



City of Westminster

Committee Agenda

Title: Pension Fund Committee

Meeting Date: Tuesday 6th December, 2022

Time: 6.30 pm

Venue: 18th Floor, 64 Victoria Street, London, SW1E 6QP

Members: Councillors:

Patricia McAllister (Chair) Ed Pitt Ford
Robert Eagleton Ryan Jude

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 6.00pm. 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, Jack Robinson-Young: Cabinet and Committee Coordinator.

**Email: jrrobinson@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 | |
| 2. | DECLARATIONS OF INTEREST | |
| 3. | MINUTES | (Pages 3 - 10) |
| 4. | QUARTERLY PERFORMANCE REPORT | (Pages 11 - 132) |
| 5. | PANTHEON IV FUND | (Pages 133 - 146) |
| 6. | FUND FINANCIAL MANAGEMENT | (Pages 147 - 166) |
| 7. | STEWARDSHIP CODE | (Pages 167 - 208) |
| 8. | PENSION ADMINISTRATION UPDATE | (Pages 209 - 214) |
| 9. | ADMITTED BODY REQUEST - DIOCESAN BOARD OF SCHOOLS | (Pages 215 - 216) |
| 10. | PROJECTS & GOVERNANCE UPDATE | (Pages 217 - 226) |

Stuart Love
Chief Executive
26 November 22



CITY OF WESTMINSTER

MINUTES

Pension Fund Committee

MINUTES OF PROCEEDINGS

Minutes of a hybrid meeting of the **Pension Fund Committee** held on **Thursday 27th October 2022**, Rooms 18.01 - 18.03 - 18th Floor, 64 Victoria Street, London, SW1E 6QP and via Microsoft Teams.

Members Present: Councillors Patricia McAllister (Chair), Ed Pitt Ford, Robert Eagleton, Ryan Jude.

Also Present: Phil Triggs (Tri-Borough Director of Treasury and Pensions), Sarah Hay (Strategic Pensions Lead), Diana McDonnell-Pascoe (Pension Project and Governance Lead), Billie Emery (FM Pensions), Mathew Dawson (SFM Treasury & Pensions), Jonny Moore (Deloitte), Kevin Humpherson (Deloitte), Lee Witham (Director of People Services), and Jack Robinson-Young (Cabinet and Councillor Coordinator).

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3 MINUTES

RESOLVED:

3.1 That the minutes of the meeting held on Thursday 23 June 2022 be signed by the Chair as a correct record of proceedings with the following amendments from Cllr Pitt Ford:

Item 6 BAILEE GIFFORD PRESENTATION

To also include "With regards to the holdings in Sberbank, it was asked by the Committee whether the shares could be used to support the rebuilding of Ukraine when a sale or transfer is allowed."

Item 7 PERFORMANCE OF THE COUNCIL'S PENSION FUND

To correct the wording in 7.2 from:

“The Committee sought answers as to why there was a heavy reliance on battery storage, to which Deloitte representatives could not answer at Committee but would endeavour to reply to Members as to why.”

To become:

“The Committee asked regarding the wider investment in batteries and why it was believed a roll out of existing vehicles to grid technology would not undercut the business case for grid scale batteries in the medium to long term, to which Deloitte representatives could not answer at Committee but would endeavour to reply to Members as to why.”

EXCLUSION OF PRESS AND PUBLIC – ITEMS 4 AND 5

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 contained within Item 4 Triple Point and Item 5 Man Group.

4 TRIPLE POINT

4.1 The Committee was presented with an update regarding the Pension Funds allocation to the Triple Point Impact Housing Fund, the Fund's socially supported housing manager.

RESOLVED:

4.2 The Committee considered the views outlined and elected to maintain a 2.5% allocation to socially supported housing. However, it was agreed to look at other strategies, including the London CIV UK Housing Fund.

4.3 That the Committee approved that Appendix 1 to this report is not for publication on the basis that they contain information relating to the financial or business affairs of any particular person, including the authority holding that information, as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

5 MAN GROUP

- 5.1 The Committee was presented with an update regarding the amended Limited Partner Agreement (LPA) for the Man GPM Community Housing Fund.

RESOLVED:

- 5.2 That the Committee ratified the changes to the LPA as agreed at the Pension Fund Committee briefing held on 12 September 2022.

6 PENSION COMMITTEE ADMINISTRATION UPDATE

- 6.1 Sarah Hay, the Strategic Pension Lead, presented the report and advised the Committee of the performance of Hampshire Pension Services (HPS) with the Key Performance indicators (KPI's) for the period May 2022 to September 2022.
- 6.2 The Committee was informed that there were data issues and a backlog which has led to an additional cost. Therefore, a commitment of £22057.11 was requested to undertake address tracing work as part of the continual data improvement work. The Committee asked if data work such as this was worth having dedicated personnel working on, and this was something that officers said could be considered.
- 6.3 The Committee asked if it would be beneficial to spend more on data accuracy and collection, and this was accepted as being value for money.
- 6.4 The Strategic Pension Lead explained that there had been some cybersecurity issues in Section 4 of their report, Councillors asked if all employees had been informed of the issue in a timely manner and this was confirmed to have been done.
- 6.5 The Committee asked that of the £6,000 committed at the previous Pension Fund Committee, how many records would cover. The Strategic Pension Lead explained that it was for an initial check, meaning a figure could not yet be determined.

RESOLVED:

- 6.6 That the Committee noted the report and approved a sum of £22057.11 be Committed.

7 PENSION COMMITTEE GENERAL UPDATE

- 7.1 Diana McDonnell-Pascoe the Pension Project and Governance Lead, People

Services introduced their report containing an update on the various projects and governance activities being undertaken by the Pensions and Payroll team.

