunds & misc. payments	(15,432)	(15,740)	(16,055)
Expenses	(1,928)	(1,967)	(2,006)
Net cash in/(out) in year	**(24,451)**	**(24,940)**	**(25,439)**
Withdrawal/(deposit) from custody cash	(56,000)	25,000	25,000
Deficit Recovery Contributions	80,030	0	0
Balance c/f	**803**	**862**	**423**

4.10 The final Council deficit recovery receipts expected during 2021/22 total £80m. It is anticipated that from 2022/23 the Fund will have a future cashflow requirement of circa £25m p.a., to be funded from cash held with the custodian, income distributions and liquidation of Fund assets.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Billie Emery pensionfund@westminster.gov.uk

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – Tri-Borough Risk Management Scoring Matrix
Appendix 2 – Pension Fund Risk Register Review at November 2021

Appendix 1 - Tri Borough Risk Management Scoring Matrix		
Scoring (Impact)		
Impact Description	Category	Description
1 Very Low	Cost/Budgetary Impact	£0 to £25,000
	Impact on life	Temporary disability or slight injury or illness less than 4 weeks (internal) or affecting 0-10 people (external)
	Environment	Minor short term damage to local area of work.
	Reputation	Decrease in perception of service internally only – no local media attention
	Service Delivery	Failure to meet individual operational target – Integrity of data is corrupt no significant effect
2 Low	Cost/Budgetary Impact	£25,001 to £100,000
	Impact on life	Temporary disability or slight injury or illness greater than 4 weeks recovery (internal) or greater than 10 people (external)
	Environment	Damage contained to immediate area of operation, road, area of park single building, short term harm to the immediate ecology or community
	Reputation	Localised decrease in perception within service area – limited local media attention, short term recovery
	Service Delivery	Failure to meet a series of operational targets – adverse local appraisals – Integrity of data is corrupt, negligible effect on indicator
3 Medium	Cost/Budgetary Impact	£100,001 to £400,000
	Impact on life	Permanent disability or injury or illness
	Environment	Damage contained to Ward or area inside the borough with medium term effect to immediate ecology or community
	Reputation	Decrease in perception of public standing at Local Level – media attention highlights failure and is front page news, short to medium term recovery
	Service Delivery	Failure to meet a critical target – impact on an individual performance indicator – adverse internal audit report prompting timed improvement/action plan - Integrity of data is corrupt, data falsely inflates or reduces outturn of indicator
4 High	Cost/Budgetary Impact	£400,001 to £800,000
	Impact on life	Individual Fatality
	Environment	Borough wide damage with medium or long term effect to local ecology or community
	Reputation	Decrease in perception of public standing at Regional level – regional media coverage, medium term recovery
	Service Delivery	Failure to meet a series of critical targets – impact on a number of performance indicators – adverse external audit report prompting immediate action - Integrity of data is corrupt, data falsely inflates or reduces outturn on a range of indicators
5 Very High	Cost/Budgetary Impact	£800,001 and over
	Impact on life	Mass Fatalities
	Environment	Major harm with long term effect to regional ecology or community
	Reputation	Decrease in perception of public standing nationally and at Central Government – national media coverage, long term recovery
	Service Delivery	Failure to meet a majority of local and national performance indicators – possibility of intervention/special measures – Integrity of data is corrupt over a long period, data falsely inflates or reduces outturn on a range of indicators

Scoring (Likelihood)	
Descriptor	Likelihood Guide
1. Improbable, extremely unlikely.	Virtually impossible to occur 0 to 5% chance of occurrence.
2. Remote possibility	Very unlikely to occur 6 to 20% chance of occurrence
3. Occasional	Likely to occur 21 to 50% chance of occurrence
4. Probable	More likely to occur than not 51% to 80% chance of occurrence
5. Likely	Almost certain to occur 81% to 100% chance of occurrence

Control		Details required
Terminate	Stop what is being done.	A clear description of the specific actions to be taken to control the risk or opportunity
Treat	Reduce the likelihood of the risk occurring.	
Take	Circumstances that offer positive opportunities	
Transfer	Pass to another service best placed to deal with mitigations but ownership of the risk still lies with the original service.	The name of the service that the risk is being transferred to and the reasons for the transfer.
Tolerate	Do nothing because the cost outweighs the benefits and/or an element of the risk is outside our control.	A clear description of the specific reasons for tolerating the risk.

Symbol Key		
Trending upwards		Risk is assessed to be generally trending upwards
Trending downwards		Risk is assessed to be generally trending downwards
No change		Risk is assessed to be generally staying the same

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Pension Fund Risk Register - Administration Risk													
Risk Group	Risk Ref.	Trending	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed
				Fund	Employers	Reputation	Total						
Administrative and Communicative Risk	1		Failure to successfully transition the pensions administration service to Hampshire County Council, following termination of Surrey contract. Alongside this the administration software is to be moved from Heywood's Altair to Civica. Go live took place as planned on 8th November 2021.	3	3	3	9	3	**27**	**TREAT:** 1) Project is being managed and reported to the I&C Board as part of the Council's project governance. Additionally our governance structure that includes a project specific board with COWPF, Hampshire Pension Services, Surrey County Council, Civica (software supplier) representation. Lee Witham is the board member representing COWPF, the project is RAG status green. 2) Go live went ahead as scheduled on 8th of November and was considered a success.	2	**18**	26/11/2021
Administrative and Communicative Risk	2		Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	5	3	1	9	3	**27**	**TREAT:** 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of employers part of 2019 actuarial valuation, next valuation to take place at 31 March 2022. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	2	**18**	26/11/2021
Administrative and Communicative Risk	3		Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints. There is a concern regarding the high level of senior management departures at Surrey CC, however contract ended in November 2021. Co-operation needed following transition, to ensure data has transferred smoothly and any loose ends are tied up.	1	4	3	8	3	**24**	**TREAT:** 1) Admin work has been with Surrey team in Kingston since April 21, New Hub team need to maintain WCC KPI work whilst supporting other exits as well as COWPF. The pensions administration service transitioned from Surrey CC to Hampshire CC on 8th November 2021. 2) Officers will continue to support the admin team with regular meetings and conversation on cases. 3) Ongoing monitoring of contract and KPIs.	2	**16**	26/11/2021
Resource and Skill Risk	4		Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	2	3	7	3	**21**	**TREAT:** 1) Practice notes in place. 2) Development of team members and succession planning improvements to be implemented. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs.	2	**14**	26/11/2021
Administrative and Communicative Risk	5		Failure of pension payroll system resulting in pensioners not being paid in a timely manner. Transition to new pensions administrator may encounter teething problems. Need to ensure new pension fund bank account is set up in time and ensure overseas pensioners can be paid correctly as well.	1	2	4	7	3	**21**	**TREAT:** 1) In the event of a pension payroll failure, we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers. Additionally HPS data work as part of the transfer includes running payroll figures for members. An effective parallel pay run will be run to compare to the final October data cut. New Bank Account has been set up for HPS, there were test BACs runs during November, which were a success.	2	**14**	26/11/2021
Administrative and Communicative Risk	6		Failure of securely sent sensitive data and any unidentified data flows being sent insecurely.	4	3	5	12	2	**24**	**TREAT:** 1) Active member data is sent on secure platforms between all parties 2) Including "Encrypted" in email subject allows schools and academies to send data to pension admin team securely. 3) Data sent to the actuary using secure portal. 4) The new employer portal used by HPS should offer increased security for member data from all employers.	1	**12**	26/11/2021
Administrative and Communicative Risk	7		Failure of cyber security measures, including information technology systems and processes, leading to loss, disruption or damage to the scheme or its members.	4	2	5	11	2	**22**	**TREAT:** 1) Council has a data recovery plan in place, with files uploaded to the cloud every night and transition of files from the j drive to SharePoint. 2) . As a Council we are continuing to invest in technologies to block and filter phishing emails as well as ensuring our systems are up to date to protect us and our devices against these threats. 3) The IT team continuously review and update the cyber security policies, including the Information Security policy, Acceptable Use policy, Email and Internet policy, Social Media policy, Password Management policy and Data Disposal policy. All of which can be found on the Wire.	1	**11**	26/11/2021

Administrative and Communicative Risk	8		Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	4	4	3	11	2	**22**	**TREAT:** 1) Update and enforce pension admin strategy to assure employer reporting compliance.	1	**11**	26/11/2021
Administrative and Communicative Risk	9		Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	3	2	5	10	2	**20**	**TREAT:** 1) Third parties regulated by the FCA and separation of duties and independent reconciliation processes are in place. 2) Review of third party internal control reports. 3) Regular reconciliations of pensions payments undertaken by Pension Finance Team. 4) Periodic internal audits of Pensions Finance and HR Teams. 5) Internal Audits last undertaken during 2018/19 showed satisfactory assurance with recommendations implemented during the year.	1	**10**	26/11/2021
Administrative and Communicative Risk	10		Failure of financial system leading to benefits to scheme members and supplier payments not being made and Fund accounting not being possible.	1	3	4	8	2	**16**	**TREAT:** 1) Contract in place with HCC to provide service, enabling smooth processing of supplier payments. 2) Officers undertaking additional testing and reconciliation work to verify accounting transactions.	1	**8**	26/11/2021
Administrative and Communicative Risk	11		Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	**16**	**TREAT:** 1) Disaster recovery plan in place 2) Ensure system security and data security is in place 3) Business continuity plans regularly reviewed, communicated and tested 4) Internal control mechanisms ensure safe custody and security of LGPS assets. 5) Gain assurance from the Fund's custodian, Northern Trust, regarding their cyber security compliance.	1	**8**	26/11/2021
Administrative and Communicative Risk	12		Poor reconciliation process leads to incorrect contributions. Hampshire County Council to undertake contributions reconciliation from November 2021, currently undertaken by pensions officer.	2	1	1	4	3	**12**	**TREAT:** 1) Ensure reconciliation process notes are understood by Pension Fund team. 2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process. 3) Contributions reconciliation is undertaken by the pensions team.	2	**8**	26/11/2021
Administrative and Communicative Risk	13		COVID-19 affecting the day to day functions of the Pensions Administration services including customer telephony service, payment of pensions, retirements, death benefits, transfers and refunds.	2	3	2	7	3	**21**	**TREAT:** 1) Working from home process now embedded. 2) Revision of processes to enable electronic signatures and configure the telephone helpdesk system to work from home. 3) Maintain regular contact with the Hampshire CC administration team.	1	**7**	26/11/2021
Administrative and Communicative Risk	14		Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	1	1	1	3	3	**9**	**TREAT:** 1) Pension administration records are stored on the Hampshire CC servers who have a disaster recovery system in place and records should be restored within 24 hours of any issue. All files are backed up daily.	2	**6**	26/11/2021
Administrative and Communicative Risk	15		Lack of guidance and process notes leads to inefficiency and errors.	2	2	1	5	2	**10**	**TREAT:** 1) Ensure process notes are compiled and circulated in Pension Fund and Administration teams.	1	**5**	26/11/2021
Administrative and Communicative Risk	16		Rise in discretionary ill-health retirements claims adversely affecting self-insurance costs.	2	2	1	5	2	**10**	**TREAT:** 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations.	1	**5**	26/11/2021
Administrative and Communicative Risk	17		Failure to identify GMP liability leads to ongoing costs for the pension fund.	1	2	1	4	1	**4**	**TREAT:** 1) GMP identified as a Project as part of the Service Specification between the Fund and Hampshire County Council, with minimal effect on the Fund.	1	**4**	26/11/2021

Pension Fund Risk Register - Investment Risk													
Risk Group	Risk Ref.	Trending	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed
				Fund	Employers	Reputation	Total						
Liability Risk	1		Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 2.7%. CPIH was 3.8% as at 31 October 2021. Hymans Robertson were appointed as the new Fund actuary from 1 October 2021, however funding level is expected to remain consistent with previous actuary.	5	3	2	10	4	**40**	**TREAT:** 1) The 2019 actuarial valuation results show an increase in the CPI assumption of 0.2% from the 2016 valuation. 2) The Pension Fund has increased its holdings within infrastructure and intends to increase allocations to property into 2022. 3) The Funds high allocation to equity will provide a degree of protection against inflation.	3	**30**	26/11/2021
Asset and Investment Risk	2		Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in September 2019, how this will affect the Pension Fund going forward is currently unknown. TCFD regulations impact on LGPS schemes currently unknown but expected to come into force during 2023.	3	2	4	9	4	**36**	**TREAT:** 1) Review ISS in relation to published best practice (e.g. Stewardship Code) 2) Ensure fund managers are encouraged to engage and to follow the requirements of the published ISS. 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and Pensions and Lifetime Savings Association (PLSA), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors. 4) Following the strategic asset allocation review in June 2020, the Pension Fund has committed 6% towards renewables and 20% to the LCIV Global Sustain Fund, as well as moving the LGIM passive mandate into the LGIM Future World Fund. A further review took place during 2021, and a 5% allocation to affordable/social housing was agreed. 5) An ESG and RI Policy was drafted for the Pension Fund as part of the ISS and a Responsible Investment Statement was drafted during late 2020. 6) Officers regularly attend training events on ESG and TCFD regulations to ensure stay up to date with latest guidance.	3	**27**	26/11/2021
Asset and Investment Risk	3		Investment managers fail to achieve benchmark/ outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.9m. Following COVID-19, there was some concern around Fund Managers outperforming their benchmarks.	5	3	3	11	3	**33**	**TREAT:** 1) The Investment Management Agreements (IMAs) clearly state WCC's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 3) The Pension Fund Committee should be positioned to move quickly if it is felt that targets will not be achieved. 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.	2	**22**	26/11/2021

Liability Risk	4		Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	2	**22**	**TOLERATE:** 1) The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down. 2) Hymans Robertson was appointed as the new actuary, however their assumptions are not expected to impact the funding level significantly.	2	**22**	26/11/2021
Asset and Investment Risk	5		Significant volatility and negative sentiment in global investment markets following disruptive geo-political uncertainty. Increased risk to global economic stability.	5	4	1	10	3	**30**	**TREAT:** 1) Continued dialogue with investment managers re management of political risk in global developed markets. 2) Investment strategy involving portfolio diversification and risk control. 3) Investment strategy review took place during 2021 and a new strategic asset allocation was agreed.	2	**20**	26/11/2021
Asset and Investment Risk	6		The global outbreak of COVID-19 poses economic uncertainty across the global investment markets.	5	3	2	10	3	**30**	**TREAT:** 1) Officers will continue to monitor the impact lockdown measures have had on the fund's underlying investments and the wider economic environment. 2) The Fund holds a diversified portfolio, which should reduce the impact of stock market movements. 3) Asset allocation was reviewed during 2021, a new strategy was agreed to include private debt and affordable/social housing mandates. 4) Pension Fund Officers in frequent contact with Fund Managers and the Funds investment advisor.	2	**20**	26/11/2021
Liability Risk	7		Employee pay increases are significantly more than anticipated for employers within the Fund.	4	4	2	10	2	**20**	**TOLERATE:** 1) Actuarial valuation assumptions show a decrease in salary increases by 0.3% from 2016. 2) Fund employers should monitor own experience. 3) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 4) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014). 5) Employee pay rises currently remain below inflation.	2	**20**	26/11/2021
Asset and Investment Risk	8		That the London Collective Investment Vehicle (LCIV) fails to produce proposals/solutions deemed sufficiently ambitious.	4	3	3	10	2	**20**	**TOLERATE:** 1) Partners for the pool have similar expertise and like-mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. Ensure that ongoing fund and pool proposals are comprehensive and meet government objectives. 2) Member presence on Shareholder Committee and officer groups. 3) Fund representation on key officer groups.	2	**20**	26/11/2021

Asset and Investment Risk	9		Volatility caused by uncertainty with regard to the withdrawal of the UK from the European Union and the economic aftereffects. Supply chain issues and HGV driver shortages affecting UK trade and causing supply issues.	4	4	1	9	3	**27**	**TREAT:** 1) Officers to consult and engage with advisors and investment managers. 2) Possibility of hedging currency and equity index movements, LGIM portfolio is GBP currency hedged. 4) The UK struck a trade deal with the EU in December 2020, the deal will be formally reviewed every 5 years.	2	**18**	26/11/2021
Regulatory and Compliance Risk	10		Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales. Still awaiting updated pooling guidance from DLUHC (formerly the MHCLG).	3	2	1	6	3	**18**	**TOLERATE:** 1) Officers consult and engage with the Department for Levelling Up, Housing and Communities (DLUHC), LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Uncertainty surrounding new DLUHC pooling guidance, expected sometime during 2022.	3	**18**	26/11/2021
Asset and Investment Risk	11		London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	3	3	2	8	3	**24**	**TREAT:** 1) Member presence on shareholder Committee responsible for the oversight of the CIV and can monitor and challenge the level of resources through that forum. Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work of the London CIV. 2) Officers continue to monitor the ongoing staffing issues and the quality of the performance reporting provided by the London CIV.	2	**16**	26/11/2021
Liability Risk	12		Impact of economic and political decisions on the Pension Fund's employer workforce. Government funding level affecting the Councils spending decisions.	5	2	1	8	3	**24**	**TREAT:** 1) Actuary uses prudent assumptions on future of employees within workforce. Employer responsibility to flag up potential for major bulk transfers outside of the Westminster Fund. The potential for a significant reduction in the workforce as a result of the public sector financial pressures may have a future impact on the Fund. 2) Need to make prudent assumptions about diminishing workforce when carrying out the triennial actuarial valuation, next valuation to take place at 31 March 2022.	2	**16**	26/11/2021
Resource and Skill Risk	13		Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding. Elections due to take place in May 2022, which may affect the composition of the Committee.	2	2	1	5	4	**20**	**TREAT:** 1) Succession planning process in place. 2) Ongoing training of Pension Fund Committee members. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.	3	**15**	26/11/2021

Regulatory and Compliance Risk	14		There is a technical issue surrounding the accounting classification of the London CIV regulatory capital and can be resolved only by making amendments to the Shareholder Agreement and the company's Article of Association (Articles). There is a risk that the LCIV will not receive all 32 signatures, however it should be noted that no further capital will be called upon as a result of this process. As at 26th November 2021, 30 local authorities have agreed in principle to sign, however 2 haven't given any indication that they will sign.	2	2	1	5	3	**15**	**TOLERATE:** 1) London CIV to facilitate discussions with London Boroughs and gather feedback, before signed amendments to Shareholder Agreement and Articles. 30 local authorities have agreed to sign, with 2 confirmations still outstanding. 2) WCC obtained written agreement and legal advice to approve the necessary changes to the Shareholder Agreement and LCIV's Articles.	3	**15**	26/11/2021
Liability Risk	15		Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	4	2	1	7	2	**14**	**TOLERATE:** 1) Review "budgets" at each triennial valuation and challenge actuary as required. Charge capital cost of ill health retirements to admitted bodies at the time of occurring. Occupational health services provided by the Council and other large employers to address potential ill health issues early.	2	**14**	26/11/2021
Liability Risk	16		Impact of increases to employer contributions following the actuarial valuation, next valuation to take place on 31 March 2022.	5	5	3	13	2	**26**	**TREAT:** 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.	1	**13**	26/11/2021
Liability Risk	17		There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments. The Fund currently has £50m in cash held within a short duration bond fund, which allows access at short notice.	5	4	3	12	2	**24**	**TREAT:** 1) Cashflow forecast maintained and monitored. 2) Cashflow position reported to committee quarterly. 3) Cashflow requirement is a factor in current investment strategy review, Fund is expected to be c.£25m cashflow negative from 2022/23 onwards.	1	**12**	26/11/2021
Regulatory and Compliance Risk	18		Changes to LGPS Regulations	3	2	1	6	3	**18**	**TREAT:** 1) Fundamental change to LGPS Regulations implemented from 1 April 2014 (change from final salary to CARE scheme). 2) Future impacts on employer contributions and cash flows will considered during the 2016 actuarial valuation process. 3) Fund will respond to consultation processes. 4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulations 8 (compulsory pooling) to be monitored.	2	**12**	26/11/2021

Regulatory and Compliance Risk	19		Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation. The Pension Fund is changing pension administration providers, a transition of data will take place during 2021.	3	3	5	11	2	**22**	**TREAT:** 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2)WCC IT data security policy adhered to. 3) Implementation of GDPR. 4) Pension administration transition project team in place.	1	**11**	26/11/2021
Liability Risk	20		Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy.	5	3	3	11	2	**22**	**TREAT:** 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Investment strategy review is currently underway with an approved switch from equities to affordable/social housing. 3) Setting of Fund specific benchmark relevant to the current position of fund liabilities. 4) Fund manager targets set and based on market benchmarks or absolute return measures. Overall investment benchmark and out-performance target is fund specific.	1	**11**	26/11/2021
Reputational Risk	21		Financial loss of cash investments from fraudulent activity.	3	3	5	11	2	**22**	**TREAT:** 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	**11**	26/11/2021
Reputational Risk	22		Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	5	2	4	11	2	**22**	**TREAT:** 1) Officers maintain knowledge of legal framework for routine decisions. 2) Eversheds retained for consultation on non-routine matters.	1	**11**	26/11/2021
Liability Risk	23		Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	5	3	3	11	2	**22**	**TREAT:** 1) Transferee admission bodies required to have bonds or guarantees in place at time of signing the admission agreement. Regular monitoring of employers and follow up of expiring bonds.	1	**11**	26/11/2021
Asset and Investment Risk	24		A change in government may result in new wealth sharing policies which could negatively impact the value of the pension fund assets.	5	5	1	11	2	**22**	**TREAT:** 1) Maintain links with central government and national bodies to keep abreast of national issues. Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	**11**	26/11/2021
Liability Risk	25		Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	4	4	2	10	2	**20**	**TREAT:** 1) Monitor numbers and values of transfers out being processed. If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values. 2) No evidence in 2021/22 of members transferring out to DC schemes.	1	**10**	26/11/2021