- 7.2 The report was presented, and it was explained to Committee that this was segregated into Statutory Projects and Non-Statutory Projects.
- 7.2.1 Statutory Projects include the Guaranteed Minimum Pension (GMP), McCloud, and three workstreams on data collection and a recalculation exercise. For the GMP, this includes Data Reconciliation, Data Analysis and Data Ratification. The overall objective is to have the Data Rectification phase completed by February 2023 in order to ensure any pensionable benefits have been calculated and put into payments in April 2023. The McCloud judgement was aimed at preventing age discrimination in the LGPS and will use two phases of benefits recalculations, the collection of data and recalculation of benefits of eligible members. Workstreams 1 and 2 on data collection are progressing, with Hampshire Pension Services (HPS) having received 20 of the 37 completed service / break data sets from Westminster employers and the remaining employers are being encouraged to provide their data as soon as possible. The second data collection is the McCloud data for Westminster City Council as an employer with the three legacy payroll systems: Oracle, Agresso and CIPHR. The third workstream is a benefits recalculation exercise led by the HPS Pension Team, of which there is no update as this phase has not yet launched.
- 7.2.2 Non-Statutory Projects included the website review and there had been significant progress on this since the last Committee with two focus groups being held, a technical review, correspondence with third parties such as the Alzheimer's Society and a full report and recommendation for direction of travel to be presented at the next Pension Fund Committee.

RESOLVED:

- 7.3 That the Committee noted the report.

8 ACTUARIAL RESULTS

- 8.1 Phil Triggs, the Tri-Borough Director of Treasury and Pensions addressed the Committee outlining his report containing the 2022 triennial actuarial valuation process for the Westminster City Council Pension Fund, as set out by the pension fund actuary, Hymans Robertson (Hymans).
- 8.2 The Committee was made aware of the initial actuarial results, showing that the overall funding level for 2019 to 2022 was now 128% rising from 99%. The funding level for Westminster City Council as a single employer stands at 111%.
- 8.3 The Committee was informed of the changes to actuarial assumptions with the two most significant being longevity projections and the discount rate used to value liabilities.

RESOLVED:

- 8.4 That the Committee noted the report and expects to receive a final actuarial report and draft funding strategy statement in the March 2023 cycle.

9 FUND FINANCIAL MANAGEMENT

- 9.1 The Tri-Borough Director of Treasury and Pensions introduced the report, and advised that the risk register is split between governance (investment and funding) and pensions administration, with the top five risks highlighted in the cover.
- 9.2 The report also contained the updated cash flow forecast for the next three years, with actuals to 30 September 2022 for the Pension Fund bank account and cash held at custody (Northern Trust). The report showed that the bank position continues to be stable.
- 9.3 The Committee asked for clarification on the difference between the global custody account and the current account. It was clarified that the custodian account is for large payments and investments, which is managed by Northern Trust, with the current account used for pension benefits payable and contributions receivable.

RESOLVED:

- 9.4 That the Committee noted the top 5 risks to the Pension Fund and the current cashflow position for the Pension Fund bank account and cash held at custody, the rolling twelve-month forecast and the three-year forecast.

10 QUARTERLY INVESTMENT REPORT

- 10.1 Phil Triggs, the Tri-Borough Director of Treasury and Pensions introduced his report outlining the performance of the Pension Fund's investments to 30 June 2022, together with an update on the London CIV.
- 10.2 The report outlined that there had been a -7.6% return net of fees over the quarter to 30 June 2022, this performance was broadly in line with the benchmark. This was partially offset by strong outperformance benchmarks within the Abridn long lease property fund and Pantheon Global Infrastructure.
- 10.3 The Committee were informed of the value of the City of Westminster Pension Fund investments, managed by the London CIV. As of 30 June 2022 these stood at £839m representing 49% of Westminster's investment assets.
- 10.4 The Committee was informed of the changes in asset allocation of the Fund

from 1 July 2021 to 30 June 2022. The current 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 socially supported housing.

- 10.5 The Committee asked if following on from the mini budget from the former Chancellor of the Exchequer Kwasi Kwarteng, if there had been any impact on the fund from the selloff of gilts. The Committee was informed that there had been no material impact on the fund, given the relatively low exposure to UK gilts.

RESOLVED:

- 10.6 That the Committee noted the report and approved Appendices 2 and 3 to this report are not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

11 BAILLIE GIFFORD PARIS ALIGNED PORTFOLIO TRANSITION

- 11.1 The Tri-Borough Director of Treasury and Pensions, Phil Triggs, presented his report to Committee outlining estimated transition costs, stock overlap, performance as well as volatility for the London CIV Global Alpha Growth Paris Aligned Fund. The portfolio aims to have a weighted average greenhouse gas intensity that is lower than that of the MSCI ACWI Climate Paris Aligned Index'.
- 11.2 The Committee asked if it was necessary to reshape in accordance with the Paris Agreement, and was informed that the stocks that are excluded are on the basis of fossil fuel screens and other quantitative assessments. There was an improvement in performance over the quarter within the fund, making the potential returns positive alongside the wider desire to move towards Paris Agreement alignment.

RESOLVED:

- 11.3 The Committee noted the expected Paris Aligned Fund transition costs, performance data and volatility, and elected to transition the Pension Fund's allocation to the Global Alpha Equity fund into the Paris Aligned version.
- 11.4 That the Committee approved that Appendix 1 to this report is not for publication on the basis that they contain information relating to the financial or business affairs of any particular person, including the authority holding that information, as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

12 PANTHEON IV FUND

- 12.1 The Committee was informed of the summary of the Pantheon Global Infrastructure Fund IV (PGIF IV) and was provided with an analysis of the options for consideration to maintain the current 5% / \$91.5m strategic asset allocation to Pantheon.
- 12.2 The Committee was informed that PGIF IV was launched in 2021 with broadly the same characteristics as PGIF III and a similar investment process. This new fund will target a greater allocation to secondary markets, with two models to estimate the requirement commitment to PGIF IV: Scenario 1: No Growth Assumption and, Scenario 2: 5% p.a. Investment Portfolio Growth.

RESOLVED:

- 12.3 The Committee noted the views outlined by representatives from Deloitte in Appendix 1, and agreed further due diligence before making further commitments.
- 12.4 The Committee approved Appendix 1 to this report, which was not for publication on the basis that they contain information relating to the financial or business affairs of any particular person, including the authority holding that information, as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

13 GOVERNMENT CLIMATE CONSULTATION

- 13.1 The Committee was informed of the Department for Levelling Up, Housing and Communities' consultation on how the Local Government Pension Scheme will address, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-Related Financial Disclosures.
- 13.2 The Committee was informed of the four-consultation metrics that pension funds will be expected to measure and disclose annually as well as other expected reporting data.
- 13.3 The Committee asked for clarification on the RAG (Red, Amber, Green) categorisation used, and officers agreed to seek more detail on this and come back to Committee members with a clearer definition.

RESOLVED:

- 13.4 That the Committee noted the proposed introduction of the Taskforce on Climate-Related Financial Disclosures within the LGPS.

14 MINUTES (PFC 10.03.22)

RESOLVED:

- 14.1 That the minutes of the meeting held on 10 March 2022 be signed by the Chair as a correct record of proceedings.

The Meeting ended at 21:35.

CHAIR: _____

DATE _____



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	6 December 2022
Classification:	Public (Appendices 2 and 3 are 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 2022, together with an update on the London CIV.
- 1.2 The Fund returned -1.8% net of fees over the quarter to 30 September 2022, performing broadly in line with the benchmark.

2. RECOMMENDATION

2.1 The Committee is asked to:

- Note the performance of the investments.
- Approve that Appendices 2 and 3 to this report are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

3. BACKGROUND

- 3.1 This report presents a summary of the Pension Fund's performance to 30 September 2022. The investment performance report (Appendix 1) has been prepared by Deloitte, the Fund's investment advisor.
- 3.2 The market value of investments decreased by £37m to £1.691bn over the quarter to 30 September 2022, with the Fund returning -1.8% net of fees. The Fund underperformed the benchmark by -0.4% net of fees, with the equity mandates and fixed income portfolios being the main detractors to performance.
- 3.3 The underperformance continues to be driven by the continued heightened inflationary concerns, alongside the supply chain disruption caused by the ongoing conflict in Ukraine and strict lockdown measures in China.
- 3.4 The Fund's underperformance was partially offset by strong outperformance of benchmarks within the Abrdn Long Lease Property fund, Quinbrook Renewable Infrastructure fund and Pantheon Global Infrastructure, which outperformed by 9.7%, 13.5% and 7.8% net of fees respectively. It should be noted that the Abrdn mandate is benchmarked against Gilts + 2%, with the benchmark suffering due to the rise in gilt rates over the three-month period.
- 3.5 Over the 12-month period to 30 September 2022, the Fund underperformed its benchmark net of fees by -3.8% returning -11.5%. This underperformance can be largely attributed to the Baillie Gifford (LCIV) Global Alpha Growth mandate, with the strategy's large-cap growth stock bias proving detrimental as investors sought safety in value-oriented parts of the market.
- 3.6 The Abrdn long lease property fund has again performed strongly over the one-year period, outperforming its benchmark by 28.2% net of fees, due to a rise in gilt yields over the year with the fund benchmarked against Gilts +2%. Alongside this, the Pantheon Infrastructure fund, Quinbrook Renewables and Macquarie Renewable Infrastructure mandate have returned 37.3%, 23.7 and 23.7% net of fees, respectively. Over the longer three-year period to 30 September 2022, the Fund slightly underperformed the benchmark net of fees by 0.4%.
- 3.7 It should be noted that Deloitte continues to rate the fund managers favourably. However, given the significant underperformance of the Baillie Gifford Global Alpha, Deloitte hosted a meeting with senior management at Baillie Gifford to discuss strategy during October 2022. Deloitte remain content that the manager continues to maintain its investment philosophy and will continue to monitor the performance of the fund.

3.8 During August 2022, a decision was taken to amend the investment policy of the London CIV (Morgan Stanley) Global Equity Quality fund (formerly Global Equity Core). The revised policy:

- formalises the objective of achieving a lower greenhouse gas emissions intensity than the MSCI All Country World Index; and
- extends fossil fuel and related omissions and introduces a GHG emissions intensity filter.