Liability Risk	26		Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	**20**	**TREAT:** 1) At time of appointment ensure advisers have appropriate professional qualifications and quality assurance procedures in place. Committee and officers scrutinise and challenge advice provided.	1	**10**	26/11/2021
Asset and Investment Risk	27		Financial failure of third party supplier results in service impairment and financial loss	5	4	1	10	2	**20**	**TREAT:** 1) Performance of third parties (other than fund managers) regularly monitored. 2) Regular meetings and conversations with global custodian (Northern Trust) take place. 3) Actuarial and investment consultancies are provided by two different providers.	1	**10**	26/11/2021
Asset and Investment Risk	28		Failure of global custodian or counterparty.	5	3	2	10	2	**20**	**TREAT:** 1) At time of appointment, ensure assets are separately registered and segregated by owner. 2) Review of internal control reports on an annual basis. 3) Credit rating kept under review.	1	**10**	26/11/2021
Asset and Investment Risk	29		Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	**20**	**TREAT:** 1) Fund is reliant upon current adequate contract management activity. 2) Fund is reliant upon alternative suppliers at similar price being found promptly. 3) Fund is reliant on LGIM as transition manager. 4) Fund has the services of the London Collective Investment Vehicle (LCIV).	1	**10**	26/11/2021
Asset and Investment Risk	30		Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	5	3	2	10	2	**20**	**TREAT:** 1) Proportion of total asset allocation made up of equities, bonds, property funds, infrastructure and fixed income, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Actuarial valuation and strategy review take place every three years post the actuarial valuation. 4) IAS19 data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data.	1	**10**	26/11/2021
Resource and Skill Risk	31		Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	4	3	3	10	2	**20**	**TREAT:** 1) Person specifications are used at recruitment to appoint officers with relevant skills and experience. 2) Training plans are in place for all officers as part of the performance appraisal arrangements. 3) Shared service nature of the pensions team provides resilience and sharing of knowledge. 4) Officers maintain their CPD by attending training events and conferences.	1	**10**	26/11/2021
Regulatory and Compliance Risk	32		Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests.	3	3	4	10	2	**20**	**TREAT:** 1) Publication of all documents on external website. 2) Managers expected to comply with ISS and investment manager agreements. 3) Local Pension Board is an independent scrutiny and assistance function. 4) Annual audit reviews.	1	**10**	26/11/2021

Reputational Risk	33		Inaccurate information in public domain leads to damage to reputation and loss of confidence.	1	1	3	5	3	**15**	**TREAT**: 1) Ensure that all requests for information (Freedom of Information, member and public questions at Council, etc) are managed appropriately and that Part 2 Exempt items remain so. 2) Maintain constructive relationships with employer bodies to ensure that news is well managed. 3) Stage AGM every year.	2	**10**	26/11/2021
Liability Risk	34		Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	1	**10**	**TOLERATE:** 1) Political power required to effect the change.	1	**10**	26/11/2021
Liability Risk	35		Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	5	3	1	9	2	**18**	**TREAT:** 1) Review maturity of scheme at each triennial valuation. Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions. 2) Cashflow position monitored monthly.	1	**9**	26/11/2021
Resource and Skill Risk	36		Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	2	**18**	**TREAT:** 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval).	1	**9**	26/11/2021
Regulatory and Compliance Risk	37		Failure to comply with recommendations from the Local Pension Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator.	1	3	5	9	2	**18**	**TREAT:** 1) Ensure that a cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	**9**	26/11/2021
Regulatory and Compliance Risk	38		Loss of flexibility to engage with Fund Managers and loss of elective professional status with any or all of the existing Fund managers and counterparties resulting in reclassification. (The Fund is a retail client to counterparties unless opted up).	3	2	2	7	2	**14**	**TREAT:** 1) More reliance on investment advisor to keep Officers and Committee updated. Officers are considering other financial institution outside of the current mandates to 'opt up' with. 2) Maintaining up to date information about the fund on relevant platforms. 3) Fund can opt up with prospective clients. 4) Keep quantitative and qualitative requirements under review to ensure that they continue to meet the requirements. There is a training programme and log in place to ensure knowledge and understanding is kept up to date. 5) Existing and new Officer appointments subject to requirements for professional qualifications and CPD.	1	**7**	26/11/2021
Regulatory and Compliance Risk	39		Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process.	2	2	3	7	2	**14**	**TREAT:** 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process. 2) Pooled funds are not subject to OJEU rules.	1	**7**	26/11/2021

Regulatory and Compliance Risk	40		Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	4	2	1	7	2	**14**	**TREAT:** 1) Maintain links with central government and national bodies to keep abreast of national issues. 2) Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	**7**	26/11/2021

City of Westminster

Committee Report

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**16 December 2021**
Classification:	**Public (Appendix 2 is exempt)**
Title:	**Performance of the Council's Pension Fund**
Wards Affected:	**All**
Policy Context:	**Effective control over council activities**
Financial Summary:	**There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.**
Report of:	**Phil Triggs** ***Tri-Borough Director of Treasury and Pensions*** **ptriggs@westminster.gov.uk** **020 7641 4136**

1. EXECUTIVE SUMMARY

1.1 This report presents the performance of the Pension Fund's investments to 30 September 2021, together with an update of the funding position.

1.2 The Fund outperformed the benchmark net of fees by 0.1% over the quarter to 30 September 2021 and the estimated funding level was 103% as at 30 September 2021.

2. RECOMMENDATION

2.1 The Committee is asked to:

- Note the performance of the investments and the funding position.

3. BACKGROUND

3.1 This report presents a summary of the Pension Fund's performance to 30 September 2021 and estimated funding level. The investment performance report (Appendix 1) has been prepared by Deloitte, the Fund's investment advisor.

3.2 The market value of investments increased by £30m to £1.874bn over the quarter to 30 September 2021, with the Fund returning 0.7%. The Fund outperformed the benchmark net of fees by 0.1% over the quarter, with Longview global equities, London CIV (Morgan Stanley) global core equities, London CIV multi asset credit (MAC), Abrdn (formerly Aberdeen Standard) long lease property and Pantheon global infrastructure all outperforming their respective benchmarks. Following exceptional performance during 2020/21, London CIV (Baillie Gifford) global alpha growth equities fell short of their benchmark by 2.0% net of fees over the quarter to 30 September 2021.

3.3 Over the twelve-month period to 30 September 2021, the Fund outperformed its benchmark net of fees by 1% returning 16.5%. This was achieved largely as a result of excellent performance within the Longview equity mandate, the London CIV MAC fund, Abrdn long lease property and Pantheon global infrastructure. Over the longer three-year period to 30 September 2021, the Fund outperformed the benchmark net of fees by 0.4%, with Baillie Gifford being the major contributor. Longview underperformed its benchmark net of fees by -3.7% during this period.

3.4 The advisors continue to rate the fund managers favourably, with the exception of Longview. Deloitte removed Longview's Global Equity strategy from its rated manager list, following the departure of the co-founder and CIO Ramzi Rishani.

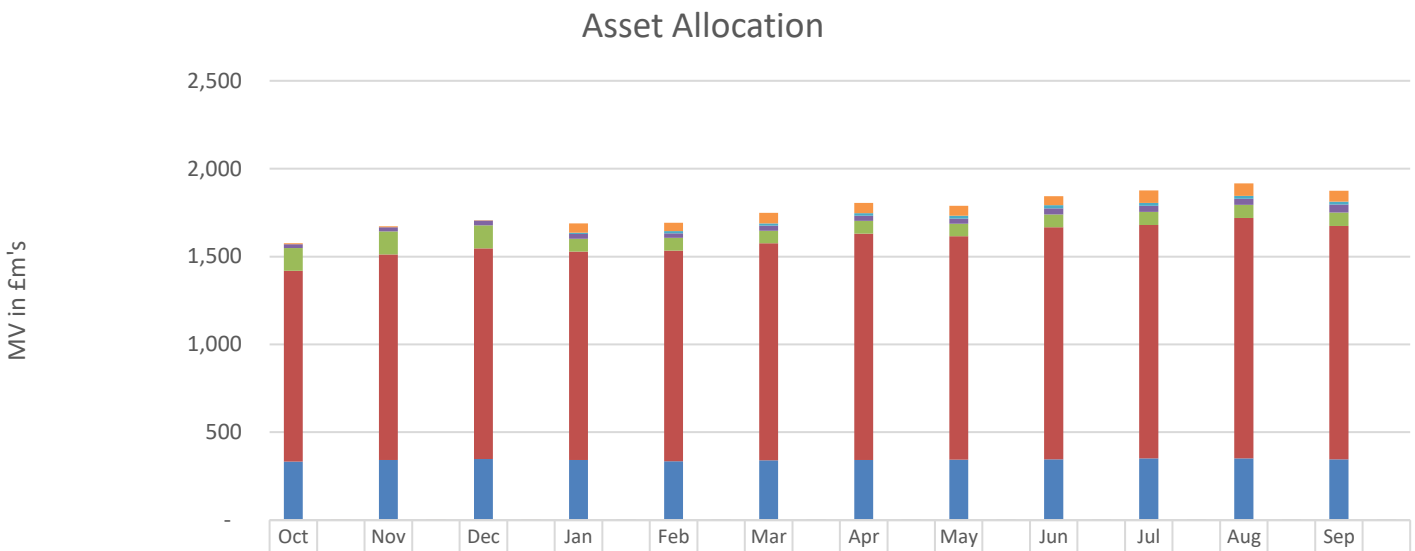
3.5 During the quarter, the London CIV appointed Rob Treich as Head of Public Markets. Rob has previous experience at Coal Pension Trustees, Mercer and Mellon Bank. In addition to this, the London CIV intends to recruit a senior portfolio manager for Private Markets alongside three analysts.

3.6 Following the appointment of Hymans Robertson as the new actuary, the funding level update and assumptions as at 30 September 2021 appear broadly in line with Barnett Waddingham's previous assessments. The estimated funding level (Appendix 3) for the Westminster Pension Fund has increased by 1.2% to 103.0% as at 30 September 2021 (101.8% at 30 June 2021). The Fund is estimated to be £61.0m in surplus, with assets of £1.874bn at 30 September 2021 and projected liabilities of £1.813bn. It should be noted that, at the next valuation at 31 March 2022, future expected returns are anticipated to fall, with CPI inflation expectations to rise.

3.7 The Council plans to pay off its deficit by 2022, with final payments of c.£30.5m due before 31 March 2022.

4. ASSET ALLOCATION AND SUMMARY OF CHANGES

4.1 The chart shows the changes in asset allocation of the Fund from 1 October 2020 to 30 September 2021. Please note asset allocations may vary due to changes in market value.



	Oct		Nov		Dec		Jan		Feb		Mar		Apr		May		Jun		Jul		Aug		Sep	
Affordable Housing	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Cash	6	0%	5	0%	3	0%	54	3%	46	3%	59	3%	57	3%	56	3%	52	3%	70	4%	70	4%	62	3%
Renewable Infrastructure	-	0%	-	0%	-	0%	8	0%	14	1%	13	1%	15	1%	15	1%	17	1%	17	1%	17	1%	16	1%
Infrastructure	21	1%	25	1%	26	2%	26	2%	26	2%	30	2%	30	2%	29	2%	35	2%	34	2%	35	2%	46	2%
Property	130	8%	131	8%	132	8%	73	4%	73	4%	71	4%	72	4%	73	4%	73	4%	74	4%	75	4%	76	4%
Equities	1,0	69%	1,1	70%	1,1	70%	1,1	70%	1,1	71%	1,2	71%	1,2	71%	1,2	71%	1,3	72%	1,3	71%	1,3	71%	1,3	71%
Fixed Income	333	21%	342	20%	348	20%	343	20%	336	20%	340	19%	343	19%	344	19%	347	19%	351	19%	351	18%	346	18%

Fixed Income Equities Property Infrastructure Renewable Infrastructure Cash Affordable Housing

*Fixed Income includes bonds, multi asset credit (MAC) and private debt

4.2 The current Westminster Pension Fund target asset allocation is 60% of assets within equities, 19% in fixed income, 6% in renewable infrastructure, 5% within infrastructure, 5% within property and 5% to affordable and social supported housing.

4.3 Capital calls for the Pantheon Global Infrastructure Fund took place during June and September 2021, with the fund circa 62% drawn as at 30 September 2021. A capital call took place for Quinbrook during April 2021 and, following this, an equalisation payment was made to the City of Westminster during June 2021. At the 30 September 2021, the Quinbrook Renewables Impact Fund was circa 13% drawn and the Macquarie Renewable Energy Fund was circa 11% drawn.

4.4 At the Pension Fund Committee on 21 October 2021, the Committee elected to transition 5% of the equity holdings into an affordable/social housing mandate. Manager interviews took place on 29 November 2021, with appointments to be decided at the meeting on 16 December 2021.

4.5 Alongside this, the Committee elected to add private debt to the fixed income allocation and to split the portfolio equally between buy and maintain bonds (Insight), MAC (London CIV) and private debt. The London CIV holds a private debt mandate on its platform, with this strategy to be explored alongside other external managers by the Committee.

4.6 The value of Pension Fund investments managed by the LCIV as at 30 September 2021 was £925m, representing 49% of Westminster's investment assets. A further £430m continues to benefit from reduced management fees, Legal and General having reduced its fees to match those available through the LCIV.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

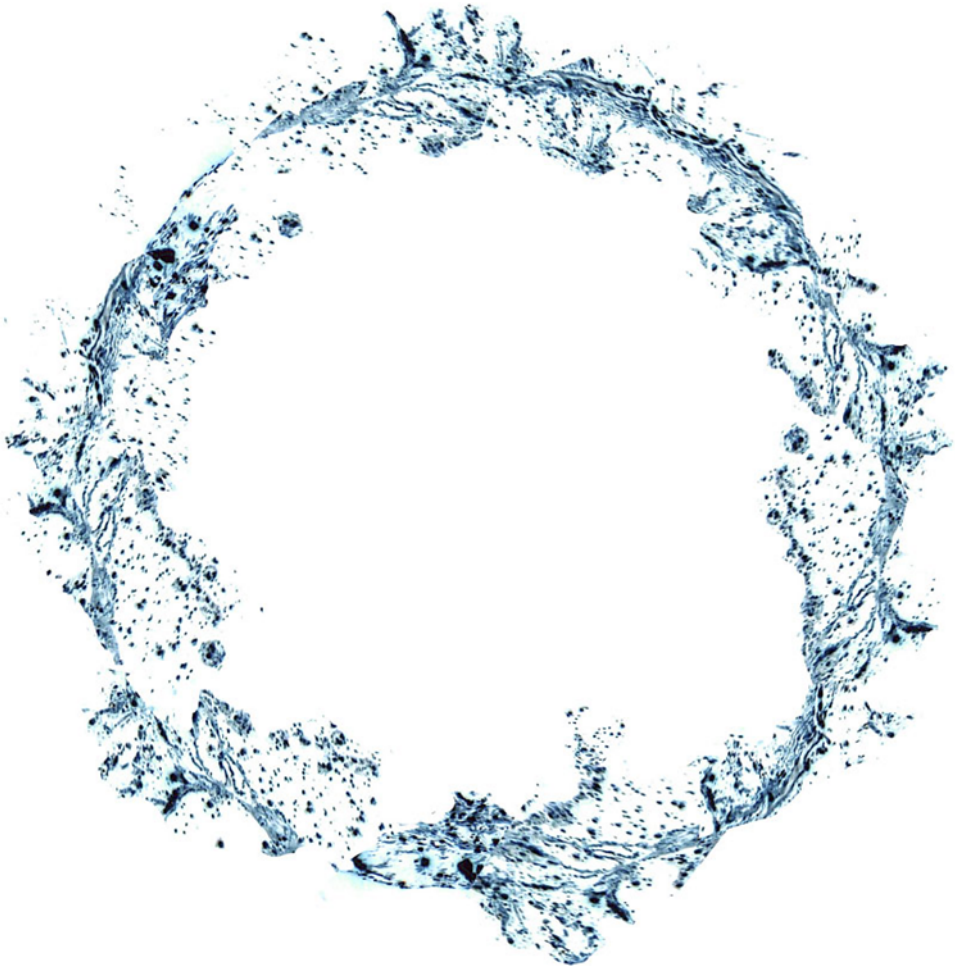
Billie Emery pensionfund@westminster.gov.uk

Background Papers: None

Appendices:

Appendix 1: Deloitte Investment Report, Quarter Ending 30 September 2021
Appendix 2: Deloitte Investment Report, Fee Benchmarking (exempt)
Appendix 3: Hymans Robertson Funding Level Update at 30 September 2021

Deloitte.



City of Westminster Pension Fund

Investment Performance Report to 30 September 2021

Deloitte Total Reward and Benefits Limited
December 2021

Contents

1 Market Background

Global Equities

Performance across global developed markets was relatively flat over the third quarter of 2021, with declines in September erasing prior gains. Since 30 June 2021, investors have grown increasingly concerned with rising inflation with both Federal Reserve and Bank of England policymakers discussing rate rises and the tightening of monetary policy more generally. Natural gas and fuel shortages impacted the UK towards the end of the quarter, and businesses globally have confirmed that supply chain disruption and labour constraints are limiting output. Emerging Market equities underperformed over the quarter as concerns grew around repeated intervention by the Chinese government and the ability of Evergrande and other property companies to service its debts.

Over the third quarter of 2021, global equity markets fell slightly with the FTSE All World Index returning -0.2% in local currency terms. Sterling depreciation benefitted unhedged investors with the same index returning 1.5% in sterling terms. Performance across most global regions was fairly muted with the exception of Japan, which delivered the highest return of 5.0% (local terms), and the Asia Pacific region (excluding Japan), which was the worst performing region, returning -6.3% (local terms). The issues in China also caused Emerging Market equities to underperform.

UK equities delivered a positive return of 2.2% over the quarter, outperforming overseas markets. Positive relative performance was mainly due to sector biases in the UK market with the relatively large exposure the Oil & Gas sector benefitting from the sharp rise in gas and oil prices.

Government bonds

UK nominal gilt yields increased over the quarter across all maturities. The rise was driven by higher inflation expectations. UK consumer price inflation increased to 3.2% over the year to the end of August, its highest level since 2012. The Bank of England is forecasting a further rise in inflation with the Monetary Policy Committee suggesting a tightening of monetary policy may be imminent. The All Stocks Gilts Index therefore delivered a return of -1.8% over the quarter, whilst the Over 15-year Index delivered a return of -2.8%.

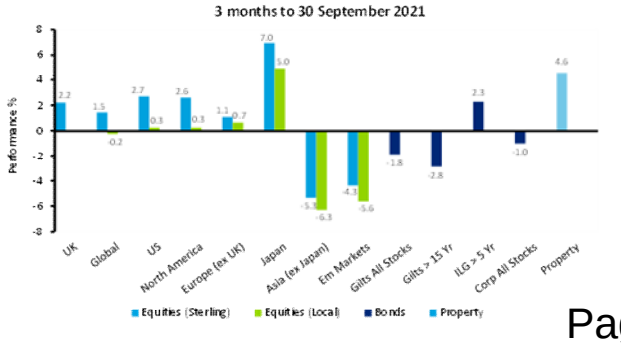
Real yields decreased by up to 50 bps for shorter maturities as inflation expectations moved sharply higher. At medium to longer maturities, the falls in real yields were more muted. The All Stocks Index-Linked Gilts Index delivered a return of 2.3% over the third quarter.

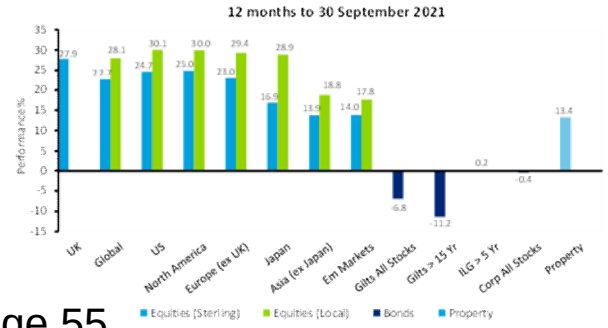
Corporate bonds

Sterling denominated corporate bond yields followed nominal gilt yields higher over the third quarter. However, robust corporate earnings contributed to a marginal fall in credit spreads. The iBoxx All Stocks Non-Gilt Index returned -1.0% over the three months to 30 September 2021.

Property

The MSCI UK All Property Index delivered a return of 4.6% over the third quarter, and a return of 13.4% over the 12 months to 30 September 2021. The industrial sector continues to lead the way, benefitting from trends including the switch to online shopping, which have accelerated as a result of the pandemic. UK monthly property transactions have certainly increased over the past 12 months and returns have been strong. However, investors should not lose sight of the continued issues around rental collections and the previous accumulation of rent arrears.





2 Total Fund

2.1 Investment Performance to 30 September 2021

The following table provides a summary of the performance of the Fund's managers.

Manager	Asset Class	Last Quarter (%)		Last Year (%)		Last 3 Years (% p.a.)		Since inception (% p.a.)	
		Fund Net of fees	B'mark	Fund Net of fees	B'mark	Fund Net of fees	B'mark	Fund Net of fees	B'mark
LGIM	Global Equity (Future World)	0.1	0.0	n/a	n/a	n/a	n/a	22.8	22.5
LCIV	Global Equity (Global Alpha Growth)	-0.6	1.4	20.9	22.2	17.3	11.3	16.8	12.8
LCIV	Global Equity (Global Equity Core)	2.4	1.4	n/a	n/a	n/a	n/a	17.3	25.3
Longview	Global Equity	3.5	2.5	27.6	23.5	8.2	11.9	12.6	13.1
Insight[1]	Buy and Maintain	-1.0	-0.6	1.3	0.3	5.2	3.6	5.8	4.8
LCIV	Multi Asset Credit	1.2	1.0	10.8	4.1	n/a	n/a	4.0	4.6
Aberdeen Standard	Property	4.2	-1.3	9.6	-4.9	6.5	5.0	8.1	5.6
Pantheon[2]	Global Infrastructure	7.3	2.0	24.2	8.1	n/a	n/a	8.4	9.3
Macquarie[3]	Global Renewable Infrastructure	-1.9	0.0	n/a	n/a	n/a	n/a	-15.2	0.1
Quinbrook[3]	UK Renewable Infrastructure	n/a	n/a	n/a	n/a	n/a	n/a	3.3	0.1
Total		**0.7**	**0.6**	**16.5**	**15.6**	**8.8**	**8.4**	**n/a**	**n/a**

Source: Northern Trust. Figures may not tie due to rounding.

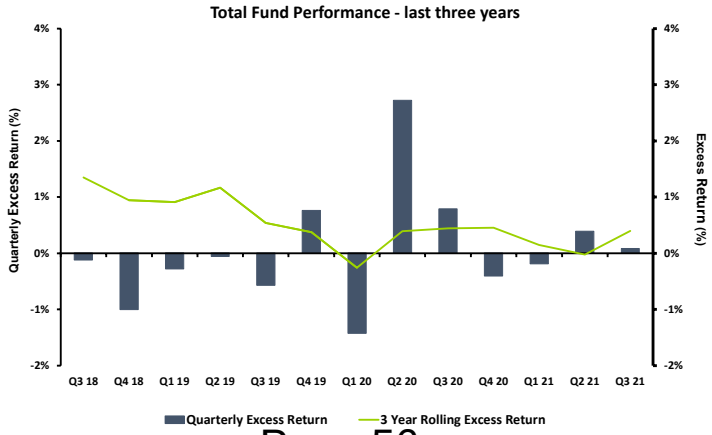
[1]Insight Buy and Maintain Fund was incepted on 9 April 2018. Since inception returns and benchmark returns reflect a combination of Insight Buy & Maintain Fund returns and benchmark returns from date of inception to 30 September 2021, and Insight IM (Core) Fund returns and benchmark returns from inception date 30 September 2011 until inception of the Buy and Maintain Fund.

[2]Pantheon Global Infrastructure Fund performance is calculated by Northern Trust with a 60 calendar day lag, based on Pantheon net asset value in USD which Northern Trust converts to GBP. As such, performance provided is to end July 2021 and includes the impact of fluctuations in the USD to GBP exchange rate.

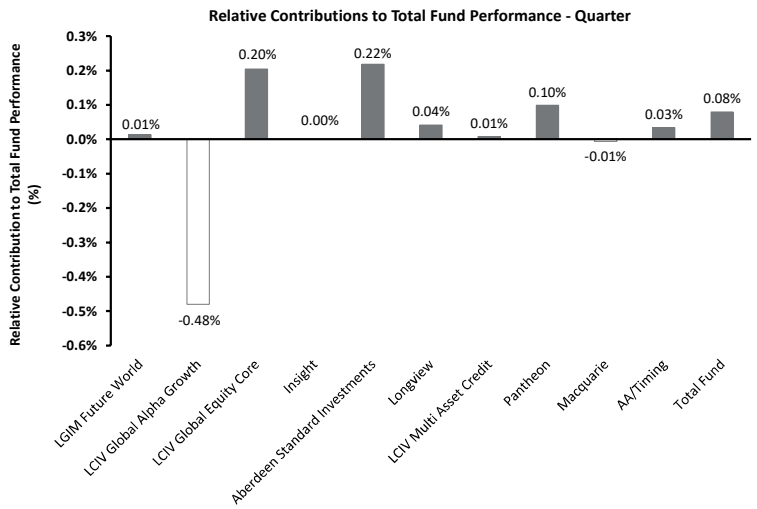
[3]Macquarie and Quinbrook performance is calculated with a one quarter lag. In addition, Macquarie net asset value and cashflows are in EUR which Northern Trust converts to GBP, therefore estimated performance includes the impact of fluctuations in the EUR to GBP exchange rate. We are querying performance figures with both Quinbrook and Northern Trust and, at the time of writing, Quinbrook quarterly performance figures are therefore not available.

The Total Fund delivered a positive absolute return of 0.7% on a net of fees basis over the three-month period to 30 September 2021, outperforming the fixed weight benchmark by 0.1%. Over the longer one year and three year periods to 30 September 2021, the Total Fund delivered positive absolute returns of 16.5% and 8.8% p.a. respectively on a net of fees basis, overperforming the fixed weight benchmark by 1.0% and 0.4% p.a. respectively (the outperformance over the year does not match the table above due to rounding). The substantial positive absolute returns over the year continue to be attributed to the sustained recovery in global equity and wider capital markets following the initial outbreak of COVID-19.

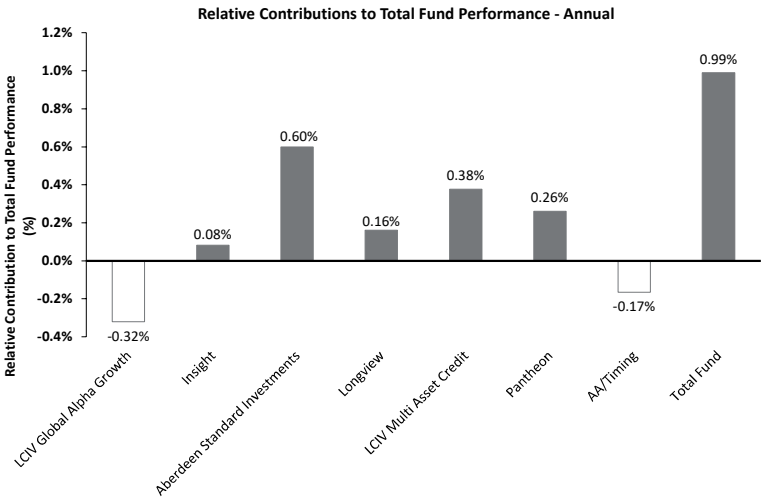
The chart below shows the relative performance of the Fund over the quarter and last three years, highlighting that the rolling three-year performance is ahead of the benchmark. Please note that performance is shown net of fees versus the benchmark.



2.2 Attribution of Performance to 30 September 2021



The Fund outperformed its fixed weight benchmark by 0.1% over the third quarter of 2021, with outperformance primarily driven by the ASI Long Lease Property Fund, having outperformed its government bond-based benchmark over the third quarter of 2021 with the wider UK property market, in general, delivering positive returns over a period of rising gilt yields; and the LCIV Global Equity Core Fund, which outperformed the wider global equity market over the quarter with the strategy's bias to high quality stocks proving beneficial over the three-month period. Outperformance was predominantly offset by the LCIV Global Alpha Growth Fund, which underperformed the MSCI-based benchmark over the quarter.



Over the year to 30 September 2021, the Fund outperformed its benchmark by 1.0% on a net of fees basis. Outperformance can largely be attributed to the ASI Long Lease Property Fund and the LCIV Multi Asset Credit Fund, having outperformed their gilts-based benchmark and cash-plus target respectively on a net of fees basis over the twelve-month period. Please note, however, that we would expect relative performance differences over shorter time horizons where strategies are measured against cash-plus benchmarks. The negative attribution represented by the "AA/Timing" bar reflects the impact of investing in the LCIV Global Equity Core Fund over the fourth quarter of 2020, which has since underperformed its benchmark since inception, and includes the allocation to the Hermes UK Property Fund, which underperformed the wider property market over the year until the point of disinvestment in January 2021.

2.3 Asset Allocation as at 30 September 2021

The table below shows the assets held by manager and asset class as at 30 September 2021.

Manager	Asset Class	End Jun 2021 (£m)	End Sept 2021 (£m)	End Jun 2021 (%)	End Sept 2021 (%)	Benchmark Allocation (%)
LGIM	Global Equity (Passive – Future World)	429.4	429.7	23.3	22.9	25.0
LCIV	Global Equity (Global Alpha Growth)	459.5	456.5	24.9	24.4	20.0
LCIV	Global Equity (Global Equity Core)	358.2	366.9	19.4	19.6	20.0
Longview	Global Equity	73.3	75.8	4.0	4.0	0.0
	Total Equity	**1,320.5**	**1,328.9**	**71.6**	**70.9**	**65.0**
Insight	Buy and Maintain	246.4	243.9	13.4	13.0	13.5
LCIV	Multi Asset Credit	100.5	101.7	5.5	5.4	5.5
	Total Bonds	**346.9**	**345.6**	**18.8**	**18.4**	**19.0**
Aberdeen Standard	Property	73.0	76.1	4.0	4.1	5.0
	Total Property	**73.0**	**76.1**	**4.0**	**4.1**	**5.0**
Pantheon[1]	Global Infrastructure	34.6	45.9	1.9	2.4	5.0
Macquarie[2]	Global Renewable Infrastructure	5.6	5.5	0.3	0.3	3.0
Quinbrook[2]	UK Renewable Infrastructure	11.0	10.1	0.6	0.5	3.0
	Total Infrastructure and Renewable Infrastructure	**51.3**	**61.5**	**2.8**	**3.3**	**11.0**
	Cash	52.2	62.0	2.8	3.3	
Total		**1,844.0**	**1874.4**	**100.0**	**100.0**	**100.0**

Source: Northern Trust
Figures may not sum due to rounding
[1]Pantheon Global Infrastructure Fund valuation is provided by Northern Trust with a 60 calendar day lag, based on Pantheon net asset value in USD which Northern Trust converts to GBP.
[2]Macquarie and Quinbrook valuations are provided by Northern Trust with a one quarter lag, updated for known cashflows over the reporting period. In addition, Macquarie net asset value and cashflows are in EUR which Northern Trust converts to GBP. Quinbrook net asset value includes an additional £3.8m which is held in a custody account following receipt of equalisation payments since inception.

As at 30 September 2021, the total value of the Fund's invested assets, including cash, stood at c. £1,874.4m, representing an increase of c. £30.4m over the third quarter of 2021.

Over the third quarter of 2021, with equity markets trading relatively flat, the Fund's equity portfolio underperformed the wider Total Fund and the overweight equity position reduced slightly. The Fund's equity allocation remains overweight as at 30 September 2021, however looking forward, the Fund's equity exposure is expected to reduce further as Pantheon continues to draw down capital, funded from the remaining Longview allocation.

Over the quarter, Pantheon issued a capital call of $11.4m for payment by 20 September 2021. This capital call was funded from the Fund's in-house cash allocation, with future drawdowns expected to be sourced from the Longview allocation. Following quarter end, Pantheon issued two further capital calls of $4.6m for payment by 7 October 2021 and $2.1m for payment by 10

November 2021, taking the Fund's total unfunded commitment to c. $28.1m. Pantheon anticipates that the Fund's commitment will be fully drawn by the end of 2022.

As noted in the table above, the value of the Fund's investment in the Quinbrook Renewables Impact Fund is estimated with a one quarter lag, i.e. the valuation as at 30 June 2021, including an additional £3.8m held in a separate custody account following an equalisation payment in respect of other investors entering the fund, and adjusted for any cashflows over the quarter. Based on the current drawdown position as at 30 November 2021, Quinbrook has drawn £14.2m for investment and the Fund's £50m commitment is c. 28% drawn.

Similarly, the value of the Fund's investment in the Macquarie Renewable Energy Fund 2 is estimated in the table above based on the valuation as at 30 June 2021. Based on the current drawdown position, the remaining unfunded commitment stands at c. €47.7m, with the Fund's total contribution at c. €7.3m and the Fund's €55m commitment c. 13% drawn.

2.4 Yield analysis as at 30 September 2021

The table below shows the yield as reported by the managers on each of the Fund's investments.

Manager	Asset Class	Yield as at 30 Sept 2021
LGIM	Global Equity (Passive – Future World)	1.74%
LCIV	Global Equity (Global Alpha Growth)	0.90%*
LCIV	Global Equity (Global Equity Core)	1.27%*
Longview	Global Equity	1.65%
Insight	Buy and Maintain	1.90%
LCIV	Multi Asset Credit	5.03%*
Aberdeen Standard Investments	Long Lease Property	3.85%
	Total	**1.62%**

**LCIV funds' yields are provided by the underlying managers (Baillie Gifford, Morgan Stanley and CQS).*

3 Summary of Manager Ratings

The table below summarises Deloitte's ratings of the managers employed by the Fund and triggers against which managers should be reviewed.

Manager	Mandate	Triggers for Review	Rating
LGIM	Global Equity (Passive – Future World)	Major deviation from benchmark returns Significant loss of assets under management	1
Baillie Gifford	LCIV Global Equity (Global Alpha Growth)	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	1
Morgan Stanley Investment Management	LCIV Global Equity (Global Equity Core)	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	1
Longview	Global Equity	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	2
Insight	Buy and Maintain	Departure of any of the senior members of the investment team	1
CQS	LCIV Multi Asset Credit	Significant changes to the investment team responsible for the fund	1
Aberdeen Standard Investments	Property	Les Ross leaving the business or ceasing to be actively involved in the fund without having gone through an appropriate hand-over A build up within the fund of holdings with remaining lease lengths around 10 years Investment in lower yielding or poorer quality assets than expected	1
Pantheon	Global Infrastructure	Significant changes to the investment team responsible for the fund	1
Macquarie	Global Renewable Infrastructure	Significant changes to the investment team responsible for the fund	1
Quinbrook	UK Renewable Infrastructure	Significant changes to the investment team responsible for the fund	1

3.1 London CIV

Business

The London CIV had assets under management of £12,575m within the 14 sub-funds (not including commitments to the London CIV Infrastructure Fund, London CIV Inflation Plus Fund, The London Fund, London CIV Renewable Infrastructure Fund and London CIV Private Debt Fund) as at 30 September 2021, an increase of £445m over the quarter primarily as a result of new London Borough investments in the LCIV Global Alpha Paris Aligned Fund, the LCIV Sustainable Equity Fund and the LCIV Emerging Market Fund.

As at 30 September 2021, the total assets under oversight, including passive investments held outside the London CIV platform, stood at £25.9bn, a decrease of c. £0.8bn over the quarter. Cumulative additional commitments to the London CIV's private market funds totaled £387.5m over the third quarter of 2021, with total commitments raised by the private market funds standing at £1.8bn as at 30 September 2021.

LCIV Passive Equity Progressive Paris Aligned ("PEPPA") Sub Fund

Having undertaken a manager selection exercise in July 2021 the London CIV has selected an investment manager to manage the LCIV Passive Equity Progressive Paris Aligned ("PEPPA") Sub Fund, a low carbon passive equity mandate, having initially sent an RFP to nine prospective managers. The Passive Equity Progressive Paris Aligned Fund is now ready for launch, having received FCA approval and having agreed the terms of the IMA with the investment manager. The PEPPA Sub Fund has attracted two initial investors with combined contributions of £495m, which the London CIV expects to be invested in the Fund by the end of 2021. The London CIV expects demand for the passive low carbon equity strategy to total between £0.9bn and £1.1bn.

The PEPPA Sub Fund's investment objective is to track the performance of the S&P Developed Ex-Korea LargeMidCap Paris-Aligned Climate Index with a tracking error of less than 0.5% p.a. The Index has c. 800 holdings with no exposure to Korea or Emerging Markets. The Sub Fund will implement a low carbon factor-based investment approach, targeting the following factors: carbon intensity; climate alignment; green revenues; and ESG scoring, omitting coal, oil and gas, and all UN exclusions from the portfolio.

Personnel

As reported last quarter, on 12 July 2021, Yiannis Vairamis was appointed as Senior Equities Portfolio Manager. Yiannis has over 13 years of experience in the financial services industry, having previously been employed by Railpen, Russell and Hymans Robertson.

On 6 September 2021, London CIV appointed Rob Treich as Head of Public Markets. Rob joins the team having previously worked for Coal Pension Trustee, Mercer and Mellon Bank.

The London CIV is also looking to hire a Senior Portfolio Manager for Private Markets, alongside three analysts to work across the London CIV's private market funds.

Additionally, over the quarter, Vanessa Shia, Head of Private Markets returned from maternity leave, while it was announced that Jacqueline Jackson, Head of Responsible Investment will take maternity leave from November 2021. The London CIV has confirmed that plans are in place for cover during Jacqueline's period of leave.

Deloitte view – We are continuing to monitor developments on the business side as well as the new fund launches.

3.2 LGIM

Business

As at 30 June 2021, Legal & General Investment Management ("LGIM") had assets under management ("AuM") of c. £1,327bn, an increase of c. £48bn since 31 December 2020. Note, LGIM provides AuM updates biannually.

Personnel

Zahra Vinamnwala joined LGIM's Index team as an Investment Analyst over the quarter.

Deloitte View - We continue to rate Legal & General positively for its passive investment management capabilities.

3.3 Baillie Gifford

Business

Baillie Gifford held c. £346bn in assets under management as at 30 September 2021, representing a decrease of c. £6bn over the quarter primarily as a result of negative market returns. The Global Alpha strategy held assets under management of c. £57bn as at 30 September 2021, remaining relatively unchanged over the three-month period.

Personnel

There were no significant team or personnel changes over the quarter to 30 September 2021.

Deloitte view - We continue to rate Baillie Gifford positively for its equity capabilities.

3.4 Morgan Stanley Investment Management

Business

The LCIV Global Equity Core Fund held assets under management of c. £552m as at 30 September 2021, an increase of c. £13m over the quarter.

The Morgan Stanley Global Sustain Fund, which the LCIV Global Equity Core Fund is based upon, held assets under management of c. $4.5bn as at 30 June 2021, representing an increase of c. $0.2bn over the third quarter of 2021 as a result of positive market movements.

Personnel

There were no significant team or personnel changes over the third quarter of 2021.

Deloitte View - We continue to rate Morgan Stanley Investment Management positively for its active equity capabilities.

3.5 Longview

Business

As at 30 September 2021, Longview held assets under management of c. £14.7bn, a decrease of c. £1.8bn over the quarter with positive market returns partially offsetting c. £2.5bn of net outflows from the firm over the quarter.

Personnel

There were no significant team or personnel changes over the third quarter of 2021.

Deloitte view – We have removed Longview's Global Equity strategy from our rated manager list following the departure of the co-founder and CIO Ramzi Rishani. As such, going forward, we will not be recommending the Longview Global Equity strategy to clients.

3.6 Insight

Business

Insight's assets under management stood at c. £837bn, an increase of c. £95bn over the quarter primarily as a result of additional investor inflows over the three-month period.

The Insight Buy and Maintain Fund's assets under management remained relatively stable over the third quarter of 2021, standing at c. £3.2bn as at 30 September 2021.

Personnel

Insight made no changes to its Buy and Maintain Fund team over the third quarter of 2021.

At a wider firm level, over the quarter to 30 September 2021, Claire Bews joined Insight from M&G Investment as an Integrated Solutions Credit Portfolio Manager within Insight's Strategic Credit team. Claire has 20 years' experience in providing cashflow solutions and liability matching for pension schemes and insurance companies. Claire will support the build-out of integrated solutions within the Strategic Credit Team,

Deloitte view – We rate Insight positively for its Fixed Income capabilities but continue to monitor how growth is being managed across the business.

3.7 CQS

Business

As at 30 September 2021, CQS held c. $21.4bn in assets under management, a decrease of c. $0.5bn over the quarter. The CQS Credit Multi Asset Fund's assets under management decreased by c. $0.2bn to c. $11.5bn over the third quarter of 2021.

Personnel

There were no specific team or personnel changes to the Credit Multi Asset Fund team over the quarter to 30 September 2021.

Deloitte View - We continue to rate CQS positively for its multi asset credit capabilities.

3.8 Aberdeen Standard Investments

Business

As at 30 September 2021, the Aberdeen Standard Investments Long Lease Property Fund had a total fund value of c. £3.3bn, increasing by c. £0.1bn since 30 June 2021.

COVID-19 Impact:

After removing the material valuation uncertainty clause and lifting the suspension on trading during the third quarter of 2020, the Long Lease Property Fund continues to trade as normal.

ASI continues to work with its tenants to discuss deferment arrangements where necessary. As at 4 November 2021, the Long Lease Property Fund had collected 98.9% of its Q3 2021 rent with none of the Long Lease Property Fund's rental income subject to deferment arrangements.

Personnel

There were no significant team or personnel changes over the quarter to 30 September 2021.

Deloitte View – We continue to rate Aberdeen Standard Investments positively for its long lease property capabilities.

3.9 Pantheon

Business

Pantheon held c. $77bn in assets under management as at 30 June 2021, an increase of c. $6bn over the quarter since 31 March 2021.

Following the final close in March 2019, the Global Infrastructure III Fund had $2.2bn in committed assets. The Global Infrastructure III Fund had completed 38 deals as at 1 October 2021, with $2,245m in closed or committed deals as at 1 October 2021, representing a c. 102% commitment level.

Personnel

There were no significant team or personnel changes over the third quarter of 2021.

Deloitte View - We continue to rate Pantheon positively for its global infrastructure capabilities.

3.10 Macquarie

Business

Macquarie held assets under management of $A736bn as at 30 September 2021, an increase of c. $A43bn over the third quarter.

On 28 January 2021, the Macquarie Renewable Energy Fund 2 ("MGREF2") reached final close with total commitments of €1.64bn across 32 investors, exceeding the initial fundraising target of €1-1.5bn. As at the end of the third quarter of 2021, the Macquarie Renewable Energy Fund 2 has committed €217.5m across two deals, representing 13% of commitments in total.

As reported last quarter, during August 2021, Macquarie informed investors in MGREF2 of its intention to replace the current Alternative Investment Fund Manager ("AIFM"), Green Investment Group ("GIG"), with Macquarie Infrastructure and Real Assets ("MIRA"). Following quarter end, MIRA was officially appointed as the AIFM, with effect from 1 December. MIRA is a Macquarie group entity which is also authorised and regulated by the Financial Conduct Authority in the UK. This change is being proposed in order to reduce the number of regulated entities within the Macquarie group in Europe. Macquarie confirmed that following the replacement of GIG by MIRA, there shall be no change to the management fees charged to investors in the MGREF2, nor to the composition of the investment committee of the MGREF2.

Personnel

There were no significant team or personnel changes related to the MGREF2 team over the third quarter of 2021.

Following quarter end, in November 2021, Macquarie announced that Martin Bradley will become Head of Real Assets in EMEA. Martin joined Macquarie in 2013 to support the firm's presence in utilities and networks, and has successfully overseen a large number of transitions within emerging markets and supported the establishment of a number of new investment funds. Macquarie believes that Martin brings a wealth of experience to the role and offers strong continuity to the EMEA team.

Deloitte View - We continue to rate Macquarie positively for its global renewable infrastructure capabilities.

3.11 Quinbrook

Business

As at 30 September 2021, a total of £250m has been committed to the Renewables Impact Fund, accounting for 50% of the Fund's target, with no further commitments received over the third quarter of 2021. Quinbrook is confident that momentum will continue and plans to conduct rolling closes over the remainder of 2021.

The Renewables Impact Fund has deployed a total of £29.6m into the investment portfolio as at 30 September 2021, representing 12% of commitments in total.

Over the third quarter of 2021, Quinbrook reached an agreement with Silicon Valley Bank to provide a capital call financing facility to the Fund which offers additional flexibility for prospective acquisitions and to assist in the efficient management of capital call timings from underlying investors. Over the quarter, c. £50m was drawn from the facility.

Personnel

Mark Breen joined Quinbrook over the third quarter of 2021 as a Senior Director in the Houston office and will be on secondment for a period of up to two years with Quinbrook's Rowan data center. Mark will work closely with Quinbrook's Houston and Birch teams on the development of green data centers as well as leading deal diligence and asset management activities. Mark joins from I Squared Infrastructure, where he focused on portfolio company management alongside due diligence and transaction execution.

David Velasquez also joined Quinbrook over the quarter, as Vice President in Quinbrook's newly formed Capital Formation and Investor Engagement Team in New York. Prior to joining Quinbrook, David was a Vice President at Stonepeak Infrastructure Partners and, prior to that, was with I Squared where he worked across all fund-raising stages. Quinbrook believes that David will provide a specialist focus on fund-raising support, investor diligence and project management, having been integrally involved in the successful fund raisings undertaken by Stonepeak and I Squared in recent years.

Additionally, Charlie Miller-Stirling joined Quinbrook over the quarter as an Associate in London and sits in the Capital Formation and Investor Engagement team. Charlie brings 6 years of experience in energy investment banking, most recently working in M&A advisory at Lambert Energy Advisory, a London-based boutique firm, and formerly in the Oil & Gas Equities team at Perella Weinberg Partners.

Following quarter end, in October 2021, Raimund Grube joined Quinbrook's US team as an Operating Partner. Raimund is largely experienced within the IPP industry, with a background in power, renewables, private equity and water. Raimund has a working history with the Quinbrook founders and trusted relationships with members of the Quinbrook US investment team and will support origination and asset management processes across all Quinbrook portfolio companies.

In addition, Fiona Reynolds, previously CEO of PRI in London, and Kurt Akers, former Head of the Tangible Assets program with Washington State Investment Board, joined Quinbrook's Advisory Board in October 2021. Quinbrook anticipates that these appointments will strengthen the firm's collective abilities and expertise in climate policy, ESG, responsible investment, institutional investor engagement and strategic positioning.