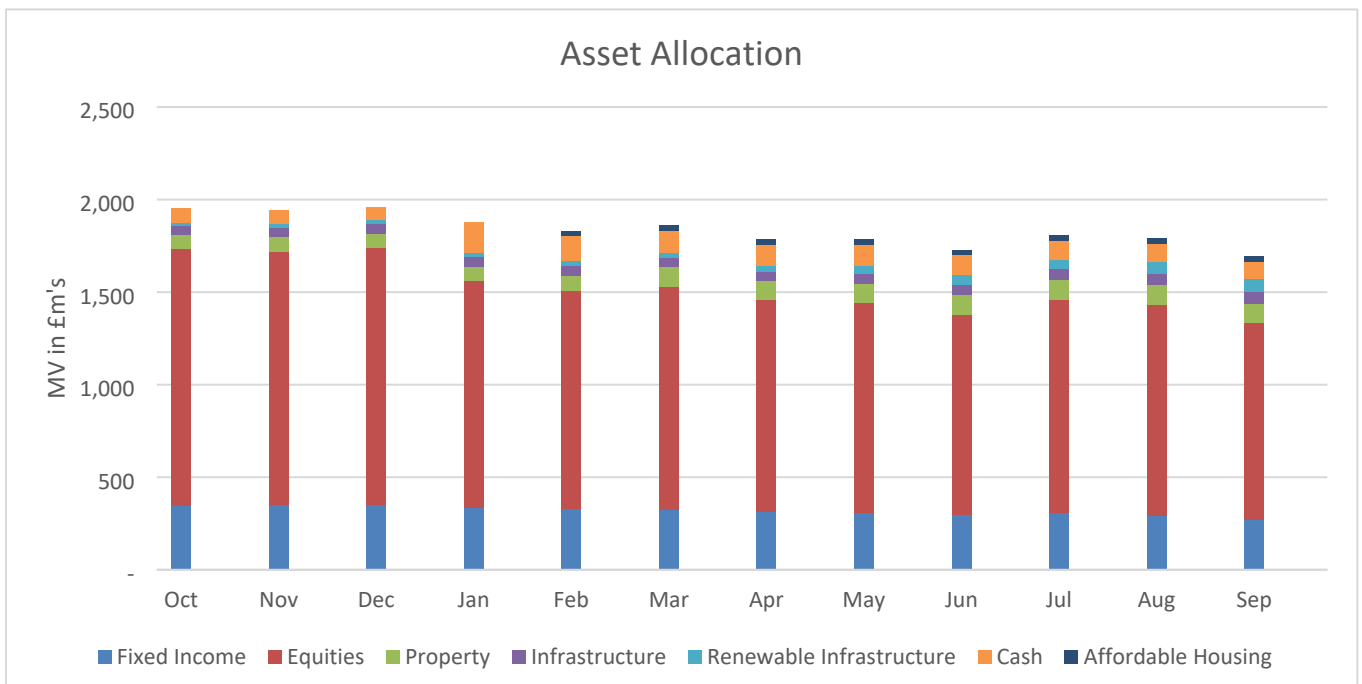
3.9 At the last Committee meeting on 27 October 2022, the Pension Fund Committee elected to transition the Fund’s holdings within the London CIV (Baillie Gifford) Global Alpha Equity mandate into the BG Paris-Aligned version. This transition was scheduled to take place on 5 December 2022. The Committee will be updated on the transition outcome at the next Committee meeting in March 2023.

3.10 In the period from 2019 to 2022, the Pension Fund has increased its overall funding level from 99% to 128%. The main drivers for this improvement are the significant investment returns and additional deficit recovery payments received from the Council.

3.11 The final actuarial report for 2022 triennial valuation will be taken to the next Pension Fund Committee on 9 March 2023.

3. ASSET ALLOCATION AND SUMMARY OF CHANGES

3.1 The following chart shows the changes in asset allocation of the Fund from 1 October 2021 to 30 September 2022. Please note asset allocations may vary due to changes in market value.



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

**Cash includes the NT ESG Ultra Short Bond Fund and Ruffer (LCIV) Absolute Return Fund

- 3.2 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 socially supported housing.
- 3.3 Over the quarter to 30 September 2022, capital calls relating to the Pantheon Global Infrastructure fund, Quinbrook Renewables Impact mandate, Macquarie Renewable Infrastructure fund and CVC Credit Private Debt fund took place.

4. LONDON CIV UPDATE

- 4.1 The value of City of Westminster Pension Fund investments directly managed by the London CIV as at 30 September 2022 was £839m, representing 50% of Westminster's investment assets. A further £358m continues to benefit from reduced management fees, through Legal and General having reduced its fees to match those available through the LCIV.
- 4.2 As at 30 September 2022, the London CIV had £23.8bn of assets under management of which £13.3bn are directly managed by the London CIV.
- 4.3 During the quarter, the London CIV undertook 28 meetings/engagements with Client Funds, including the AGM and annual conference, seed investor group discussions and monthly business updates.
- 4.4 All London CIV funds, that Westminster are invested, were on normal monitoring at quarter end. During the quarter, the London CIV carried out an in-depth review of the LCIV Global Alpha Growth Fund (Baillie Gifford), with London CIV remaining confident that the shortfall in returns can be recovered.
- 4.5 The London CIV are now working on the implementation stage of the LCIV UK Community Housing Fund. With the London CIV conducting due diligence to select the underlying managers, and the fund expected to be launched by the end of the year.
- 4.6 During the quarter, the London CIV published their annual Stewardship and Voting guidelines, as well as the Taskforce for Climate-Related Financial Disclosures (TCFD) for the reporting year ended 31 December 2021.
- 4.7 Please see the London CIV quarterly investment report as at 30 September 2022, attached at appendix 3.

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

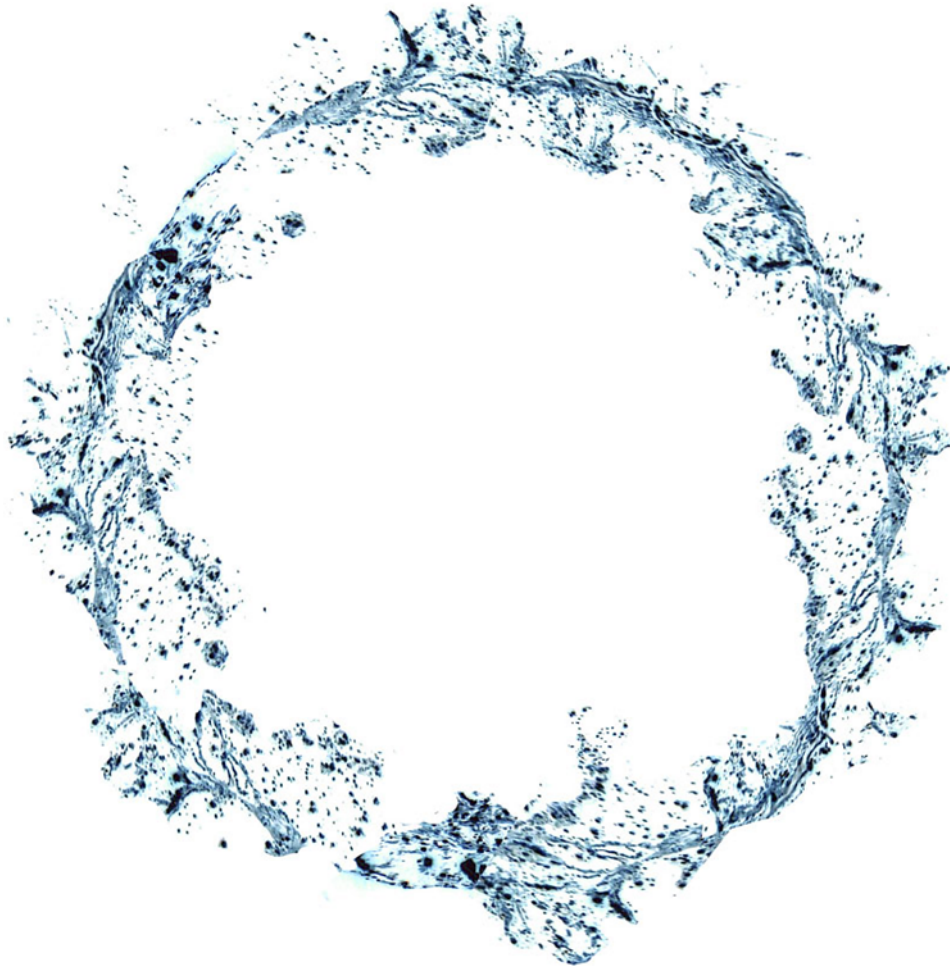
Appendices:

Appendix 1: Deloitte Investment Report, Quarter Ending 30 September 2022

Appendix 2: Deloitte Investment Report, Fee Benchmarking (exempt)

Appendix 3: London CIV Quarterly ACS Investment Report at 30 September 2022 (exempt)

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City of Westminster Pension Fund

Investment Performance Report to 30 September 2022

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1 Market Background

Gilt market volatility

Kwasi Kwarteng's mini-budget on 23 September sparked a significant sell-off in government bonds as investors lost confidence in the new UK government's fiscal policy. The extent of yield increases placed a great deal of strain on collateral sufficiency forcing leveraged LDI managers to trim gilt exposure which created further upward pressure on yields. The Bank of England was forced to intervene, with its temporary gilt purchase programme providing much needed stability to gilt markets and the UK financial system more broadly.

Global equities

As inflation continued to move higher across many major economies over the quarter, central banks reaffirmed their commitment to fighting inflation. The Federal Reserve, European Central Bank and Bank of England all raised interest rates over the quarter, adding to the pressure on consumers and increasing the risk of future economic weakness.

Over the third quarter of 2022, global equity markets continued to perform poorly as economic conditions deteriorated. The FTSE All World Index returned -4.8% in local currency terms. Performance across all global regions was negative in local currency terms. Asian Pacific (ex-Japan) equities saw the sharpest decline due largely to the increased risk of a global slowdown. The war in Ukraine and ongoing tensions between China and Taiwan also weighed on sentiment during the quarter. The FTSE All World Asia Pacific ex Japan Index returned -8.7% in local currency terms over the quarter. Emerging Market equities also lagged other regions, proving sensitive to both the risk of global economic weakness and the strength of the US dollar, which has appreciated strongly in response to aggressive monetary policy tightening by the Federal Reserve.

UK equities outperformed overseas markets over the quarter, despite the political turmoil in late September. Relative gains were largely attributable to the UK market's overweight exposure to the outperforming oil and gas sector. However, the FTSE All Share Index still fell in value returning -3.4%.

The fiscal package announced by Kwasi Kwarteng also contributed to sterling weakness pushing sterling to an all-time low when measured against the US dollar. Consequently, currency hedging will have detracted from investment returns over the third quarter.

Government bonds

UK nominal gilt yields increased over the third quarter across all maturities as investors priced in further rate rises. The Bank of England raised interest rates twice over the quarter, for a combined increase of 1.0%, with the UK base rate sitting at 2.25% at the quarter end. With UK CPI continuing to rise, the Bank of England is expected to press ahead with further rate rises. This expectation and the gilt sell-off following the UK Government's fiscal package announcement resulted in an almost 2.5% rise in nominal gilt yields at shorter maturities. Consequently, the All Stocks Gilts Index delivered a return of -12.8% over the quarter, whilst the longer-dated Over 15-year Index delivered a return of -18.8%.

Over the third quarter, real yields on index-linked gilts had risen by 0.7%. The All Stocks Index-Linked Gilts Index delivered a return of -9.3% over the third quarter, whilst the longer-dated Over 15-year Index-Linked Gilts Index delivered a return of -11.1%.

Corporate bonds

Credit spreads on sterling denominated investment grade corporate bonds widened over the quarter in response to the combination of monetary policy tightening and a weaker economic outlook. The iBoxx All Stocks Non-Gilt Index returned -11.0% over the three months to 30 September 2022.

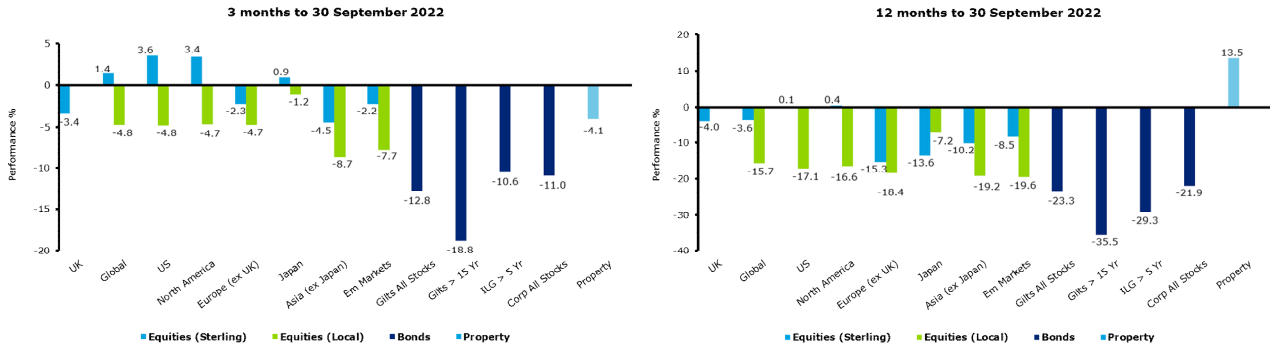
Property

The MSCI UK All Property Index delivered a return of -4.1% over the third quarter of 2022 with valuations beginning to show signs of weakness. The industrial sector performed poorly over the quarter, returning -7.3%, whilst the office and retail sectors returned -1.6% and -1.9% respectively. Performance over the 12 months to 30 September 2022 remains strong with the MSCI UK All Property Index delivering a return of 13.5%.