Deloitte View - We continue to rate Quinbrook positively for its global renewable infrastructure capabilities.

4 London CIV

4.1 Investment Performance to 30 September 2021

The assets under management within the 14 sub-funds of the London CIV was £12,575m as at 30 September 2021, with a further combined £1.8m committed to the London CIV's private market funds. The total assets under oversight (which includes passive investments held outside of the CIV platform) decreased by c. £0.8bn to c. £25.9bn over the quarter. The table below provides an overview of the sub-funds currently available on the London CIV platform.

Sub-fund	Asset Class	Manager	Total AuM as at 30 June 2021 (£m)	Total AuM as at 30 Sept 2021 (£m)	Number of London CIV clients	Inception Date
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	3,521	2,730	11	11/04/16
LCIV Global Alpha Growth Paris Aligned	Global Equity	Baillie Gifford	501	1,377	6	13/04/21
LCIV Global Equity	Global Equity	Newton	769	787	3	22/05/17
LCIV Global Equity Focus	Global Equity	Longview Partners	539	552	2	17/07/17
LCIV Global Equity Core Fund	Global Equity	Morgan Stanley Investment Management	930	964	5	21/08/20
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	513	582	7	11/01/18
LCIV Sustainable Equity Fund	Global Equity	RBC Global Asset Management (UK)	971	1,246	8	18/04/18
LCIV Sustainable Equity Exclusion Fund	Global Equity	RBC Global Asset Management (UK)	449	430	3	11/03/20
LCIV Global Total Return	Diversified Growth Fund	Pyrford	244	244	3	17/06/16
LCIV Diversified Growth	Diversified Growth Fund	Baillie Gifford	689	695	7	15/02/16
LCIV Absolute Return	Diversified Growth Fund	Ruffer	1,122	1,117	10	21/06/16
LCIV Real Return	Diversified Growth Fund	Newton	226	181	2	16/12/16
LCIV MAC	Fixed Income	CQS	1,160	1,174	12	31/05/18
LCIV Global Bond	Fixed Income	PIMCO	496	496	5	30/11/18
Total			**12,130**	**12,575**		

Over the quarter to 30 September 2021, three investors transferred a total of £578m from the LCIV Global Alpha Growth Fund to the LCIV Global Alpha Growth Paris Aligned Fund, with a further additional new investor added to the LCIV Global Alpha Growth Paris Aligned Fund over the three-month period, funded from assets held outside of the London CIV platform.

Additionally, over the quarter, two London Boroughs invested into the LCIV Sustainable Equity Sub Fund and an additional London Borough invested in the LCIV Emerging Market Equity Fund, while one London Borough disinvested from the LCIV Real Return Fund.

5 LGIM – Global Equity (Passive – Future World)

Legal and General Investment Manager ("LGIM") was appointed to manage a global equity portfolio with a passive ESG approach, with the objective of replicating the performance of the Solactive L&G ESG Global Markets Index benchmark. The manager has an annual management fee based on the value of assets.

5.1 Passive Global Equity – Investment Performance to 30 September 2021

	Last Quarter (%)	Since Inception (% p.a.)
LGIM Future World Global Equity Index Fund – GBP Currency Hedged	0.1	22.8
Solactive L&G ESG Global Markets Index	0.0	22.5
MSCI World Equity Index	2.6	n/a
Relative (to Benchmark)	0.1	0.3

Source: Legal & General Investment Management

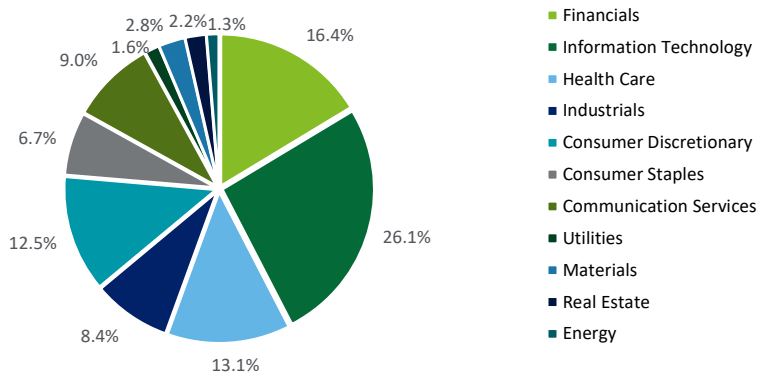
The Fund offers equity exposure while incorporating ESG 'tilts' through LGIM-designed indices. Note, LGIM designs the ESG indices and Solactive are used as the benchmark calculation agent. The tilting mechanism aims to reduce exposure to companies associated with 'poor' ESG practices and to provide greater exposure to those that have stronger ESG credentials. LGIM believes that integrating ESG considerations into the investment process can help to mitigate long-term risk and has the potential to improve long-term financial outcomes.

Over the quarter to 30 September 2021, the LGIM Future World Global Equity Index Fund – GBP Currency Hedged has delivered a positive absolute return of 0.1% on a net of fees basis, slightly outperforming its Solactive benchmark. The Fund underperformed the MSCI World Equity Index (GBP) by 2.5% over the three-month period, with the strategy's selective stock allocation mechanism proving detrimental over the quarter.

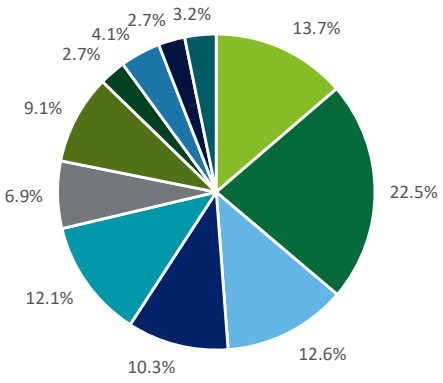
5.2 Portfolio Sector Breakdown at 30 September 2021

The below charts compare the relative weightings of the sectors in the LGIM Future World Global Equity Index Fund and the MSCI World Equity Index as at 30 September 2021.

LGIM Future World Global Equity Index Fund



MSCI World Equity Index



The LGIM Future World Global Equity Index Fund has a larger allocation to financials and information technology than the MSCI World Equity Index, whilst the lower allocation to industrials, materials and energy represents the ESG tilt applied by the LGIM strategy.

6 LCIV – Global Alpha Growth

Baillie Gifford was appointed to manage an active Global Equity mandate from 18 March 2014, held as a sub-fund under the London CIV platform from 11 April 2016. The manager is remunerated on an asset-based fee, reflecting the total value of assets invested in the strategy across the Tri-borough. The target is to outperform the benchmark by 2-3% p.a. on a gross of fees basis over rolling 5-year periods.

6.1 Global Alpha Growth – Investment performance to 30 September 2021

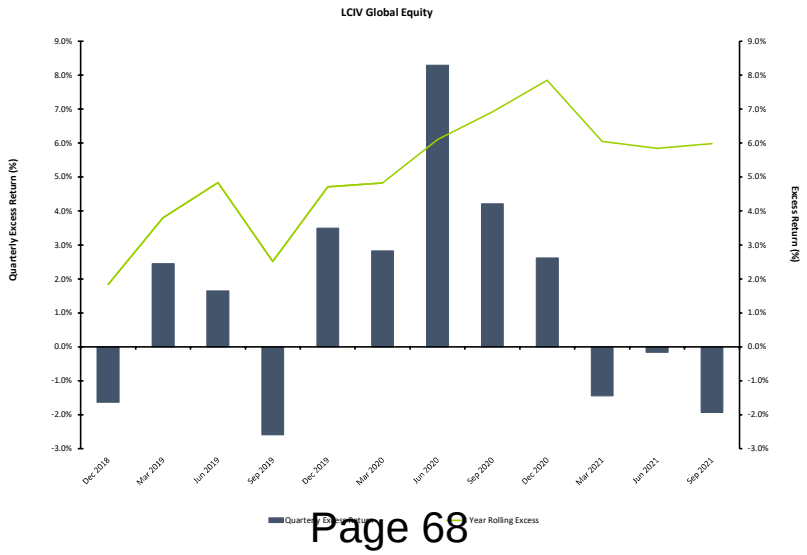
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford – Net of fees	-0.6	20.9	17.3	16.8
MSCI AC World Index	1.4	22.2	11.3	12.8
Relative	-1.9	-1.3	6.0	4.0

Source: Northern Trust. Relative performance may not tie due to rounding.
Inception date taken as 18 March 2014

The LCIV Global Alpha Growth Fund, managed by Baillie Gifford, delivered a negative absolute return of -0.6% on a net of fees basis over the third quarter of 2021, underperforming its MSCI AC World Index benchmark by 1.9% over the period. Over the one-year and annualised three-year periods to 30 September 2021, the strategy delivered substantial positive returns of 20.9% and 17.3% p.a. respectively, underperforming the benchmark by -1.3% over the year and outperforming the benchmark by 6.0% p.a. over the three-year period. The Fund's large positive absolute return over the year can be attributed to the widely sustained recovery in global equity markets following the onset of the COVID-19 pandemic over the first quarter of 2020, with global equity markets delivering positive returns over each of the four separate quarters to 30 September 2021. That said, the LCIV Global Alpha Growth Fund did not fall in value to the same extent as the wider market over the first quarter of 2020, and considerably outperformed the wider market over the remainder of 2020.

While recent positive global equity market trends to the beginning of Q3 have been primarily attributed to a cyclical-led recovery, growth stocks generally outperformed cyclical markets over the third quarter of 2021. The LCIV Global Alpha Growth Fund's portfolio has an intended growth-tilt, but underperformed the wider market primarily as a result of stock selection with investors taking profits in Novocure, which researches and develops cancer treatment technologies, following news that the ongoing clinical trials have not led to any fresh approvals in the US, while Meituan Dianping, Alibaba and Ping An Insurance all faced headwinds on the back of the impact of Chinese government intervention in the companies' domestic technology sector. The manager's decision to invest in a portfolio of companies at various stages of the growth cycle has proved beneficial since the onset of the pandemic, but this positioning has detracted from performance over the third quarter of 2021. However, Baillie Gifford continues to hold conviction in those positions which have recognised short-term volatility, citing the manager's belief in the stocks' long-term potential.

The graph below shows the net quarterly returns and the rolling three-year excess returns relative to the benchmark. The fund's current three-year excess return is ahead of the target (+2% p.a.), having outperformed the benchmark by 6.0% p.a. over the three-year period to 30 September 2021.



6.2 Positioning Analysis

The top ten holdings in the portfolio account for c. 22.9% of the fund and are detailed below.

Top 10 holdings as at 30 September 2021	Proportion of Baillie Gifford Fund
SEA	2.7%
Moody's	2.6%
Alphabet	2.5%
Microsoft	2.5%
Prosus Nv	2.3%
Moderna	2.3%
Amazon	2.0%
Taiwan Semiconductor Manufacturing	2.0%
Anthem	2.0%
Prudential	2.0%
Total	**22.9%**

Source: London CIV
Figures may not sum due to rounding

6.3 Performance Analysis

The table below represents the top five contributors to performance over the quarter to 30 September 2021.

Top 5 contributors as at 30 September 2021	Contribution (%)
Moderna	+0.93
SEA	+0.43
Albemarle	+0.32
Tesla Inc	+0.25
Alphabet	+0.21

For the second quarter in succession, Moderna, the US pharmaceutical company, was the largest contributor to positive performance following the successful rollout of its COVID-19 vaccination in India as well as proving its effectiveness against different variants of the virus.

The table below represents the top 5 detractors to performance over the quarter to 30 September 2021.

Top 5 detractors as at 30 September 2021	Contribution (%)
Alibaba Group Holding	-0.55
Novocure	-0.47
Naspers	-0.44
Meituan Dianping	-0.39
Ping An Insurance Group Company of China	-0.26

After providing the strategy's largest detraction to performance over the second quarter of 2021, Naspers also delivered a noticeable detraction to performance over the quarter to 30 September 2021. The company completed a share swap deal over the quarter, which resulted in a lower index weight for the stock and therefore passive investors reduced their positions, and Naspers' large holding in Tencent was impacted by the aforementioned volatility in the Chinese technology markets.

7 LCIV – Global Equity Core

Morgan Stanley Investment Management was appointed to manage an active equity portfolio with a focus on sustainability when selecting investment opportunities, held as a sub-fund on the London CIV platform from 31 October 2020. The aim of the fund is to outperform the MSCI AC World Index.

7.1 Global Equity Core – Investment Performance to 30 September 2021

	Last Quarter (%)	Since Inception (% p.a.)
Net of fees	2.4	17.3
Benchmark (MSCI World Net Index)	1.4	25.3
Global Franchise Fund (net of fees)	3.6	n/a
Net Performance relative to Benchmark	1.0	-8.0

Source: Morgan Stanley and Northern Trust. Relative performance may not tie due to rounding.

The LCIV Global Equity Core Fund delivered a positive return of 2.4% on a net of fees basis over the quarter to 30 September 2021, outperforming the MSCI World Net Index by 1.0% over the three-month period.

The LCIV Global Equity Core Fund's portfolio is predominantly comprised of quality franchises with strong recurring cash flows, and the strategy therefore has a low allocation to cyclical stocks. Underperformance relative to the MSCI-based benchmark since inception in October 2021 can therefore primarily be attributed to a cyclical-led recovery in equity markets.

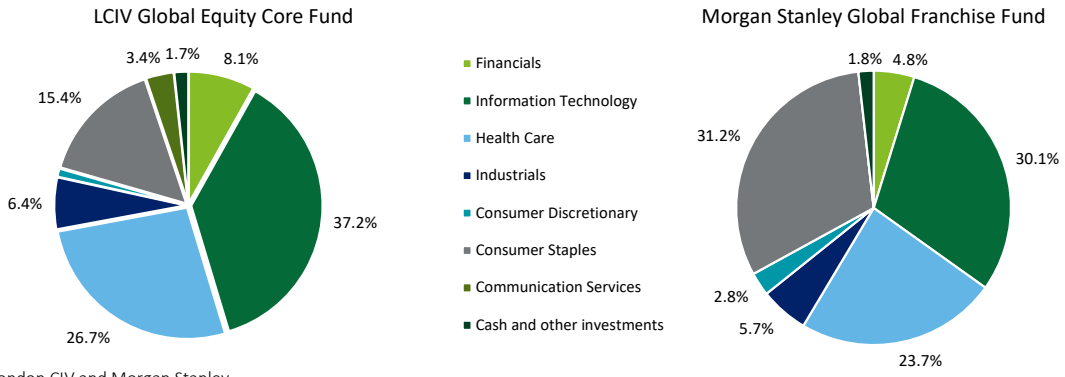
The portfolio is, however, expected to prove beneficial during volatile periods. Over the quarter to 30 September 2021, the wider global equity market delivered modest returns in comparison with recent periods with increased inflationary worries driving a reduction in earnings expectations. In this scenario, the strategy has outperformed the wider market with the stable earnings profile and high-quality characteristics of the underlying stocks proving favourable, relative to cyclical companies.

Over the quarter to 30 September 2021, the Global Equity Core Fund's healthcare and communications services exposures were the best performers. Particularly, both Danaher and Thermo Fisher have proven to be more resilient than expected, with the manager initially concerned that activity levels would reduce as the volume of COVID-related work declined.

The LCIV Global Equity Core Fund follows the same strategy and, in general, has the same investment principles as the Morgan Stanley Global Franchise Fund, but is subject to a greater number of restrictions, owing to its key focus on sustainability. As such, there exists a number of small differences in the characteristics of the two funds. Over the quarter to 30 September 2021, the LCIV Global Equity Core Fund underperformed the Global Franchise Fund by 1.2%, with underperformance largely attributed to a lower allocation to consumer staples companies, with beverage and tobacco companies benefitting from increased global social activity, having been adversely impacted by previous social distancing measures.

7.2 Portfolio Sector Breakdown at 30 September 2021

The charts below compare the relative weightings of the sectors in the LCIV Global Equity Core Fund and the Morgan Stanley Global Franchise Fund as at 30 September 2021.



Source: London CIV and Morgan Stanley

The Global Equity Core strategy has a higher allocation to information technology, healthcare and financials, and a lower allocation to consumer staples due to its intentional tilt towards sustainable investments.

As at 30 September 2021, the Global Franchise Fund portfolio held an allocation of c. 11% to tobacco stocks. The Global Equity Core Fund is restricted from investing in tobacco, and hence holds a substantially smaller allocation to consumer staples.

7.3 Performance Analysis

The table below summarises the Global Equity Core Fund portfolio's key characteristics as at 30 September 2021, compared with the Morgan Stanley Global Franchise Fund.

	LCIV Global Equity Core Fund	Global Franchise Fund
No. of Holdings	38	31
No. of Countries	7	5
No. of Sectors*	6	6
No. of Industries*	18	13

*Not including cash

Source: London CIV and Morgan Stanley

Holdings

The top 10 holdings in the Global Equity Core Fund account for c. 47.7% of the strategy and are detailed below.

Global Equity Core Fund Holding	% of NAV
Microsoft	7.5
Visa	5.3
SAP	5.1
Reckitt Benckiser	5.0
Accenture	4.7
Baxter International	4.3
Becton Dickinson	4.2
Danaher	4.0
Thermo Fisher Scientific	3.9
Abbott Laboratories	3.8
Total	47.7*

Global Franchise Fund Holding	% of NAV
Microsoft	9.5
Philip Morris	8.4
Reckitt Benckiser	6.5
Visa	5.2
Danaher	4.8
Accenture	4.8
Thermo Fisher Scientific	4.7
Procter & Gamble	4.5
SAP	4.5
Abbott Laboratories	4.3
Total	57.2*

*Note figures may not sum due to rounding

Source: London CIV and Morgan Stanley

Eight stocks are consistently accounted for in the top ten holdings of both strategies.

8 Longview – Global Equity

Longview was appointed on 15 January 2015 to manage an active global equity mandate. The manager's remuneration is based on the value of assets invested across the Tri-borough. The expectation is that the fund will outperform the benchmark by 3% p.a.

8.1 Active Global Equity – Investment Performance to 30 September 2021

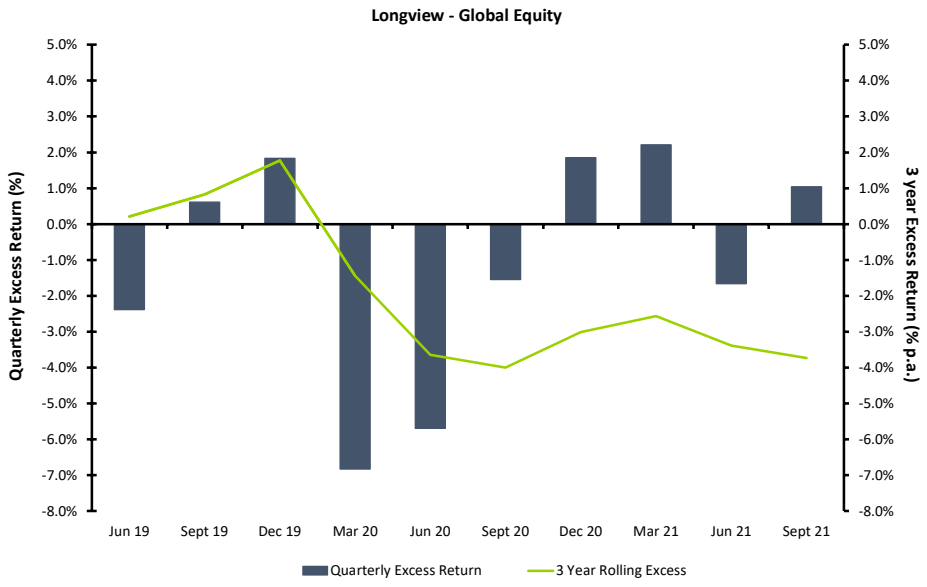
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Longview - Net of fees	3.5	27.6	8.2	12.6
MSCI World Index	2.5	23.5	11.9	13.1
Relative	1.0	4.1	-3.7	-0.5

Source: Northern Trust. Relative performance may not tie due to rounding.
Inception date 15 January 2015

The Longview Global Equity Fund delivered a positive absolute return of 3.5% on a net of fees basis over the quarter to 30 September 2021, outperforming its MSCI World Index benchmark by 1.0%. Longview has outperformed its benchmark by 4.1% over the year to 30 September 2021, delivering a positive absolute return of 27.6% on a net of fees basis over the period, but has underperformed its benchmark by 3.7% p.a. over the longer three-year period to 30 September 2021.

The Fund's large positive absolute return over the year can be attributed to the widely sustained recovery in global equity markets following the onset of the COVID-19 pandemic over the first quarter of 2020, with global equity markets delivering positive returns over each of the four separate quarters over the year to 30 September 2021.

The fund targets an outperformance of 3% p.a. over rolling three-year periods. The chart below shows the quarter and rolling three-year returns.



Longview highlights that no single sectoral or geographic allocation provided a significant contribution to outperformance. The manager's focus on companies which exhibit low sensitivity to macro-economic factors proved beneficial over a quarter where the wider global equity market was negatively impacted by increased concern surrounding rising inflation and the potential for monetary policy tightening.

Longview continues to position the portfolio with a relative over-exposure to companies which the manager feels are sensitive to social distancing measures, and therefore likely to benefit most when such measures are lifted. Longview maintains a conviction that these holdings continue to be undervalued and feels that the portfolio is well positioned to benefit from a return

towards greater normality, but the manager retains an expectation that COVID-19 associated volatility will continue to be present in the market for some time, citing the risk of the spread of further COVID-19 variants.

The Global Equity Fund made two new portfolio acquisitions and one sale over the third quarter of 2021. Both of the acquired stocks have been assessed as high quality by Longview, with the manager looking to improve the overall quality of the portfolio. Marsh & McLennan Companies ("MMC"), whose revenue is predominantly generated from the US, comprises four business units: Marsh, insurance broking; Guy Carpenter, reinsurance broking; Mercer, pensions consulting and health insurance broking; and Oliver Wyman, management consultant. Longview added MMC to the portfolio over the quarter citing that it views the company as a long duration, predictable and high return business that is protected by significant barriers to entry. Longview also added Wolters Kluwer to the portfolio over the third quarter of 2021. Wolters Kluwer provides critical information, software and services to professional customers and Longview has assessed the investment as a low capital, high return and predictable business. Longview sold out of Willis Towers Watson over the quarter, citing risk concerns in anticipation of the closing of the all-share merger with AON.

8.2 Performance Analysis

The tables below represent the top five and bottom five contributors to performance over the third quarter of 2021.

Top Five Contributors for Q3 2021	Contribution (%)
HCA Healthcare	+0.73
AON	+0.71
Oracle	+0.52
Alphabet	+0.37
Marsh & McLennan	+0.24

HCA Healthcare delivered the strategy's largest contribution to outperformance over the quarter, on the back of strong results based on a faster than expected recovery for the parts of the business that have been negatively impacted by COVID-19, and an extended benefit for the parts of the business that have benefited from COVID-19. AON also delivered a large contribution to outperformance, with the planned merger between AON and Willis Towers Watson called off over the quarter. The uncertainty surrounding the completion of the merger had previously impacted AON's share price, however the stock performed well once these uncertainties had been removed.

Fidelity underperformed in August following the release of second quarter results, with earnings expectations reducing due to the up-front costs associated with the company's higher revenue growth. WW Grainger also detracted from performance over the quarter, despite strong revenue growth, with the company recognising lower than expected margins due to US pandemic-related inventory adjustments.

Top Five Detractors for Q3 2021	Contribution (%)
Fidelity Natl Info Services	-0.47
WW Grainger	-0.42
Henkel	-0.36
Sanofi	-0.25
US Foods	-0.20

9 Insight – Buy and Maintain

Insight was appointed to manage a buy and maintain credit portfolio. The fund aims to invest in predominantly investment grade credit which the manager believes can be held to maturity. The manager's fee is based on the value of assets.

9.1 Buy and Maintain Fund - Investment Performance to 30 September 2021

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight Non Gilts - Net of fees	-1.0	1.3	5.2	5.8
iBoxx £ Non-Gilt 1-15 Yrs Index	-0.6	0.3	3.6	4.8
Relative	-0.4	1.0	1.6	1.1

Source: Northern Trust. Relative performance may not tie due to rounding.
Inception date taken as 12 April 2018

Over the third quarter of 2021, the Insight Buy and Maintain Fund delivered a negative return of -1.0% on a net of fees basis, underperforming its temporary iBoxx non-gilt benchmark by 0.4%. The Buy and Maintain Fund delivered positive absolute returns of 1.3% and 5.2% p.a. on a net of fees basis over the year and three years respectively to 30 September 2021, outperforming the benchmark by 1.0% and 1.6% p.a. over the twelve-month and three-year periods respectively.

The strategy delivered a negative return over the quarter amid rising underlying gilt yields. However, credit spreads tightened marginally as corporate earnings remained robust amid an improving economic outlook.

The Buy and Maintain Fund underperformed the iBoxx non-gilt benchmark over the three-month period owing largely to the portfolio's greater sensitivity to changes in the underlying interest rates, typified by the longer duration of the strategy, with Insight's lower credit rating relative to the index also proving detrimental.

Insight added new issues from Wellcome Trust, a UK non-profit medical organisation, a securitisation of last-mile logistics warehouses and a sustainability bond issued by the Industrial Bank of Korea. Additionally, Insight increased its allocation to use-of-proceeds bonds, buying green issuance from Transport for London, Swedbank, ING and Verizon. With Insight actively looking to reduce the strategy's exposure to climate change risks, the manager sold its positions with Royal Dutch Shell and agricultural chemical producer Nutrien over the quarter.

Insight has confirmed that there were no defaults within the Buy and Maintain portfolio over the third quarter of 2021.

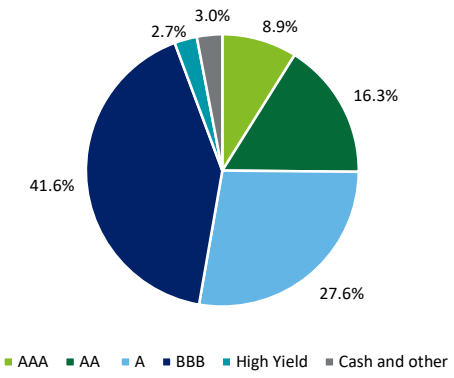
9.2 Performance Analysis

The table below summarises the Buy and Maintain portfolio's key characteristics as at 30 September 2021.

	30 Jun 2021	30 Sept 2021
Yield (%)	1.8	1.9
No. of issuers	176	173
Modified duration (years)	8.7	8.5
Spread duration (years)	8.1	7.9
Government spread (bps)	102	103
Swaps spread (bps)	96	86
Largest issuer (%)	5.4	3.2
10 largest issuers (%)	14.5	12.4

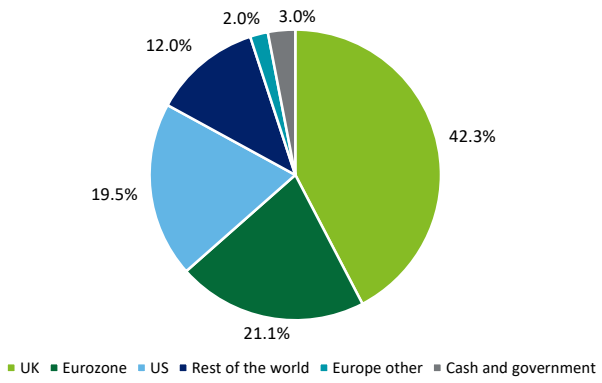
Source: Insight

The graph below shows the split of the Buy and Maintain portfolio by credit rating.

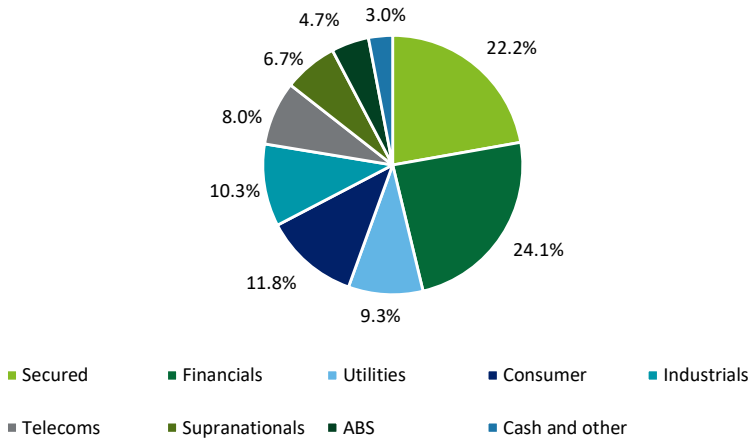


As at 30 September 2021, the fund's investment grade holdings made up c. 94.4% of the portfolio, a decrease of c. 2.7% over the quarter. The fund remains predominantly invested in BBB and A rated bonds.

The graph below shows the split of the Buy and Maintain portfolio by country as at 30 September 2021.



The graph below shows the split of the Buy and Maintain portfolio by sector as at 30 September 2021.



The table below shows the top 10 issuers by market value as at 30 September 2021.

Issuer name	Rating*	Holding (%)
UK Treasury	AA	3.2
Cellnex	BB	1.1
Wellcome Trust Ltd	AAA	1.1
Industrial Bank of Korea	AA	1.0
Aust and NZ Banking Group	BBB	1.0
Berg Finance	AAA	1.0
Nestle	AA	1.0
ING Group	A	1.0
Dbs Group	AA	1.0
Transport for London	A	1.0

**Ratings provided by Insight*

10 LCIV – Multi Asset Credit

CQS was appointed to manage a multi asset credit mandate, under the London CIV platform, in October 2018 with the aim of outperforming the 3-month Sterling LIBOR benchmark by 4% p.a. An annual fee covers the manager's and the London CIV platform management fees.

10.1 Multi Asset Credit – Investment Performance to 30 September 2021

	Last Quarter (%)	Last Year (%)	Since Inception (% p.a.)
CQS – MAC –Net of fees	1.2	10.8	4.0
3 Month Libor + 4%	1.0	4.1	4.6
Relative	0.2	6.7	-0.7

Source: Northern Trust
Inception date taken as 30 October 2018

The Multi Asset Credit Fund, managed by CQS, delivered an absolute return of 1.2% on a net of fees basis over the third quarter of 2021, outperforming its cash-based benchmark by 0.2%. Over the year to 30 September 2021, the strategy outperformed the benchmark by 6.7%, delivering a positive absolute return of 10.8% over the twelve-month period on a net of fees basis.

The Multi Asset Credit Fund's senior secured loans allocation provided the largest contribution to positive performance for the third quarter in succession, with strong performance emanating from both the US and Europe within the asset class, driven by income amid a supportive macro-economic backdrop. CQS' asset backed securities exposure also delivered a positive contribution to performance over the quarter owing to the strong underlying fundamentals of such positions, with the strategy's European CLOs and high yield allocation providing robust returns to the portfolio owing to a slight compression in spreads. The strategy's convertibles exposure detracted from performance slightly, while CQS' selective investment grade corporate bonds exposure delivered a relatively flat return over the three-month period.

As previously reported, despite the market's focus on an anticipated strong and broad economic recovery, CQS expects that some impacts from COVID-19 are yet to be fully realised, with ongoing central bank support unlikely to be sustainable in the long-term, whilst further lockdowns and travel restrictions remain possible, and recessionary pressures remain elevated. As a result, the Multi Asset Credit Fund continues to implement a cautious approach, ensuring the portfolio remains defensively positioned in terms of sector exposures, reducing exposure to COVID-19 sensitive sectors, and continuing to access positions which CQS feels are cash generative and exhibit a strong fundamental outlook. Over the third quarter of 2021, there have been no significant changes to the portfolio with the Multi Asset Credit Fund remaining tilted towards floating-rate asset classes. CQS made some marginal opportunistic changes over the three-month period, taking advantage of market volatility to slightly increase the strategy's high yield bonds exposure, whilst strategically taking profits from asset backed securities.

Over the quarter to 30 September 2021, CQS experienced 17 credit rating downgrades, representing c. 1.4% of the portfolio, with no defaults occurring over the period. The Multi Asset Credit Fund portfolio recognised 47 credit rating upgrades over the quarter, representing c. 3.9% of the portfolio.

10.2 Portfolio Analysis

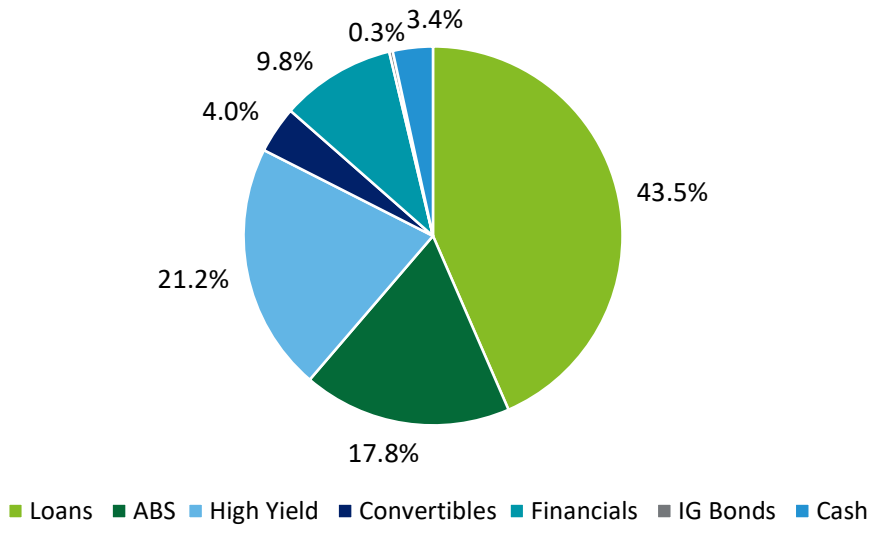
The table below summarises the Multi Asset Credit portfolio's key characteristics as at 30 September 2021.

	30 Jun 2021	30 Sept 2021
Weighted Average Bond Rating	BB-	B+
Long Bond Equivalent Exposure with Public Rating (%)	88.8	89.4
Investment with Public Rating (%)	89.0	89.0
Yield to Maturity (%)	4.9	5.0
Spread Duration	3.7	3.8
Interest Rate Duration	1.2	1.2

Source: London CIV

10.3 Asset Allocation

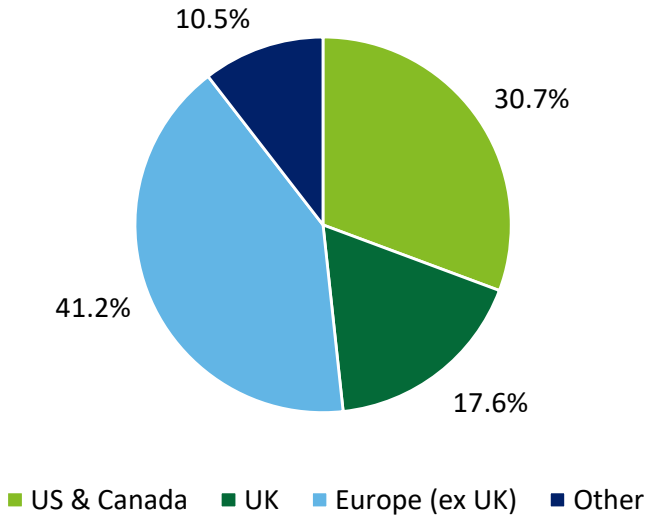
The asset allocation split of the Multi Asset Credit Fund as at 30 September 2021 is shown below.



Source: London CIV

10.4 Country Allocation

The graph below shows the regional split of the LCIV Multi Asset Credit Fund as at 30 September 2021.



Source: London CIV

11 Aberdeen Standard Investments – Long Lease Property

Aberdeen Standard Investments was appointed to manage a long lease property mandate with the aim of outperforming the FT British Government All Stocks Index benchmark by 2.0% p.a. The manager has an annual management fee.

11.1 Long Lease Property – Investment Performance to 30 September 2021

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Aberdeen Standard - Net of fees	4.2	9.6	6.5	8.1
Benchmark	-1.3	-4.9	5.0	5.6
Relative	5.5	14.5	1.5	2.5

Source: Aberdeen Standard Investments. Relative performance may not tie due to rounding.

Since inception: 14 June 2013

Over the quarter to 30 September 2021, the ASI Long Lease Property Fund delivered an absolute return of 4.2% on a net of fees basis, outperforming the FT British Government All Stocks Index Benchmark by 5.5%. Positive performance over the quarter can be largely attributed to capital growth within the portfolio, particularly in the supermarket sector, with the major supermarket operators continuing to report strong trading. In addition, one of the strategy's hotel sector assets, the Kingsmill Hotel in Inverness, grew in value by 4.7% while three of the Fund's holiday park assets increased in value as a result of robust trading in the sector. However, having recently completed a vacant possession value exercise, some of the Fund's regional hotels saw a 5-10% reduction in value. That said, the fall in hotel valuations was more than offset by the 10-15% rise in holiday park valuations.

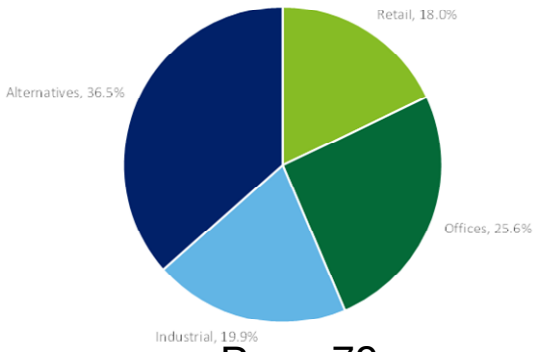
The Long Lease Property Fund has underperformed the wider property market, as measured by the MSCI (formerly IPD Monthly) UK All Property Index, by 0.4% over the third quarter of 2021, largely as a result of the strategy's underweight position to the industrial sector, relative to the wider property market, which delivered positive returns over the third quarter of 2021. The strategy has outperformed the wider property market over the longer term, with long term performance continuing to be aided by the portfolio's stronger tenant credit quality and long, inflation linked leases, and the lack of any high street or shopping centre exposure with these sectors particularly impacted by the COVID-19 outbreak.

After removing the material valuation uncertainty clause and lifting the suspension on trading during the third quarter of 2020, the Long Lease Property Fund continues to trade as normal.

Rent collection statistics improved slightly over the third quarter of 2021 as ASI realised Q3 collection rates of 98.9% (as at 4 November 2021). Over the third quarter of 2021, none of the Long Lease Property Fund's rental income was subject to deferment arrangements, with 1.1% unpaid or subject to ongoing discussions with tenants. As at 4 November 2021, ASI had collected 98.6% of its Q4 2021 rent, with no income subject to deferment arrangements and 1.4% of rent unpaid or subject to ongoing discussions with tenants.

11.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 30 September 2021 is shown in the graph below.



Source: ASI.

The Long Lease Property Fund completed no further acquisitions over the third quarter of 2021.

ASI has confirmed that one transaction is nearing completion, which is expected to conclude during the fourth quarter of 2021. The acquisition is for a new ground lease, created over a crematorium on the outskirts of Leicester.

In addition, ASI estimates a further investment pipeline of up to £400m exists with a number of off market opportunities being actively tracked and a number of openly marketed opportunities of rarely available assets coming to the market. ASI has strong conviction in its ability to deploy capital throughout the remainder of 2021 and 2022, considering the current pipeline.

Following its tenant entering liquidation, ASI continues to work through the process of taking back its Hilton Doubletree asset in Aberdeen. The asset will primarily be marketed as a hotel opportunity, but ASI is also considering options for redevelopment into alternative uses, with student accommodation and residential the most likely outcome, subject to local council consent.

Q3 and Q4 2021 rent collection, split by sector, as at 4 November 2021 is reflected in the table below:

Sector	Proportion of Fund as at 30 September 2021 (%)	Q3 2021 collection rate (%)	Q4 2021 collection rate (%)
Alternatives	6.0	100.0	100.0
Car Parks	3.7	100.0	100.0
Car Showrooms	3.2	100.0	100.0
Hotels	7.8	90.1	90.1
Industrial	14.7	100.0	100.0
Leisure	3.3	90.0	95.0
Public Houses	5.5	100.0	100.0
Offices	29.6	100.0	100.0
Student Accommodation	8.1	100.0	94.0
Supermarkets	18.2	100.0	100.0
Total	**100.0**	**98.9**	**98.6**

As at 30 September 2021, 1.0% of the Fund's NAV is invested in ground rents via an indirect holding in the ASI Ground Rent Fund, with 17.1% of the Fund invested in income strip assets.

The hotels and leisure sectors have expressed the poorest rental collection statistics over the third and fourth quarters of 2021 as at 4 November 2021, with the student accommodation sector also expressing poor rental collection statistics over Q4 2021 as at 4 November 2021.

ASI has stated that the majority of the Long Lease Property Fund's underlying tenants have reverted to paying rent as per their lease terms, with no Q3 or Q4 2021 rental income subject to deferment arrangements as at 4 November 2021.

ASI has now collected over 99% of 2020 rents, and the majority of outstanding rent in 2021 has been reduced to a small number of tenants, including Marstons', continuing with monthly repayments for the time being with all rent expected to be collected in due course. There has been no write-off of any outstanding rent, or rent-free periods agreed.

The table below shows details of the top ten tenants in the fund measured by percentage of net rental income as at 30 September 2021:

Tenant	% Net Income	Credit Rating
Whitbread	5.6	BBB
Viapath	5.0	AA
Tesco	4.9	BBB
Sainsbury's	4.6	BB
Marston's	4.4	BB
Asda	3.7	BBB
Salford University	3.6	A
Secretary of State for Communities	3.5	AA
QVC	3.4	BB
Lloyds Bank	3.3	AA
Total	41.9*	

*Total may not equal sum of values due to rounding

As at 30 September 2021, the top 10 tenants contributed 41.9% of the total net income of the Fund. Of which 13.2% of the net income came from the supermarket sector, with Tesco, Sainsbury's and Asda continuing to make up a significant proportion of the Fund at quarter end.

The unexpired lease term increased from 25.2 years as at 30 June 2021 to 25.7 years as at 30 September 2021. The proportion of income with fixed, CPI or RPI rental increases remained relatively unchanged over the quarter at 91.1%.

12 Pantheon – Global Infrastructure Fund III

Pantheon was appointed to manage a global infrastructure mandate with the aim of outperforming the 3-month Sterling LIBOR benchmark by 8% p.a. The manager has an annual management fee and performance fee.

12.1 Global Infrastructure - Investment Performance to 30 September 2021

Capital Calls and Distributions

The Fund committed $91.5m to Pantheon in February 2019.

Over the quarter, Pantheon issued one capital call:

- A capital call of $11.4m for payment by 20 September 2021, representing c. 12.5% of the Fund's total commitment.

In addition, following quarter end, Pantheon issued two further capital calls:

- A capital call of $4.6m for payment by 7 October 2021, representing c. 5.0% of the Fund's total commitment; and
- A capital call of $2.1m for payment by 10 November 2021, representing c. 2.3% of the Fund's total commitment.

The remaining unfunded commitment as at 10 November 2021 was c. $28.1m, with the Fund's total contribution at c. $63.5m and the Fund's $91.5m commitment c. 69% drawn.

Activity

The PGIF III is in the process of closing four further investment deals:

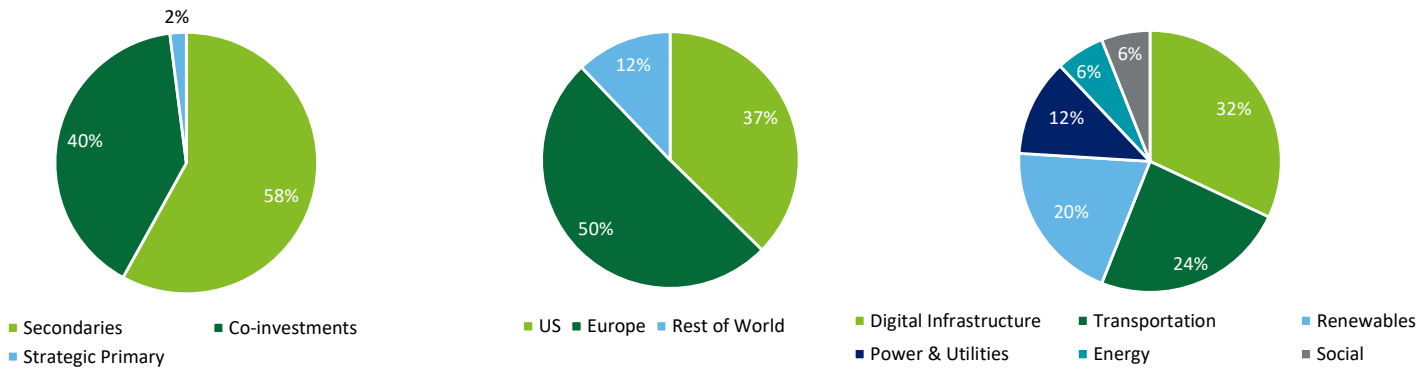
- One secondary social global project, Project Aurora, with a commitment value of c. $146.9m;
- One co-investment European transportation project, Project Ermewa, with a commitment value of c. $68.2m;
- One secondary global diversified project, Project Anthem, with a commitment value of c. $108.7m; and
- One secondary global transportation project, Project Aquarius, with a commitment value of c. $73.8m.

Pipeline

Pantheon currently has an investment pipeline of infrastructure opportunities. If Pantheon is successful across all deals, the PGIF III could be expected to be fully deployed by the second quarter of 2022. However, there is no guarantee that each of these opportunities will be completed.