Responsible Investing

The heavy dependence of many European countries on Russian energy was highlighted further over the third quarter as Nord Stream 1, the main pipeline supplying gas to Europe from Russia, was closed for maintenance in July, coming back into operation briefly before Russia shut it down again in September. This continued to increase energy prices and promoted fears over potential energy shortages this winter.

The MSCI World ESG Focus Index delivered a return of -6.6% over the three-month period underperforming the wider MSCI World Index by c. 0.4%, largely due to being underweight outperforming oil and gas stocks.



2 Total Fund

2.1 Investment Performance to 30 September 2022

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)	-4.9	-4.9	-16.6	-16.6	n/a	n/a	1.2	1.1
LCIV	Global Equity (Global Alpha Growth)	1.6	1.4	-21.7	-4.2	5.9	7.2	11.5	10.6
LCIV	Global Equity (Global Equity Quality)	-0.7	1.4	-4.6	-4.2	n/a	n/a	6.0	10.0
Insight ¹	Buy and Maintain	-12.2	-9.5	-24.0	-17.8	-7.2	-5.3	2.7	2.5
LCIV	Multi Asset Credit	-2.4	1.5	-10.7	5.0	-1.0	4.6	0.0	4.7
abrdn	Property	-2.4	-12.1	6.8	-21.4	7.0	-7.6	8.0	2.3
Man GPM	Community Housing	-0.6	0.6	n/a	n/a	n/a	n/a	n/a	n/a
Pantheon ²	Global Infrastructure	10.3	2.5	37.3	9.0	15.9	8.7	16.1	9.2
Macquarie ³	Global Renewable Infrastructure	3.9	0.6	23.7	1.0	n/a	n/a	3.0	0.7
Quinbrook ³	UK Renewable Infrastructure	14.1	0.6	23.7	1.0	n/a	n/a	15.7	0.7
LCIV	Absolute Return	1.8	1.3	n/a	n/a	n/a	n/a	0.7	3.1
Total		-1.8	-1.4	-11.5	-7.8	3.4	3.8	n/a	n/a

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

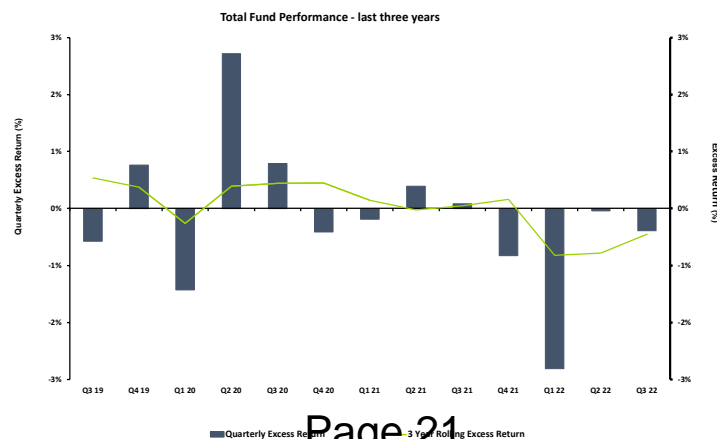
¹Insight Buy and Maintain Fund was inception on 9 April 2018. Since inception returns and benchmark returns reflect a combination of Insight Buy & Maintain Fund returns and benchmark returns from date of inception to 30 September 2022, and Insight IM (Core) Fund returns and benchmark returns from inception date 30 September 2011 until inception of the Buy and Maintain Fund.

²Pantheon 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 2022 and includes the impact of fluctuations in the USD to GBP exchange rate.

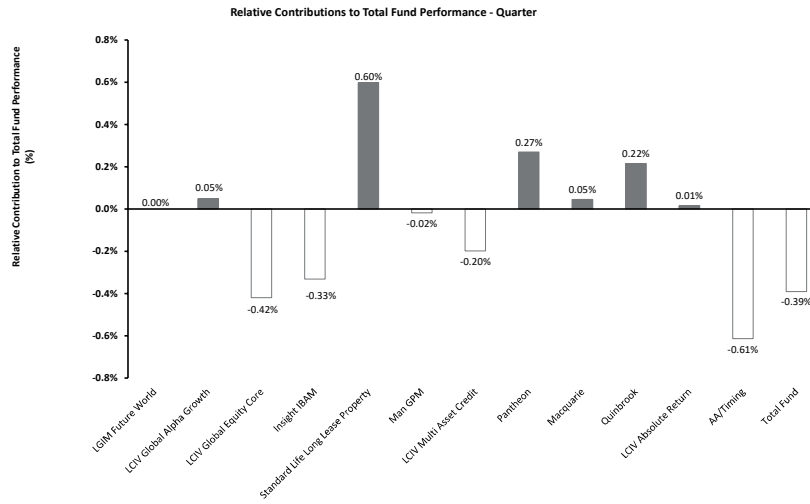
³Macquarie and Quinbrook performance is calculated with a one quarter lag. In addition, Macquarie net asset value and cashflows are in EUR which Northern Trust converts to GBP, therefore estimated performance includes the impact of fluctuations in the EUR to GBP exchange rate.

On a net of fees basis, the Fund delivered a negative absolute return of -1.8% over the third quarter of 2022, underperforming the fixed weight benchmark by 0.4%. The negative absolute return over the quarter continues to be largely attributed to poor performance across global equity and wider capital markets, primarily due to continued heightened inflationary concerns alongside the supply chain disruption caused by ongoing conflict in Ukraine. Over the one year period to 30 September 2022, the Fund delivered a negative absolute return of -11.5%, underperforming the fixed weight benchmark by 3.8% (relative performance may not correspond to the figures in the table above due to rounding) but delivered a positive return of 3.4% p.a. over the longer three year period on a net of fees basis, underperforming the benchmark by 0.4% p.a.

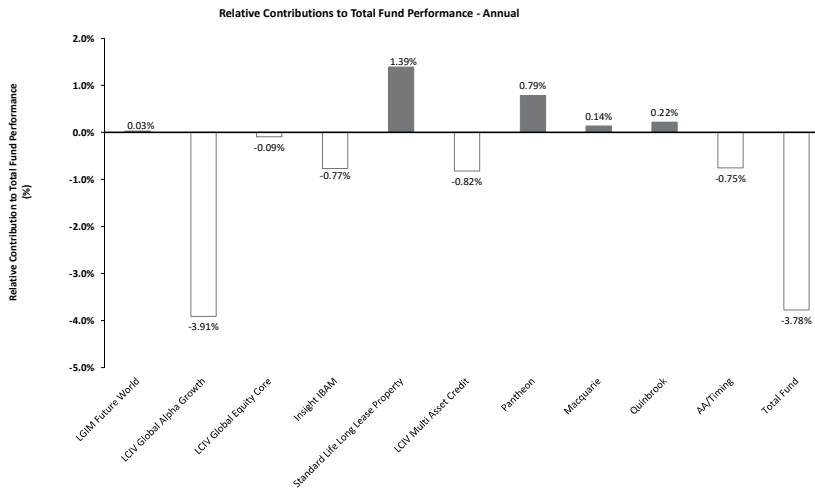
The chart below shows the relative performance of the Fund over the quarter and last three years, highlighting that the rolling three-year performance remains below the benchmark over the quarter. Please note that performance is shown net of fees versus the benchmark.



2.2 Attribution of Performance to 30 September 2022



Over the third quarter of 2022, the Fund underperformed its fixed weight benchmark by 0.4%. Underperformance was primarily driven by the LCIV Global Equity Quality Fund, having underperformed the wider global equity market over the period, alongside the Insight Buy and Maintain Fund and the LCIV Multi Asset Credit Fund, with Insight’s longer duration relative to its iBoxx-based benchmark harming relative returns while the LCIV Multi Asset Credit Fund underperformed its cash-plus target against an unfavourable backdrop across the credit market. Underperformance was primarily offset by the Standard Life Long Lease Property Fund, managed by abrdn, having outperformed its gilts-based benchmark over the quarter owing to a noticeable rise in gilt yields over the three-month period. The large negative contribution reflected in the “AA/Timing” bar in the chart above can be attributed to the Fund’s overweight exposure to equities and underweight exposure to infrastructure and renewable infrastructure, with global equity markets continuing the downward trend while the infrastructure and renewable infrastructure strategies, which are yet to be fully drawn for investment, delivered robust positive returns over the period.



Over the year to 30 September 2022, the Fund underperformed its benchmark by 3.8% on a net of fees basis. Underperformance can largely be attributed to the LCIV Global Alpha Growth Fund with the sub-fund, managed by Baillie Gifford, having considerably underperformed its benchmark over the year to 30 September 2022, largely due to a general “flight to quality” within the wider market. Underperformance was partially offset by the Standard Life Long Lease Property Fund owing to a rise in gilt yields over the year.

2.3 Asset Allocation as at 30 September 2022

The table below shows the assets held by manager and asset class as at 30 September 2022.

Manager	Asset Class	End June 2022 (£m)	End Sept 2022 (£m)	End June 2022 (%)	End Sept 2022 (%)	Benchmark Allocation (%)
LGIM	Global Equity (Passive - Future World)	376.9	358.4	21.8	21.2	20.0
LCIV	Global Alpha Growth	349.9	355.1	20.3	21.0	20.0
LCIV	Global Equity Quality	352.4	349.9	20.4	20.7	20.0
	Total Equity	1,079.2	1,063.5	62.5	62.9	60.0
Insight	Buy and Maintain	211.3	164.0	12.2	9.7	7.0
LCIV	Multi Asset Credit	86.9	84.8	5.0	5.0	6.0
CVC Credit	European Direct Lending	-	21.3	-	1.3	6.0
	Total Bonds	298.2	270.1	17.3	16.0	19.0
abrdn	Long Lease Property	106.0	103.5	6.1	6.1	5.0
Man GPM	Affordable Housing	26.1	28.9	1.5	1.7	2.5
TBC	Affordable Housing / Supported Living	-	-	-	-	2.5
	Total Property	132.1	132.4	7.6	7.8	10.0
Pantheon ¹	Global Infrastructure	59.1	68.9	3.4	4.1	5.0
Macquarie ²	Global Renewable Infrastructure	23.8	24.8	1.4	1.5	3.0
Quinbrook ²	UK Renewable Infrastructure	27.4	40.2	1.6	2.4	3.0
	Total Infrastructure and Renewable Infrastructure	110.4	133.8	6.4	7.9	11.0
LCIV	Absolute Return	49.4	50.3	2.9	3.0	0.0
	Cash ³	58.1	41.1	3.4	2.4	0.0
	Total Cash and Cash Management	107.5	91.4	6.3	5.4	0.0
Total		1,727.5	1,691.2	100.0	100.0	100.0

Source: Northern Trust

Figures may not sum due to rounding

¹Pantheon 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.

²Macquarie 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.

³Includes cash held in the in-house cash allocation and the Northern Trust ESG Ultra Short Bonds Fund.

The total value of the Fund's invested assets, including cash, stood at c. £1,691.2m as at 30 September 2022, representing a decrease of c. £36.2m since 30 June 2022 as a result of market movements over the period.