12.2 Asset Allocation

The charts below show the current diversification by strategy, geography and sector in PGIF III as at 30 September 2021.



Source: Pantheon

The target geographic diversification is 30-50% North America, 40-60% Europe and 3-15% Asia and others. The PGIF III also aims to be 15-20% energy infrastructure (midstream), 20-30% energy infrastructure (power/utility), 20-30% transportation, 10-20% PPP/social infrastructure and 10-20% other.

12.3 Investments Held

The table below shows a list of the investments held by PGIF III as at 30 September 2021.

Project Name	Geography	Sector	Type	Deal Size ($m)	Commitment Date
Roger	Europe	Diversified Infrastructure	Secondary	29	Dec 17
TRAC Domestic	North America	Transportation	Co-investment	12	Dec 17
Naturgy	Europe	Energy Infrastructure	Co-investment	33	May 18
Luton Airport	Europe	Transportation	Co-investment	24	May 18
Invenergy	North America	Energy Infrastructure	Co-investment	35	Aug 18
VTG	Europe	Transportation	Co-investment	64	Sep 18
Inti	Europe	Energy Infrastructure	Secondary	23	Dec 18
Megabyte	North America	Digital Infrastructure	Secondary	76	Dec 18
Hivory	Europe	Digital Infrastructure	Co-investment	34	Dec 18
Fairway	Global	Diversified Infrastructure	Secondary	53	Dec 18
Proxiserve	Europe	Energy Infrastructure	Co-investment	32	Mar 19
Springbank	North America	Transportation	Secondary	60	May 19
ORYX Midstream	North America	Energy Infrastructure	Co-investment	65	May 19
Gatwick Airport	Europe	Transportation	Secondary	66	Jun 19
Kookaburra	APAC	Diversified Infrastructure	Secondary	61	Jul 19
Sullivan	Global	Diversified Infrastructure	Secondary	121	Jul 19
GlobalConnect	Europe	Digital Infrastructure	Secondary	67	Dec 19
McLaren	Global	Diversified Infrastructure	Secondary	53	Jan 20
IFT	Europe	Digital Infrastructure	Co-investment	67	Jan 20
Zayo	North America	Digital Infrastructure	Co-investment	66	Mar 20
Energy Assets Group	Europe	Energy Infrastructure	Co-investment	37	Apr 20
Viridor	Europe	Energy Infrastructure	Co-investment	49	July 20
Taurus	Europe	Energy Infrastructure	Co-investment	26	Oct 20
Thor	North America	Digital Infrastructure	Co-investment	52	Oct 20
Kapany	Europe	Diversified Infrastructure	Secondary	128	Nov 20
Megabyte II	North America	Digital Infrastructure	Secondary	51	Nov 20
Epsilon	Europe	Diversified Infrastructure	Co-investment	68	Dec 20
MapleCo	Europe	Energy Infrastructure	Co-investment	43	Jan 21
Emerald	North America	Energy Infrastructure	Secondary	48	March 21
Teemo	Europe	Digital Infrastructure	Co-investment	26	April 21
Kinetic	APAC	Transportation	Co-investment	45	April 21
Blue Jays	North America	Diversified	Secondary	119	May 21
Aurora	Global	Social	Secondary	147	Pending
Ermewa	Europe	Transportation	Co-investment	68	Pending
Anthem	Global	Diversified	Secondary	109	Pending
Aquarius	Global	Transportation	Secondary	74	Pending

13 Macquarie – Renewable Energy Fund 2 ("MGREF2")

Macquarie was appointed to manage a global renewable infrastructure mandate following the manager selection exercise in December 2020. The manager has an annual management fee on undrawn and invested assets, alongside a performance fee.

13.1 MGREF2 - Investment Performance to 30 September 2021

Capital Calls and Distributions

The Fund committed €55m to Macquarie in December 2020.

Macquarie issued no further capital calls over the third quarter of 2021, but issued one distribution:

- Macquarie issued a total distribution of €101k on 9 August 2021, consisting of €83k return of capital and €18k interest income.

The remaining unfunded commitment as at 30 September 2021 was c. €47.7m, with the Fund's total contribution at c. €7.3m and the Fund's €55m commitment c. 13% drawn.

Activity

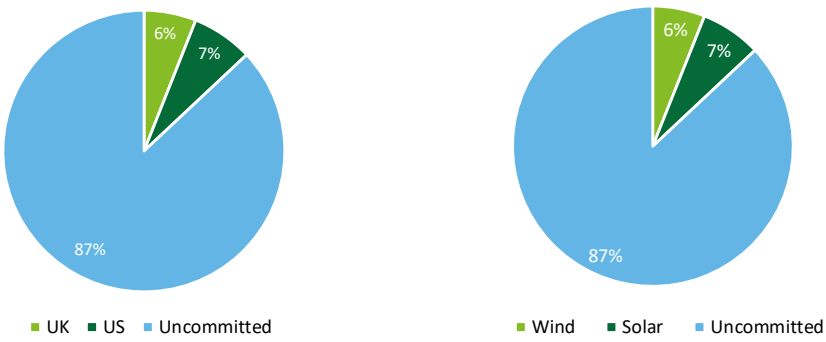
The MGREF2 did not complete any further deals over the third quarter of 2021.

Macquarie has commented that deployment has been slower than expected due to some increased challenges, such as the significant entrance of large oil & gas companies and the increased focus of large utilities into the renewable infrastructure market universe.

Macquarie has stated it is pleased with the performance of the current portfolio assets, but acknowledges that the pace of capital deployment is below where the manager would like it to be. Macquarie has confirmed that it will continue to display price discipline when considering any investment opportunities. Macquarie remains optimistic and states that it is continuing to explore opportunities for the Fund to deploy its remaining capital with several opportunities currently in the due diligence phase. The current deal pipeline includes offshore wind farms in the North Sea and several wind and solar platform opportunities.

13.2 Asset Allocation

The charts below show the current diversification by geography and sector in the MGREF2 as at 30 September 2021, following the strategy's initial investments.



Source: Macquarie

The target geographic diversification is 60-75% Western Europe (<30% UK), with the remainder invested primarily across North America and Asia (USA, Canada, Japan, Taiwan, Mexico (<15%), also Australia and New Zealand). The MGREF2 also aims to primarily consist of offshore wind assets, with Macquarie feeling it has a competitive advantage in this space given its experience and relationships already gained, with the overall portfolio also featuring onshore wind and solar PV allocations (although solar is viewed as more of an opportunistic allocation).

14 Quinbrook – Renewables Impact Fund

Quinbrook was appointed to manage a UK renewable infrastructure mandate following the manager selection exercise in December 2020. The manager has a base annual management fee and a performance fee.

14.1 Renewables Impact Fund - Investment Performance to 30 September 2021

Capital Calls and Distributions

The Fund committed £50m to Quinbrook in December 2020.

Quinbrook issued no capital calls or distributions over the third quarter of 2021. As such, as at 30 September 2021, the remaining unfunded commitment stood at c. £44.1m, with the Fund's total commitment at c. £5.9m and the Fund's £50m commitment c. 12% drawn.

Following quarter end, Quinbrook issued two capital calls:

- A capital call of £2.8m, consisting of a £2.6m capital contribution in respect of the Fund's commitment and a £0.2m contribution to cover management fees, for payment by 15 October 2021; and

- A capital call of £5.5m, consisting of a £5.4m capital contribution in respect of the Fund's commitment and a £0.1m contribution to cover management fees, for payment by 30 November 2021.

Resultantly, as at 30 November 2021, following payment of these drawdown notices the remaining unfunded commitment stands at c. £35.8m, with the Fund's total commitment at c. £14.2m and the Fund's £50m commitment c. 28% drawn.

Activity

Over the quarter, Project Rassau was progressed to the final stages of construction and commissioning. Having first invested in the synchronous condenser project in December 2020 at pre-construction stage, the Renewables Impact Fund has now acquired the remaining minority share of the project to take equity ownership to 100%, with the minority share previously owned by Quinbrook's Low Carbon Power Fund acquired at fair value. Rassau is scheduled to become operational in Q1 2022, c. 3 months behind the original schedule due to contractor delays. Quinbrook expects to recover delay damages under the supply contracts to compensate the Fund for lost revenues.

On 1 October 2021, Quinbrook completed the acquisition of Project Fortress, a consented 350MW solar and battery storage project in Kent, which is estimated to require c. £270m of capital to construct. Quinbrook expects to commence construction of the project over the first half of 2022, and expects the project to be operational in late 2023 or early 2024. Once operational, Fortress is expected to be the largest single site solar PV installation in the UK, more than three times the size of the UK's next largest consented solar PV project.

Pipeline

The Renewables Impact Fund has a pipeline of investment opportunities which Quinbrook believes represent key gaps in the market, where the manager believes core demand creates a need for greater use of such assets.

Following quarter end in October 2021, Quinbrook has executed Heads of Terms to secure exclusive rights over a portfolio of 500MW of development stage renewables and energy storage projects. Quinbrook states that the project pipeline offers demand flexibility and behind-the-meter renewable power supply opportunities for commercial and industrial customers, including several data centres.

Quinbrook remains in negotiations to provide renewable energy solutions to a major UK water supply operator.

Quinbrook's affiliate, Private Energy Partners ("PEP") has a pipeline of projects that are exclusively dedicated to the Renewables Impact Fund. PEP's pipeline totals 175.5MW of solar PV, 118.5MW of battery storage projects and 600MVAr of grid support projects with an estimated capital requirement in excess of £150m. PEP's pipeline complements the pipeline already secured by Quinbrook and those deals that are under exclusivity, providing a diverse array of opportunities from which Quinbrook can select for the Renewables Impact Fund's invested portfolio.

14.2 Projects

The table below shows a list of the investments held by the Quinbrook Renewables Impact Fund as at 30 September 2021.

Project Name	Fund Ownership	Investment Date	Technology	Location	Gross Value (£m)
Reggie – Rassau Grid Services	100%	Dec-20	Synchronous Condenser	UK	45.9
Habitat	100%	Jul-21	Trading Platform	UK	0.4
Total					**46.3**

Source: Quinbrook

Appendix 1 – Fund and Manager Benchmarks

The tables in this Appendix detail the benchmarks and outperformance targets, for the Total Fund and each individual manager.

Total Fund

Inception: 1 June 2006. Current benchmark allocation effective from 25 March 2015.

Manager	Asset Class	Long Term Strategic Benchmark Allocation	Benchmark	Outperformance Target	Inception Date
LGIM	Future World Global Equity	25.0	Solactive ESG Global Markets Index	Passive	15/10/20
Baillie Gifford	LCIV Global Alpha Growth	20.0	MSCI AC World Index	+2.0 p.a. (net of fees)	18/03/14
Morgan Stanley	LCIV Global Equity Core	20.0	MSCI AC World Index (net dividends reinvested)	Generate total returns (comprising of both capital growth and income) over a 5-10 year period	30/10/20
Longview	Global Equity	0.0	MSCI World (GBP) Index	To outperform the benchmark over a market cycle	15/01/15
Insight	Buy and Maintain	13.5	Insight Custom Benchmark	n/a	12/04/18
CQS	Multi Asset Credit	5.5	3 Month Libor	+ 4% p.a. (net of fees)	30/10/18
Aberdeen Standard Investments	Property	5.0	FTSE Gilts All Stocks Index +2% p.a.	+0.5 p.a. (net of fees)	14/06/13
Pantheon	Global Infrastructure	5.0	3 Month Libor	+ 8% p.a. (net of fees)	15/04/19
Macquarie	Global Renewable Infrastructure	3.0	3 Month Libor	TBC once fully drawn for investment	08/02/21
Quinbrook	UK Renewable Infrastructure	3.0	3 Month Libor	TBC once fully drawn for investment	25/01/21
	Total	100.0			

Appendix 2 – Manager Ratings

Based on our manager research process, we assign ratings to the investment managers for specific products or services. The ratings are based on a combination of quantitative and qualitative factors, where the inputs for the qualitative factors come from a series of focused meetings with the investment managers. The ratings reflect our expectations of the future performance of the particular product or service, based on an assessment of:

- The manager's business management;
- The sources of ideas that go to form the portfolio ("alpha generation");
- The process for including the ideas into the portfolio ("alpha harnessing"); and
- How the performance is delivered to the clients.

On the basis of the research and analysis, managers are rated from 1 (most positive) to 4 (most negative), where managers rated 1 are considered most likely to deliver outperformance, net of fees, on a reasonably consistent basis. Managers rated 1 will typically form the basis of any manager selection short-lists.

Where there are developments with an investment manager that cause an element of uncertainty we will make the rating provisional for a short period of time, while we carry out further assessment of the situation.

Appendix 3 – Risk Warnings & Disclosures

- Past performance is not necessarily a guide to the future.
- The value of investments may fall as well as rise and you may not get back the amount invested.
- Income from investments may fluctuate in value.
- Where charges are deducted from capital, the capital may be eroded or future growth constrained.
- Investors should be aware that changing investment strategy will incur some costs.
- Any recommendation in this report should not be viewed as a guarantee regarding the future performance of the products or strategy.

Our advice will be specific to your current circumstances and intentions and therefore will not be suitable for use at any other time, in different circumstances or to achieve other aims or for the use of others. Accordingly, you should only use the advice for the intended purpose.

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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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City of Westminster Pension Fund

September 2021 quarterly funding update

HEADLINE

30 September 2021	Ongoing Funding (£m)
Assets	1,874
Liabilities	1,813
Surplus/(deficit)	61
Funding level	103%

Summary

This funding update is provided to illustrate the estimated funding position as at 30 September 2021, for the City of Westminster Pension Fund ("the Fund").

At the last formal valuation, the Fund reported (smoothed) assets of £1,411m and liabilities of £1,431m. This represented a deficit of £20m and equates to a funding level of 99%. Since the valuation the funding level has increased by 4% to 103%.

Investment returns of c.30% over the period since the valuation have been higher than expected. However, the outlook for future expected investment returns ('the discount rate') has fallen (from 4.8% p.a. to 4.4% p.a.) and future inflation expectations have risen, increasing the value placed on liabilities.

Since the valuation contributions have been more than the cost of accrual of new benefits. A full breakdown of the impact of these changes on the funding deficit is included in the tables below.

Should you have any queries please contact me.

Robert McInroy FFA

Funding Level

30 September 2021	Ongoing Funding (£m)
Assets	1,874
Liabilities	1,813
Surplus/(deficit)	61
Funding level	103%

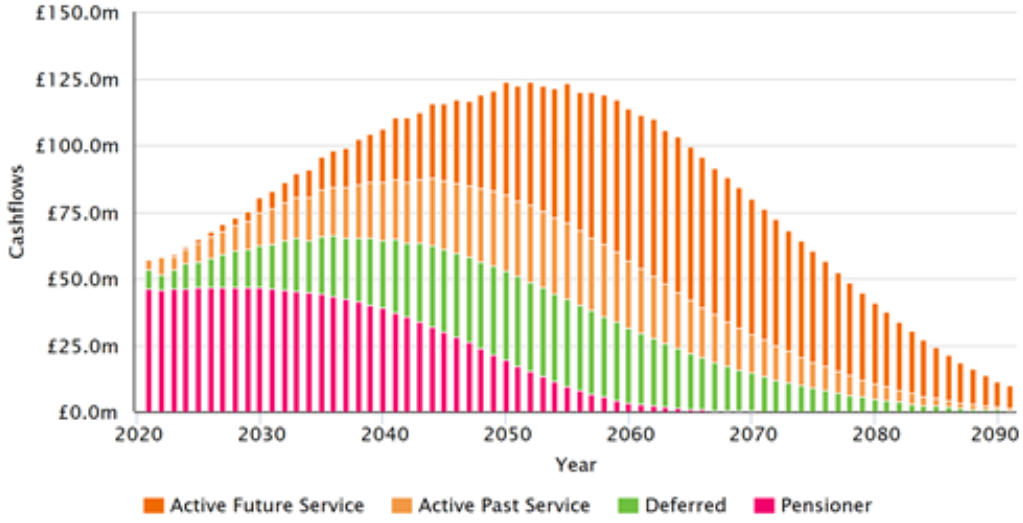
Analysis of surplus

Surplus/(deficit)	£m
Surplus/(deficit) as at 31/03/2019	(20)
Contributions (less benefits accruing)	79
Interest on surplus/(deficit)	3
Excess return on assets	281
Change in inflation & expected future investment return	(282)
Surplus/(deficit) as at 30/09/2021	61

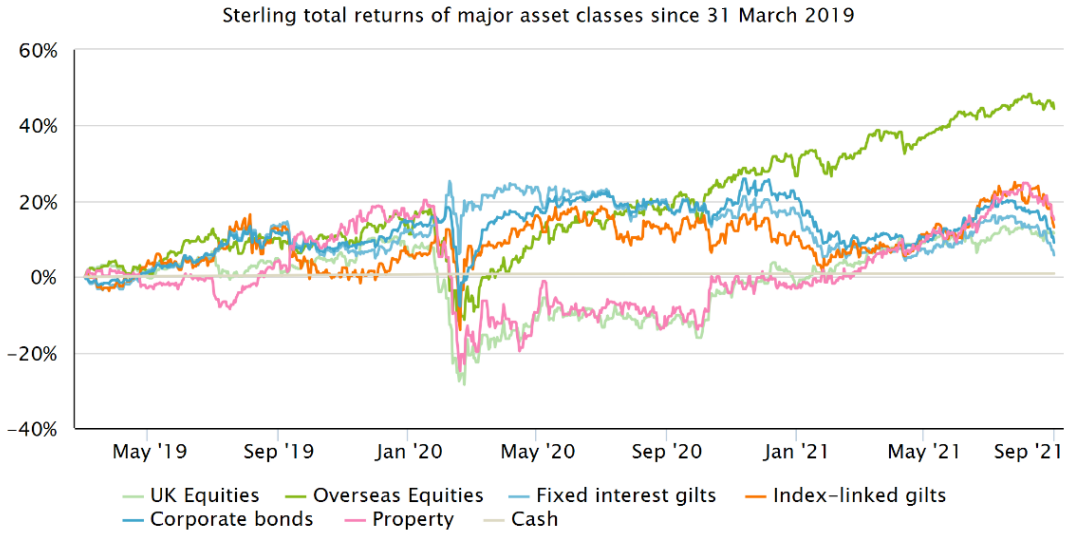
Assumptions and market indicators

	31 March 2019	30 June 2021	30 September 2021
Financial assumptions	% p.a.	% p.a.	% p.a.
Pension increases (CPI)	2.65%	2.84%	3.02%
Salary increases	3.65%	3.84%	4.02%
Discount rate	4.84%	4.24%	4.39%
Price Index			
FTSE All Share	3,978	4,015	4,059
FTSE 100	7,279	7,037	7,086

Projected cashflows



Index returns



Sensitivity matrix

Sensitivity Matrix as at 30 September 2021 for Ongoing funding basis (£m)

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

Shift in expected future investment return (% p.a.)	4,960 -30%	5,669 -20%	6,378 - 10%	7,086	7,795 + 10%	8,504 + 20%	9,212 + 30%
+0.6	(258)	(103)	53	208	364	520	675
+0.4	(305)	(149)	6	162	318	473	629
+0.2	(354)	(198)	(43)	113	268	424	580
0.0	(406)	(250)	(95)	61	216	372	527
-0.2	(461)	(305)	(150)	6	161	317	472
-0.4	(520)	(364)	(208)	(53)	103	258	414
-0.6	(582)	(426)	(271)	(115)	40	196	352

less than 50% | 50% - 85% | 85% - 95% | 95% - 100% | 100% - 105% | 105% - 115% | greater than 115%

Reliances and limitations

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

The method and assumptions used to calculate the updated funding position are consistent with those disclosed in the documents associated with the last formal actuarial valuation as at 31 March 2019 and "Funding update report as at 30 June 2021" (dated 11 August 2021), although the financial assumptions have been updated to reflect known changes in market conditions. The calculations contain approximations and the accuracy of this type of funding update declines with time from the valuation; differences between the position shown in this report and the position which a new valuation would show can be significant. It is not possible to assess its accuracy without carrying out a full actuarial valuation. This update complies with Technical Actuarial Standard 100.

City of Westminster

Committee Report

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**16 December 2021**
Classification:	**Public (Appendix 2 is exempt)**
Title:	**London CIV Absolute Return Fund**
Wards Affected:	**None**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	**There are no immediate financial implications arising from this report.**
Report of:	**Phil Triggs** ***Tri-Borough Director of Treasury and Pensions*** **ptriggs@westminster.gov.uk** **020 7641 4136**

1 EXECUTIVE SUMMARY

1.1 This paper provides the Pension Fund Committee with a summary of the London CIV Absolute Return Fund, with recommendations for the effective management of cash/equivalents and delivering returns in excess of inflation.

2 RECOMMENDATION

2.1 The Pension Fund Committee is requested to:

- note the key details of the London CIV Absolute Return Fund (see Appendix 1 for the fund fact sheet); and
- approve a £50m allocation to be funded by the sale of the Longview Equity mandate.

3 BACKGROUND

3.1 The Pension Fund currently has £25m in cash held with the global custodian, Northern Trust, and £50m sitting within the Northern Trust ESG Ultra Short Duration Bond Fund.

3.2 Cash deposits at custody currently attract a nominal interest rate of 0.0% on sterling balances, and it is worthwhile noting that the Fund is expecting another £30.5m in deficit recovery lump sums before 31 March 2022.

3.3 It is estimated that circa £105m will be needed to finance future capital calls within the infrastructure mandates, depending on currency movements, and a further circa £100m is earmarked for the new allocation to affordable and social supported housing. It should be acknowledged that capital call timings can be difficult to estimate. However, it is anticipated that the infrastructure funds will be fully drawn by 2024.

3.4 Therefore, it is expected that redemptions within the overweight allocation to equities will need to be executed in the near future. Given that Longview is no longer on Deloitte's list of rated managers, and the decision to sell down this mandate has already been taken, it is recommended that this strategy (£77m) be transitioned to cash/equivalents.

3.5 The Consumer Prices Index (CPI) rose by 4.2% in the 12 months to October 2021, up from 3.1% in September 2021. To hedge against this high inflation risk it is proposed that the Committee explores the London CIV Absolute Return offering.

4 PROPOSAL

4.1 The London CIV Absolute Return Fund is managed by Ruffer and is a multi-asset fund which aims to deliver returns in excess of inflation with low volatility, and to not lose investor money under any market conditions. The fund employs a broad range of asset classes, as well as the use of derivatives to hedge against specific risks. In general, the fund is expected to outperform during periods of market decline and underperform when markets are performing strongly.

4.2 As at 30 June 2021, the fund had a 38.7% allocation to equities, including exposures to emerging markets, 41.4% with government fixed deposits and 19.9% within alternatives. These alternatives include an allocation to cash and gold of 8.2% and 6.5% respectively, as well as exposure to hedge funds and stock options. The beta of the fund as at 30 June 2021 was 0.26, this indicates a significantly lower volatility than the market.

4.3 The table below details the key features of London CIV Absolute Return Fund.

London CIV Absolute Return Fund	
Fund Size	£1.1bn
Launch Date	June 2016
Fees (exempt)	Please see appendix 2
Investment Dealing Cut-off	5pm on T-1
Settlement Details	T+4

4.4 The fund is benchmarked against 1m LIBOR + 3% and has returned 6.7% since inception in June 2016, outperforming the benchmark by 3.3%. Over the quarter to 30 June 2021 the fund returned 0.7% and 14.3% over the one-year period, outperforming the benchmark by 11.2%.

4.5 The London CIV Absolute Return Fund offers liquidity of trade plus four working days and should allow sufficient time to meet requirements for emergency payments and short notice capital calls. Dealing takes place each working Wednesday and the last business day of each month. In the event that a Wednesday is not a business day for the Absolute Return Fund, such other day shall be agreed.

5 RECOMMENDED NEXT STEPS

5.1 The Committee is recommended to approve the sale of the residual £77m held within the Longview Global Equity mandate, given that the manager is no longer favourably rated by the investment advisor, Deloitte. It should, however, be recognised that the mandate has performed well over the last twelve months to 30 September 2021 returning 27.6% net of fees, so it would be an optimal time to cash in on the gains made.

5.2 In addition, it is recommended that the Committee approve a £50m allocation to the London CIV Absolute Return Fund to be held for a period of one year. This will allow the Fund to still have sufficient liquidity in cash assets to meet capital call obligations, asset rebalancing and also hedge against inflation for capital calls expected towards Q4 2022 and Q1 2023.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Billie Emery bemery@westminster.gov.uk

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1: London CIV Absolute Return Fund Fact Sheet
Appendix 2: London CIV Absolute Return Fund Fees (exempt)

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Fund Information Sheet

LCIV Absolute Return Fund

London CIV

Fund Overview

June 2021

The Sub-fund aims not to lose money for investors in any market environment and deliver inflation-beating returns. To do this, the manager and team have the flexibility to invest across a broad range of asset classes and use derivatives to access opportunities and to hedge out unwanted risks. The focus on downside protection means that the Sub-fund will tend to outperform during down markets and underperform when markets are performing well.

Investment Objective

The Sub-fund's objective is to achieve low volatility and positive returns in all market conditions. Capital invested in the Sub-fund is at risk and there is no guarantee that a positive return will be delivered over any one or a number of twelve-month periods.

Investment Policy

The ACS Manager aims to achieve the objective by investing solely in the LF Ruffer Absolute Return Fund, a sub-fund of Asperior Investment Funds, an FCA authorised open-ended investment company, and cash and near cash. The investment objective and policy of the LF Ruffer Absolute Return Fund is set out below: The investment objective of the sub-fund is to achieve low volatility and positive returns in all market conditions from an actively managed portfolio of equities or equity related securities (including convertibles), corporate and government bonds and currencies. Capital invested in the sub-fund is at risk and there is no guarantee that a positive return will be delivered over any one or a number of twelve-month periods. The sub-fund may also invest in collective investment schemes, cash, money market instruments and derivatives and forward transactions. Pervading this objective is a fundamental philosophy of capital preservation. In selecting investments the sub-fund will adopt a stock picking approach and will not adopt any investment weightings by reference to any benchmark.

Fund Summary

Asset Class:	Multi Asset
Portfolio Manager:	Ruffer LLP
Launch Date:	21/06/2016
Target*:	1m LIBOR +3%
Comparator**:	UK Base Rate +3.5%
Fund Currency:	GBP
Fund Price:	130.60p
Fund Size:	£1,121.8m

Source: London CIV

Net Performance	Current Quarter %	1 Year %	Since Inception p.a. %
Fund	0.67	14.26	6.66
Target Benchmark*	0.75	3.05	3.40
Relative to Target	(0.08)	11.21	3.26
Comparator Index**	0.89	3.60	3.92
Relative to Comparator	(0.22)	10.66	2.74

Performance figures since inception have been annualised for any Sub-funds that have been live for longer than 12 months.

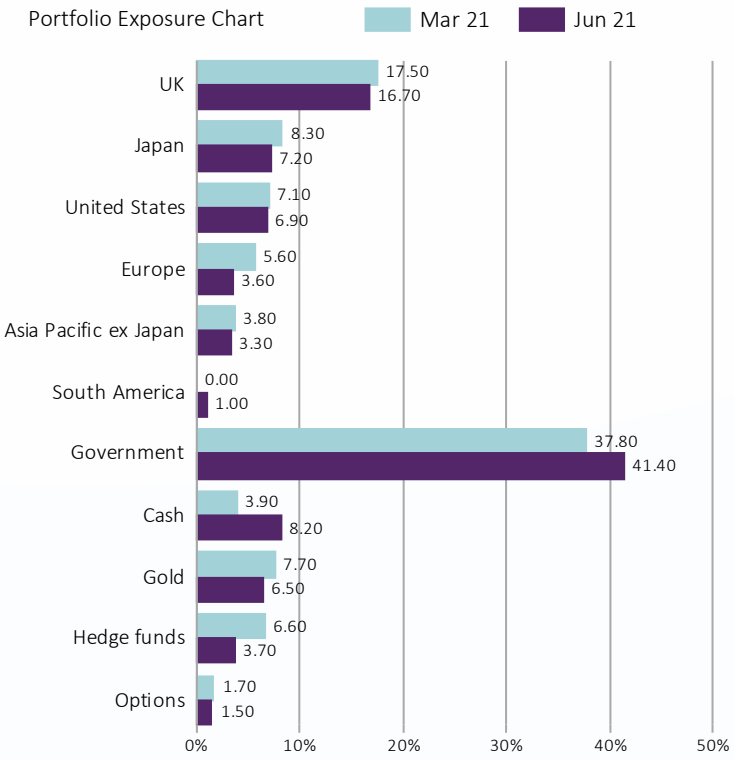
Performance Since LCIV Fund Inception

Source: Fund prices calculated based on published prices. All performance reported Net of fees and charges with distributions reinvested.

LCIV Absolute Return Fund

Key Statistics		
	Mar 21	Jun 21
Beta	0.26	0.26
Duration	5.64	6.13

Source: Ruffer LLP June 2021



Source: Ruffer LLP June 2021

Portfolio Exposures		
	Mar 21	Jun 21
Equities	**42.30**	**38.70**
UK	17.50	16.70
Japan	8.30	7.20
United States	7.10	6.90
Europe	5.60	3.60
Asia Pacific ex Japan	3.80	3.30
South America	0.00	1.00
Fixed Income	**37.80**	**41.40**
Government	37.80	41.40
Alternatives	**19.90**	**19.90**
Cash	3.90	8.20
Gold	7.70	6.50
Hedge funds	6.60	3.70
Options	1.70	1.50
Total	**100.00**	**100.00**

Source: Ruffer LLP June 2021

**The target benchmark is an absolute level of return which is deemed as the appropriate return which investors can expect for the level of risk taken within the Sub-fund.*
***The comparator index is not the stated Sub-fund objective, but has been selected as an appropriate index given the style of the Sub-fund.*

Important Information

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

Document is Restricted

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City of Westminster

Committee Report

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**16 December 2021**
Classification:	**General Release, Appendix 3 is exempt**
Title:	**Asset Rebalancing and Equity Transition Analysis**
Wards Affected:	**All**
Policy Context:	**Effective control over council activities**
Financial Summary:	**There are no direct financial implications arising from this report.**
Report of:	**Phil Triggs** ***Tri-Borough Director of Treasury and Pensions*** **ptriggs@westminster.gov.uk** **020 7641 4136**

1. EXECUTIVE SUMMARY

1.1 This report details the Fund's current strategic asset allocation, as at 31 October 2021, compared with the target allocation. As per the Investment Strategy Statement (ISS), the Fund has trigger points for rebalancing the portfolio allocations. In addition, analysis on estimated transition costs, overlap and volatility for the London CIV (Baillie Gifford) Global Alpha Growth Paris Aligned fund is explored. Please appendix 2 for the fund fact sheet.

2. RECOMMENDATIONS

2.1 The Committee is recommended to:

- rebalance the Fund, topping up underweight asset classes with the overweight allocations in equity and cash/equivalents.
- commission a full analysis of transition costs, with the view of transitioning the London CIV Global Alpha Growth mandate into the Paris Aligned version.

3. ASSET ALLOCATION REBALANCING

Overview

3.1 As per the Investment Strategy Statement (ISS), the Fund has trigger points for reviewing and rebalancing the portfolio allocations. The following table outlines the Fund's strategic asset allocation compared with actuals as at 31 October 2021.

3.2 The total market value of the Fund at 31 October 2021 was £1.950bn. It is worthwhile noting that the Fund is expecting another circa £30.5m in deficit recovery lump sums before 31 March 2022. This will be held within cash and equivalents, while drawdowns and reallocations take place.

Strategic Asset Allocation	Target	Review Range	31 Oct 21	
			Actual	Variance
Listed Equities	**60.0%**	**+/-3.0%**	**71.1%**	**11.1%**
Passive Equities	20.0%		23.1%	3.1%
Global - Active	40.0%		48.0%	8.0%
UK - Active	0.0%		0.0%	0.0%
Cash & Equivalents	**0.0%**	**+/-0.0%**	**3.9%**	**3.9%**
Cash/Short Duration Bonds	0.0%		3.9%	3.9%
Fixed Income	**19.0%**	**+/-1.9%**	**17.8%**	**-1.2%**
Global Bonds	6.4%		12.6%	6.2%
Private Debt	6.3%		0.0%	-6.3%
Multi Asset Credit	6.3%		5.2%	-1.1%
Infrastructure	**11.0%**	**+/-1.1%**	**3.3%**	**-7.7%**
Infrastructure	5.0%		2.5%	-2.5%
Renewable Infrastructure	6.0%		0.8%	-5.2%
Property	**10.0%**	**+/-1.0%**	**3.9%**	**-6.1%**
Affordable/Social Housing	5.0%		0.0%	-5.0%
Long Lease Property	5.0%		3.9%	-1.1%
Total	**100.0%**		**100.0%**	**0.0%**

3.3 The Fund's current strategic asset allocation policy has 60% allocated to equities, 19% to fixed income, 11% to infrastructure and 10% to property. As at 31 October 2021, the Fund was overweight to equities and cash/equivalents by 11.1% and 3.9% respectively. While much of this will be used to fund the infrastructure drawdowns and the new affordable and social supported housing mandate(s), this still leaves the Fund underweight to fixed income and long lease property.

3.4 The allocation to infrastructure is also expected to be lower than anticipated, following currency movements and positive performance within other asset classes of the Fund.

Equity

3.5 The current composition and target allocation of the global equity mandates is shown in the following table. The London CIV Global Alpha fund now accounts for 24.5% of the total Fund value, LGIM passive equities total 23.1%, 19.5% is held within the London CIV Global Sustain and 4.0% remains with Longview.

Strategic Asset Allocation	Target	Actual	Variance
Listed Equities	**60.0%**	**71.1%**	**11.1%**
LGIM Future World	20.0%	23.1%	3.1%
London CIV (MSIM) Global Sustain	20.0%	19.5%	-0.5%
London CIV (Baillie Gifford) Global Alpha	20.0%	24.5%	4.5%
Longview Global Equity	0.0%	4.0%	4.0%

3.6 As per the London CIV Absolute Return Fund cover report, it is recommended that the Longview equity fund (circa £77m) is sold and transitioned into cash and equivalents.

Fixed Income

3.7 As agreed at the Committee meeting on 21 October 2021, the Fund will be appointing a new private debt manager and the fixed income allocation will be split equally amongst buy and maintain bonds, multi asset credit (MAC) and private debt. Therefore, rebalancing of the fixed income mandates will be addressed once a private debt manager is selected.

Property

3.8 The Abrdn (formerly Aberdeen Standard) Long Lease Property mandate is currently underweight by 1.1%, therefore there is potential to invest an additional circa £22m in the fund. It should also be noted that there is currently no waiting list to enter the fund, and that the mandate provides an element of inflation protection, with 74.4% of rental income linked to either CPI or RPI. There have been no defaults within the fund over the last year and it is anticipated that 100% of rents will be collected during 2021 (99% collected during 2020). The fund has returned 8.1% net of fees since inception, outperforming the benchmark of Gilts + 2.0% by 2.2%.

3.9 The Fund will be appointing a new Affordable Housing and Social Supported Housing manager(s), with the decision to be made at the Committee meeting on 16 December 2021. This allocation is anticipated to be 5% of total fund value, which equates to circa £95m. This will be funded by the overallocations in equity and cash/equivalents.

Infrastructure

3.10 It is projected that the infrastructure allocations will also be underweight once fully drawn down, with Pantheon expected to be underweight by 1.3%, and Quinbrook and Macquarie both estimated to be 0.5% underweight.

3.11 The Quinbrook Renewables Impact fund is still open for new investment, with pipeline investments of over £800m, including battery power, solar, energy grid storage control and management assets totalling 1,213 megawatts. Quinbrook has drawn 13% of commitments as at 31 October 2021 and the net total value to capital paid in (TVPI) is 1.11x, which equates to an 11% gain on capital invested at 30 September 2021. The fund is anticipated to be largely fully drawn by Q1 2023.

3.12 The Macquarie Renewable Energy Fund 2 (MGREF 2) had its final close in January 2021, raising over €1.6bn in committed capital. The fund has drawn 13% of commitments to 31 October 2021, and the internal rate of return (IRR) was 8.5% gross of fees at 30 September 2021. Macquarie has yet to announce plans for a third renewable infrastructure fund, but this is likely to be during 2023.

3.13 The fundraising period for the Pantheon Global Infrastructure Fund (PGIF) III has now finished. However, Pantheon has started raising capital for Fund IV. As at 31 October, the PGIF III fund had a net IRR of 22.3% in the one year period, outperforming the benchmark of three-month LIBOR + 8% by 14.2% and the fund was 68% drawn. The PGIF IV fund has a target first close of quarter 4 of 2021, with a target size of $2.5bn. Pantheon has an infrastructure pipeline of $8bn in opportunities, of which $3.4bn are in advanced stages of due diligence. The fee structure for PGIF IV is slightly different to that of PGIF III, which results in a lower overall fee over the life of the fund. Please see Appendix 1 for the PGIF IV fact sheet.

Conclusion

3.14 The Committee is recommended to rebalance the portfolio by topping up the under allocations to the long lease property fund and the Quinbrook renewable energy fund, using the over allocations to equity and cash/equivalents. This equates to circa £22m to be transitioned into the long lease property fund and circa £10m into the Quinbrook Renewables Impact mandate. Given that Pantheon has launched a new infrastructure mandate, it is recommended that this is revisited in the new year to allow for appropriate due diligence.

4. LONDON CIV GLOBAL ALPHA PARIS ALIGNED FUND

Overview

4.1 During April 2021, the London CIV launched a Paris Aligned version of the Baillie Gifford Global Alpha Equity fund. The Paris Aligned fund is an exclusions-based version of the traditional Global Alpha fund, which the City of Westminster currently holds, and both funds are managed by the same investment team with the same fees and similar investment objectives.

4.2 The key differentiator between the two strategies is that the Paris Aligned version also contains the following line in its investment objective: *'The Sub-fund also aims to have a weighted average greenhouse gas intensity that is lower than that of the MSCI ACWI Climate Paris Aligned Index'.* Please see Appendix 2 for the London CIV Global Alpha Paris Aligned fact sheet.

Overlap

4.3 As at 30 September 2021, there was a sector and geographical overlap of circa 90% between both funds. In the quarter to 30 September 2021, the Global Alpha mandate returned -0.6% net of fees, whereas the Paris Aligned version returned -1.6% net of fees. The two products are built on the same platform, using the same process and have the same return objectives, so a very high correlation of returns is expected. However, there is no guarantee that performance of the Paris Aligned version will track performance of Global Alpha.

4.4 The Paris Aligned version has a quantitative assessment process to screen out companies with particular levels of exposure to the fossil fuels industry, plus a qualitative one to screen out companies that will not play a role in the transition to a low carbon future. The fund currently excludes seven of the Alpha core portfolio. Please see Appendix 3 for a list of excluded companies.

Transition Costs

4.5 The London CIV consults with an external advisor to run analysis on transition costs, including explicit costs (taxes, commissions) and implicit costs (impact, opportunity costs). Given the large stock overlap between the current Global Alpha mandate and the Paris Aligned fund, the transition would be facilitated by an in specie redemption and subscription. Due to the large overlap and the in specie nature of the transfer, any transition costs are expected to be low. Please see Appendix 3 for an analysis of estimated transaction costs.

Volatility

4.6 Both the Global Alpha and Paris Aligned mandates have a similar risk and volatility profile, with tracking errors of 5.69% and 5.10% respectively. A tracking error indicates how closely performance is aligned with the benchmark and risk undertaken due to active management. Larger deviations from the benchmark cause higher tracking errors, with most active managers having tracking errors in the region of 4% to 7%.

Conclusion

4.7 The Committee is recommended to commission a full analysis of transition costs, with the view of transitioning the London CIV Global Alpha Growth mandate into the Paris Aligned version. The London CIV external advisors will be able to provide an estimate of these costs pre-trade within a confidence interval.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Billie Emery bemery@westminster.gov.uk

BACKGROUND PAPERS:

None

APPENDICES:

Appendix 1: Pantheon PGIF IV Fact Sheet
Appendix 2: London CIV Global Alpha Paris Aligned Fact Sheet
Appendix 3: London CIV Global Alpha Paris Aligned Analysis (exempt)

PANTHEON

Pantheon Global Infrastructure Fund IV

Pantheon Global Infrastructure Fund IV ("PGIF IV")

Pantheon Global Infrastructure Fund IV ("PGIF IV") will seek to build a global infrastructure portfolio focused on digital infrastructure, power/utilities, transportation/logistics, and renewable/efficiency sectors. PGIF IV will emphasize high-quality businesses managed by top GPs with a target allocation of ~70% to GP-led and traditional secondaries and ~30% to co-investments.[1]

Pantheon Infrastructure Background

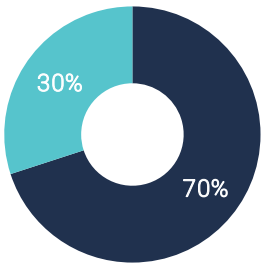
- **2010** – 1st infrastructure secondary
- **26** – Infrastructure professionals[2]
- **$16.6bn** – AUM/AUA[3]
- **~160** – Infrastructure deals[4]
- **~50** – Infrastructure GPs[4]
- **1.6x** – Net Realized MOIC[5,6]

Compelling Proposition for PGIF IV[1]

- **First mover advantage:** One of the earliest infrastructure secondary specialists
- **Focus on high-quality assets with defensive characteristics** including contracted cash flows, conservative leverage profiles, and monopolistic positions
- **Secondary focus:** Differentiated entry point to assets with operating history and growth potential, often alongside knowledgeable owners
- **Global infrastructure specialist team:** 26 investment professionals with direct industry experience[2]
- **Robust origination capabilities:** Deep relationships and scale drive meaningful deal flow with enhanced economics

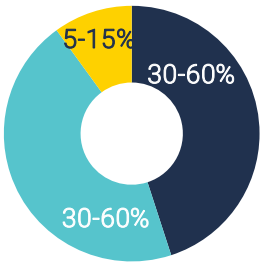
Investment Allocations[1]

Deal Type



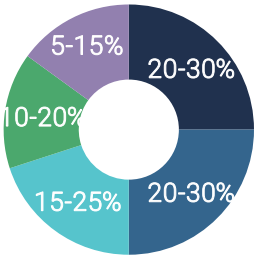
- Secondary
- Co-investment

Geography



- North America
- Europe
- APAC & RoW

Sector



- Digital
- Power/Utilities
- Transportation/Logistics
- Renewables/Efficiency
- Social & Other

PANTHEON

Pantheon Global Infrastructure Fund IV

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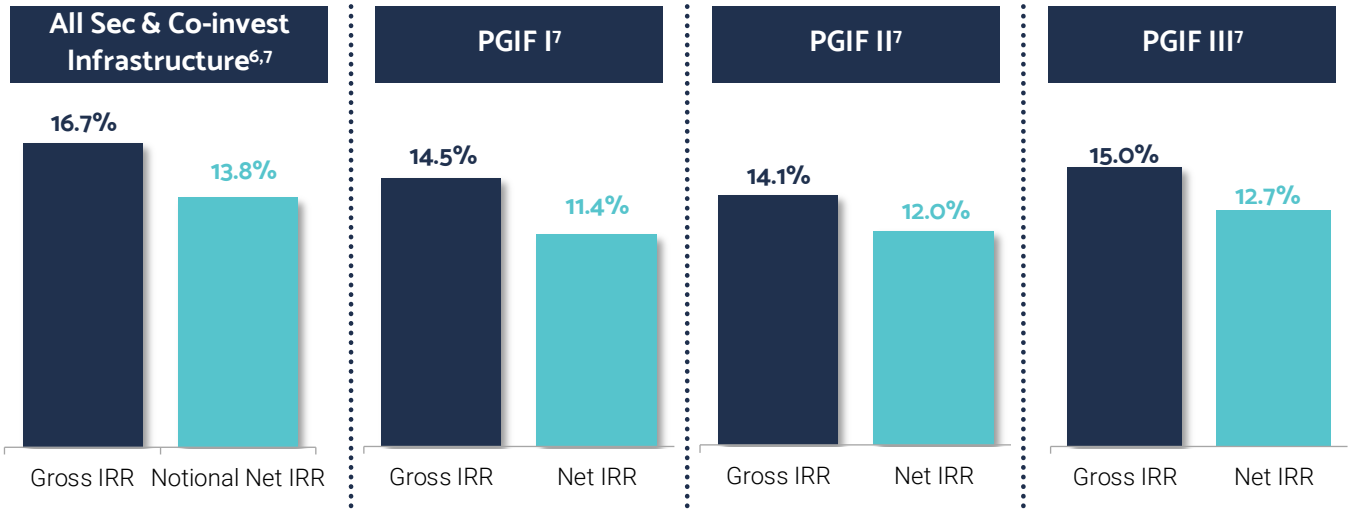
Pantheon's Track Record in Infrastructure



Fund terms[8]	
Target 1st closing	Q4 2021
Target size	$2.5bn
Fund structure	Luxembourg master fund with Luxembourg and Delaware feeder funds
Fund currency	USD
Management fee	1% per annum on aggregate LP commitments during the 5- year commitment period; 1% per annum on the lesser of (a) investment cost plus unfunded investment obligations or (b) Portfolio Asset Value
Incentive fee	10% carried interest subject to 8% preferred return
Term	10 years with potential for 3 x 1-year extensions
Pantheon commitment	1%
Commitment period	Target 3 to 4 years, up to 5 years

Past performance is not indicative of future results. Future results are not guaranteed, and a loss of principal may occur.

[1] Pantheon opinion. Deal type, geography and sector composition figures are presented for illustrative purposes only, showing mid-range of target allocation. Pantheon retains flexibility to allocate between 0-10% in strategic primaries and 0-10% in midstream. Final terms and conditions subject to final documentation.

[2] As of September 30, 2021. Includes investment professions that dedicate part of time to another strategy.

[3] As of June 30, 2021.

[4] Investment and GP count is based on all infrastructure primary, secondary, and co-investments completed by Pantheon including deals closed and in legal closing as of October 31, 2021.

[5] Realized status is based on performance of transactions with gross distributions to total value ratio of >80%.

[6] Performance data as of June 30, 2021. The infrastructure secondaries and co-investments pro forma track record includes the infrastructure secondaries and co-investments invested across all Pantheon Infrastructure commingled funds and customized programs since 2009, including certain infrastructure co-investments that were made via Pantheon's other private equity and separate account programs. The pro forma track record does not include certain investments made on behalf of certain infrastructure separate account clients that do not meet the risk/return profile for PGIF IV. The pro forma track record also no longer includes certain infrastructure investments originating from a joint venture transaction to invest in a variety of infrastructure deals which ultimately ceased to proceed, and in which Pantheon does not intend to fund. Notional net performance is based on headline fee rates for PGIF IV consisting of a 1% management fee on commitments for the first 5 years, transitioning to a 1% management fee on the lower of NAV or total committed thereafter and a 10% carried interest subject to an 8% preferred return. Notional net performance does not take into account any fund organizational and operating expenses. Pro forma results have inherent limitations and as such, should not be relied on as an indication of what actual performance would have been for the time period shown or may be in the future.

[7] "PGIF I" comprises two parallel funds employing the same investment strategy: Pantheon Global Infrastructure Fund "A", L.P., a Scottish limited partnership, and Pantheon Global Infrastructure Fund "B", L.P., a Delaware limited partnership. "PGIF II" comprises two parallel funds employing the same investment strategy: Pantheon Global Infrastructure Fund II (Luxembourg) SCSp, Luxembourg special limited partnership, and Pantheon Global Infrastructure Fund II, L.P., a Delaware limited partnership. "PGIF III" comprises PGIF III Co-mingled Fund, L.P., and the PGIF III series/compartments of the related funds comprising the Pantheon Access platform: Pantheon Access (Luxembourg) SLP SICAV SIF, Pantheon Access (US), L.P. and Pantheon Access (ERISA), L.P. The PGIF III track record no longer includes certain infrastructure investments originating from a joint venture transaction to invest in a variety of infrastructure deals which ultimately ceased to proceed, and in which Pantheon does not intend to fund.

[8] This summary of Key Terms is qualified in its entirety by the more detailed provisions of the Partnership Agreement for the Fund, and the terms hereof are subject to modification or withdrawal. This is not a recommendation to invest in a Pantheon product or service.

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Disclaimer (continued)

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- An investment in a fund investing in alternative investments involves a high degree of risk. Such investments are speculative, subject to high return volatility and will be illiquid on a long-term basis. Investors may lose their entire investment.
- Managers of funds investing in alternative assets typically take several years to invest a fund's capital. Investors will not realize the full potential benefits of the investment in the near term, and there will likely be little, or no near-term cash flow distributed by the fund during the commitment period. Interests may not be transferred, assigned or otherwise disposed of without the prior written consent of the manager or general partner.
  - Funds investing in alternative assets are subject to significant fees and expenses, typically, management fees and a 20% carried interest in the net profits generated by the fund and paid to the general partner, manager or an affiliate thereof. Investments in such funds are affected by complex tax considerations.
  - Funds investing in alternative assets may make a limited number of investments. These investments involve a high degree of risk. In addition, funds may make minority investments where the fund may not be able to protect its investment or control or influence effectively the business or affairs of the underlying investment. The performance of a fund may be substantially adversely affected by a single investment. Private fund investments are less transparent than public investments and private fund investors are afforded fewer regulatory protections than investors in registered funds or registered public securities.
  - Investors in funds investing in alternative assets are typically subject to periodic capital calls. Failure to make required capital contributions when due will cause severe consequences to the investor, including possible forfeiture of all investments in the fund made to date. A material number of investors failing to meet capital calls could also result in the fund failing to meet a capital call applicable to participating in an investment. Such a default by the fund could lead to the permanent loss of all or some of the applicable fund's investment, which would have a material adverse effect on the investment returns for non-defaulting investors participating in such investment.
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  - Fees and expenses – which may be substantial regardless of any positive return – will offset an investment product's profits. If an investment product's investments are not successful, these fees and expenses may, over a period of time, deplete the net asset value of the investment product.
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  - An investment product may employ investment strategies or techniques aimed to reduce the risk of loss which may not be successful.

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Description of commonly used indices

This list may not represent all indices used in this material.

MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of the following 23 developed market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

S&P 500 Index is a widely recognized gauge of the U.S. equities market. This index is an unmanaged capitalization-weighted index consisting of 500 of the largest capitalization U.S. common stocks. The returns of the S&P 500 include the reinvestment of dividends.

Disclaimer (continued)

MSCI Europe Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. The MSCI Europe Index consists of the following 15 developed market country indexes: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

MSCI AC Asia Pacific Index captures large and mid-cap representation across 5 Developed Markets countries and 9 Emerging Markets countries in the Asia Pacific region. With 1,559 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Developed Markets countries in the index include Australia, Hong Kong, Japan, New Zealand, and Singapore. Emerging Markets countries include: China, India, Indonesia, Korea, Malaysia, Pakistan, the Philippines, Taiwan, and Thailand.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 27 emerging market country indexes: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Kuwait, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

FTSE Europe Index is one of a range of indices designed to help investors benchmark their European investments. The index comprises Large and Mid-cap stocks providing coverage of the Developed markets in Europe. The index is derived from the FTSE Global Equity Index Series (GEIS), which covers 98% of the world's investable market capitalization.

MSCI USA Index is designed to measure the performance of the large and mid-cap segments of the US market. With 621 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.

FTSE Asia-Pacific Index is part of a range of indices designed to help Asia Pacific investors to benchmark their investments. The index comprises Large (40%) and Mid (60%) Cap stocks providing coverage of 14 markets. The index is derived from the FTSE Global Equity Index Series (GEIS), which covers 98% of the world's investable market capitalization.

FTSE All World Index is a market-capitalization weighted index representing the performance of the large and mid-cap stocks from the FTSE Global Equity Index Series and covers 90-95% of the investable market capitalization. The index covers Developed and Emerging markets and is suitable as the basis for investment products, such as funds, derivatives, and exchange-traded funds.

The Thomson One Global All Private Equity Index is based on data compiled from 5,281 global private equity funds (buyout, growth equity, private equity energy, subordinated capital funds and venture capital), including fully liquidated partnerships, formed between 1988 and 2019. The Thomson One Global All Private Equity Index has limitations (some of which are typical to other widely used indices) and cannot be used to predict performance of the Fund. These limitations include survivorship bias (the returns of the index may not be representative of all private equity funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all private equity are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown).

Preqin's database provides information on 7,468 active Private Equity funds from 2,030 different GPs with over $7.75tn combined fund size.

Thomson One (Infrastructure) is comprised of data extracted in fund currency from Private Equity and Venture Capital index based on funds classified as Infrastructure by Cambridge Associates. Cambridge Associates defines Infrastructure as funds that primarily invest in companies and assets that provide an essential service that contributes to the economic or social productivity of an organization, community, or society at large, with real assets in the water, transportation, energy, communication, or social sector. Investments must also have one or more of the following structural features: a monopolistic or oligopolistic market position with high barriers to entry; a low elasticity of demand due to their essential functions; stable, predictable, and long-term revenue contracts; or inflation protection through inflation adjustment mechanisms in underlying contracts. These indexes have limitations (some of which are typical to other widely used indices) and cannot be used to predict performance of the fund. These limitations include survivorship bias (the returns of the index may not be representative of all private equity funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all private equity are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown).

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PVL 14770

Fund Information Sheet

LCIV Global Alpha Growth Paris Aligned Fund

London CIV

Fund Overview

September 2021

The LCIV Global Alpha Growth Fund operates a bottom-up process, meaning that the managers will look for the most attractive stocks on a standalone basis, before bringing them together and managing the macro risks as a final step. The final portfolio will hold between 70 and 120 stocks. The "Growth" bias means that the Sub-fund will invest in those companies which look to reinvest cash in their business to achieve above average growth, rather than distribute to investors via a dividend. Currently, the higher growth areas of the market are IT and Financials, so the Sub-fund is likely to maintain an active overweight to these areas, relative to the MSCI All Country World Gross Index. Conversely, the Sub-fund in our opinion is likely to be underweight in areas such as materials, energy and consumer staples.

Investment Objective

The objective of the Sub-fund is to exceed the rate of return of the MSCI All Country World Index by 2-3% per annum on a gross fee basis over rolling five year periods. The Sub-fund also aims to have a weighted average greenhouse gas intensity that is lower than that of the MSCI ACWI Climate Paris Aligned Index.

Investment Policy

The Sub-fund will invest at least 90% in shares (and equity like instruments) of companies. The Sub-fund will be actively managed by the Investment Manager, and is not constrained by the Index which means that the Sub-fund does not have to invest in the same components of the Index or in the same weights. The Sub-fund can invest in companies in any country and in any sector, subject to any exclusions identified by the Investment Manager's screening processes.

The purpose of the Investment Manager's screening processes is to ensure that the Sub-fund invests in a way which is, in the Investment Manager's opinion, in alignment with the Paris Climate Agreement by screening out carbon intensive companies that do not, or will not, play a role in the transition to a low-carbon future. Firstly, the Investment Manager will apply a quantitative screening process to screen out companies with particular levels of exposure to the fossil fuels industry. The Sub-fund will not invest in companies that generate more than 10% of revenues from the extraction and/or production of coal, oil and/or gas. The Sub-fund also will not invest in companies that generate more than 50% of revenues from services provided to coal, oil and/or gas extraction and/or production. The Investment Manager will receive data on companies' fossil fuel exposure from a third party.

The Investment Manager then applies its qualitative screening process to the remaining companies. The purpose of this screening process is to identify those companies that, in the Investment Manager's opinion, will not play a role in the transition to a low carbon future.

Fund Summary

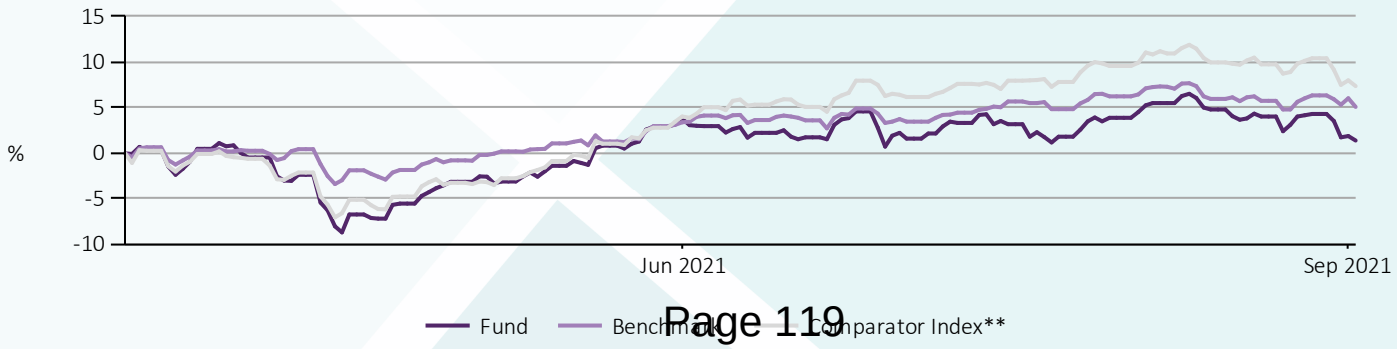
Asset Class:	Global Equities
Portfolio Manager:	Baillie Gifford & Co
Launch Date:	13/04/2021
Benchmark:	MSCI All Country World Gross Index (in GBP)
Comparator**:	MSCI Growth Index Net Total Return
Fund Currency:	GBP
Fund Price:	101.40p
Fund Size:	£1,377.4m

Source: London CIV data as at 30 September 2021

Net Performance	Current Quarter %	1 Year %	Since Inception p.a. %
Fund	(1.63)	n/a	1.40
Benchmark	1.54	n/a	5.09
Relative to Benchmark	(3.17)	n/a	(3.69)
Comparator Index**	3.35	n/a	7.37
Relative to Comparator	(4.98)	n/a	(5.97)

Performance figures since inception have been annualised for any Sub-funds that have been live for longer than 12 months.

Performance Since LCIV Fund Inception

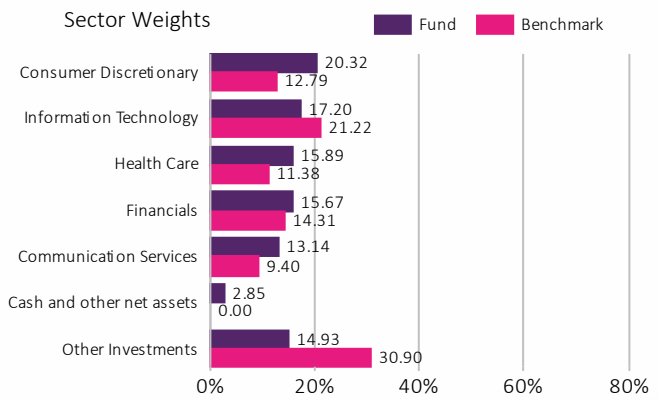


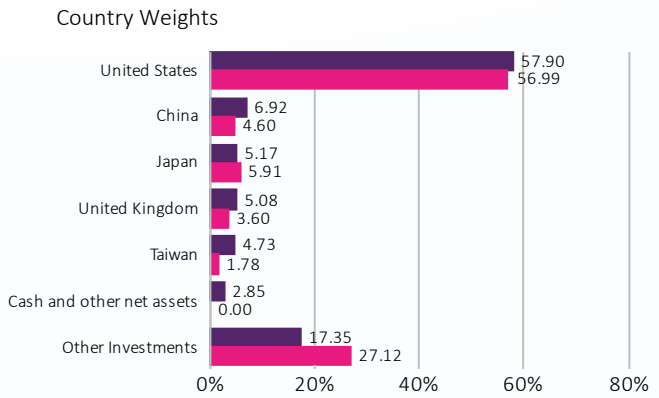
Source: Fund prices calculated based on published prices. Benchmarks obtained from Bloomberg. All performance reported net of fees and charges with distributions reinvested.

LCIV Global Alpha Growth Paris Aligned Fund

Key Statistics	
Number of Holdings	98
Number of Countries	21
Number of Sectors	9
Number of Industries	33

Source: London CIV data as at 30 September 2021





Source: London CIV data as at 30 September 2021

Top Ten Equity Holdings	
Security Name	**% of NAV**
SEA	2.91
Moody's	2.85
Alphabet	2.79
Prosus Nv	2.61
Microsoft	2.59
Moderna	2.51
Anthem Com	2.26
Amazon.com	2.22
Prudential	2.14
Shopify	2.03

Top Five Contributors	
Security Name	**% Contribution**
Moderna	+0.99
SEA	+0.44
Tesla Inc	+0.26
CBRE Group	+0.20
Alphabet	+0.19

Top Five Detractors	
Security Name	**% Detraction**
Alibaba Group Holding	(0.60)
Novocure	(0.52)
Naspers	(0.50)
Meituan Dianping	(0.44)
Ping An Insurance Group Company of	(0.28)

Source: London CIV data as at 30 September 2021

***The comparator index is not the stated Sub-fund objective, but has been selected as an appropriate index given the style of the Sub-fund.*

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City of Westminster

Committee Report

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**16 December 2021**
Classification:	**General Release, Appendix Not for Publication**
Title:	**Private Debt Manager Shortlist**
Wards Affected:	**All**
Policy Context:	**Effective control over council activities**
Financial Summary:	**There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.**
Report of:	**Phil Triggs** ***Tri-Borough Director of Treasury and Pensions*** **ptriggs@westminster.gov.uk** **020 7641 4136**

1. EXECUTIVE SUMMARY

1.1 This report summarises the investment manager shortlist for a proposed new private debt (direct lending) mandate, as agreed at the Pension Fund Committee meeting on 21 October 2021.

2. RECOMMENDATIONS

2.1 The Committee is recommended to:

- consider the manager shortlist for the proposed allocation to private debt, with Deloitte requested to prepare a investment manager selection report if approved.

3. BACKGROUND

3.1 At the 21 October 2021 meeting of the Pension Fund Committee, the investment advisor, Deloitte, presented the Committee with a report on the Fund's fixed income allocation and recommended adding direct lending to the portfolio. The Committee decided to proceed with a manager shortlist and selection process for a private debt mandate, with circa 5% to be allocated to the asset class, to be funded from the existing fixed income allocation.

3.2 In addition, the Committee agreed to split the fixed income allocation of 19.5% among CQS's Multi Asset Credit, Insight's bond fund and direct lending.

3.3 There is a wide range of private debt opportunities available within the current market. These strategies provide loans direct to businesses requiring capital, typically mid-market companies who are unable to raise debt through bond markets. The returns typically consist of an upfront fee and floating rate interest payments, which are usually priced at LIBOR plus a margin. Private debt instruments usually offer higher yields than traditional fixed income investments. The asset class also provides additional diversification within the fixed income allocation, with returns displaying a low correlation to traditional markets.

3.4 Generally, direct lending can be either secured, unsecured or unitranche. Secured debt is backed by an asset, whereby the lender takes ownership of the asset if a default occurs. Unsecured debt is not asset backed and therefore, in the event of default, the lenders' recovery will depend on the debt seniority. Unitranche debt combines a mix of both secured and unsecured debt into one single loan term.

4. MANAGER SHORTLIST PROCESS

4.1 The Fund's investment advisor, Deloitte, has prepared a report on the manager shortlist selection process, attached in Appendix 1. The purpose of this report is to provide a summary of the managers and strategies considered as part of the selection exercise.

4.2 Deloitte has researched managers currently providing private debt strategies in the market. From this list, Deloitte has proposed a shortlist of managers and assessed against a set of key criteria, for the Pension Fund, as follows:

- **Organisation:** well established track record within asset class, with future commitments;
- **Team and Process:** the team and its experience within the asset class;
- **Credit and default risk:** strong risk management and internal controls, targeting the correct credit space;

- **Fees:** appropriate fees which reflect the quality and risk/return profile of the mandate;
- **Drawdowns:** a strong pipeline of opportunities, so drawdowns take place in a timely manner;
- **Fund restrictions:** restrictions on maximum exposure to certain regions, sectors or credit quality; and
- **ESG:** assurances of the ESG credentials and processes within the organisation.

4.3 In addition to this, Deloitte has set out the following preferences in the selection for a private debt strategy:

- A preference towards senior secured debt, as opposed to unsecured debt;
- A mandate with a European focus rather than North America/global;
- A maximum fund size of £4bn: anything larger than this can impact deployment speed and force managers into undesirable areas of the market;
- A preference towards bilateral loans, which reduces the counterparty risk and gives greater control in the event of default; and
- Managers with prior experience in the private equity markets, which can help with sourcing opportunities and access to the market.

5. RECOMMEDATIONS AND NEXT STEPS

5.1 The Committee is recommended to consider the investment managers highlighted within Deloitte's report, with the intention of commencing an investment manager selection process. The proposed strategies are the most suitable providers to meet the Fund's key investment criteria, with significant, current exposure to the LGPS and experience within private equity markets, as well as ESG factors being an integral part of the investment process.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Billie Emery bemery@westminster.gov.uk

BACKGROUND PAPERS:

None

APPENDIX:

Appendix 1: Deloitte Direct Lending Manager Shortlist (exempt)

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

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City of Westminster

Committee Report

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**16 December 2021**
Classification:	**General Release**
Title:	**Affordable and Social Supported Housing Manager Selection**
Wards Affected:	**All**
Policy Context:	**Effective control over council activities**
Financial Summary:	**There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.**
Report of:	**Phil Triggs** ***Tri-Borough Director of Treasury and Pensions*** **ptrigs@westminster.gov.uk** **020 7641 4136**

1. EXECUTIVE SUMMARY

1.1 This paper summarises the approach taken for shortlisting appropriate Affordable and Social Supported Housing managers for the Fund. Three suitable investment managers presented to the Pension Fund Committee on 29 November 2021, with the manager(s') appointment decision deferred to the committee meeting on 16 December 2021.

2. RECOMMENDATIONS

2.1 That the Pension Fund Committee decides and approves:

- The selection of one or more managers to invest the Fund's 5% Affordable and Social Supported Housing allocation.
- That 2.5% allocation for each manager should apply if two managers are selected.

3. BACKGROUND

3.1 At the 21 October 2021 Pension Fund Committee meeting, it was decided to proceed with the selection of an Affordable and Social Supported Housing investment manager. The mandate will be designated a 5% (circa £90m) asset allocation to be funded by a reduction in equities, which currently has a 71.1% asset allocation.

3.2 Shortlisted managers were invited to present to the Pension Fund Committee on 29 November 2021, with a final decision on selection deferred to the meeting on 16 December 2021.

3.3 Affordable Housing (AH) is housing accommodation aimed at low income workers who are not in the financial position to buy properties. AH is covered by Section 106 agreements, with developers needing to allocate a proportion of housing developments as affordable. These properties are typically let to local authorities, housing associations or directly to tenants, with additional security in that most of the lease agreements are government backed.

3.4 Social Supporting Housing (SSH) is housing accommodation built specifically for vulnerable individuals with physical or psychological difficulties. Vulnerable individuals are typically in receipt of housing benefits, and the statutory duty for providing secure accommodation falls within the remit of local government. SSH rental agreements with housing associations are index-linked to annual inflation rates, with responsibility for administrative tasks and tenant care provided by the housing associations.

3.5 Investing within an Affordable and Social Supported Housing mandate provides the following benefits to the Fund:

- Diversification from mainstream asset classes.
- Properties benefit from both capital appreciation and inflation-linked rental income.
- Potential to deliver positive social impact to low income families and vulnerable individuals.

3.6 The Committee met with three shortlisted Investment Managers: Man Group, Edmond De Rothschild and Triple Point, to hear their investment solutions surrounding affordable/socially supported housing.

4. CONSIDERATIONS AND RECOMMENDATIONS

4.1 The following considerations should be taken in regard to a new manager selection:

- The investment manager strategy and how this aligns with the Committee's views of the asset class;
- The team and its experience within the asset class; and

- the manager's level of experience within institutional investment.

4.2 The Committee is recommended to appoint one or more managers, as presented at the meeting on 29 November 2021, to invest the Pension Fund's 5% allocation to Affordable and Social Supported Housing.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

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BACKGROUND PAPERS: None

APPENDICES: None

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