Fixed Income Portfolio

Over the quarter, CVC Credit issued its first drawdown requests for £17.4m and £3.9m to be drawn into the main fund and the co-investment vehicle respectively by 28 July 2022. These requests were funded entirely from the Insight Buy and Maintain Fund.

Following quarter end, CVC Credit issued a further drawdown request for £2.5m to be drawn into the co-investment vehicle, for payment by 7 November 2022. This request was funded from residual cash held in the Fund's in-house cash allocation.

Affordable Housing / Supported Living

Over the quarter, Man GPM issued a capital call of c. £3.0m for payment by 12 July 2022. This was funded from residual cash held in the Fund's in-house cash allocation.

Following quarter end, Man GPM issued a distribution of c. £2.4m to the Fund on 11 October 2022, including an equalisation payment to reflect the impact of new investors committing to the strategy at the most recent close, and a capital call of £3.1m for payment by 10 November 2022. Following payment, the Fund's total commitment is c. 62% drawn for investment following the capital call as at 10 November 2022. This capital call was funded via a £5m disinvestment from the LCIV Absolute Return Fund.

Infrastructure and Renewable Infrastructure

The Pantheon Global Infrastructure Fund III investment portfolio is now fully deployed. Pantheon anticipates that the Fund's commitment will be approximately fully drawn by the end of 2022. Over the quarter, Pantheon issued a net drawdown request for \$4.2m to be paid by 9 September 2022, consisting of a \$5.5m capital call offset by a \$1.4m distribution of capital and following quarter end, Pantheon issued a net drawdown request for \$6.4m to be paid by 30 November 2022, consisting of a \$8.4m capital call offset by a \$1.8m distribution of capital. These requests were funded from residual cash held in the Fund's in-house cash allocation. Following payment, the Fund's \$91.5m commitment is c. 89% drawn for investment.

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. Based on the current drawdown position as at 30 September 2022 following a capital call of £8.5m in August, funded from cash, Quinbrook has drawn £34.2m of the Fund's £60m commitment for investment.

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 2022. Based on the current drawdown position as at 26 October 2022 following a capital call of €3.2m in November which was funded from cash, the remaining unfunded commitment stands at €25.2m, with the Fund's €55m commitment c. 54% drawn for investment.

2.4 Yield analysis as at 30 September 2022

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 September 2022
LGIM	Global Equity (Passive – Future World)	1.92%
LCIV	Global Equity (Global Alpha Growth)	1.25%*
LCIV	Global Equity (Global Equity Quality)	1.42%
Insight	Buy and Maintain	6.71%
LCIV	Multi Asset Credit	9.70%
abrdn	Long Lease Property	3.79%
LCIV	Absolute Return	3.81%*
	Total	2.61%

*LCIV Global Alpha Growth, LCIV Global Equity Quality and LCIV Absolute Return Fund yields are provided by the underlying managers (Baillie Gifford, Morgan Stanley and Ruffer).

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 Quality)	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	1
Insight	Buy and Maintain	Departure of any of the senior members of the investment team	1
CQS & PIMCO	LCIV Multi Asset Credit	Significant changes to the investment team responsible for the fund	1
CVC Credit	European Direct Lending	Significant changes to the investment team responsible for the fund	1
abrdn	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
Man GPM	Affordable Housing	Significant changes to the investment team responsible for the Fund	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
Ruffer	LCIV Absolute Return	Departure of either of the co-portfolio managers from the business Any significant change in ownership structure	1

3.1 London CIV

Business

The London CIV had assets under management of £12.2bn within the 16 sub-funds (not including commitments to the private markets strategies) as at 30 September 2022, an increase of £0.1bn.

As at 30 September 2022, the total assets under oversight, including passive investments held outside the London CIV platform, stood at £23.8bn, a decrease of c. £0.9bn over the quarter. As at 30 June 2022, total commitments raised by the private market funds stood at £2.2bn of which £808m had been drawn.

In July 2022, the re-alignment of the LCIV Multi Asset Credit Sub Fund, which the Fund currently invests in, to introduce the PIMCO Diversified Income Fund to sit alongside CQS as part of a two-manager structure was completed in line with schedule.

Personnel

In April 2022, Mike O'Donnell, Client Director and CEO, announced he has informed the London CIV Board of his intention to retire from the role at the end of March 2023. Mike intends to step back from a full-time role, exploring an alternative challenge. Mike will remain in his role until March 2023 and will support the London CIV during the transition period. Following quarter end, in August 2022, the London CIV announced that Dean Bowden has been appointed as London CIV CEO in succession to Mike O'Donnell. The appointment is subject to FCA approval, with Dean set to join the London CIV in November 2022 and spend a few weeks working with Mike to fully integrate himself into the role before formally taking over. Dean brings considerable experience of the asset management and broader investment and savings industry, having spent much of his career with Quilter (formerly Old Mutual and Skandia), most recently as CEO and Director of Quilter Investors Portfolio Management and Managing Director and Director of Quilter Investors Limited, while also undertaking the role of Quilter's Group Head of Responsible Investment where he had responsibility for the design of the Group responsible investment and responsible business strategies.

Over the quarter, Pruthvi Odedra, Private Markets Portfolio Manager, announced his decision to leave the London CIV in January 2023. The London CIV has commenced the recruitment process for the position.

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 2022, Legal & General Investment Management ("LGIM") had assets under management ("AuM") of c. £1,290m, a decrease of c. 131bn since 31 December 2021. Note, LGIM provides AuM updates biannually.

Personnel

Within the Index team, LGIM welcomed 4 new joiners over the third quarter of 2022:

- Kate Stephens - ETF Development Manager
- Shane Padden - Fund Manager
- Abigail Murphy (Graduate Rotation) - Index Funds
- Despoina Anastasiou – Index Research Analyst.

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

3.3 Baillie Gifford

Business

As at 30 September 2022, Baillie Gifford held c. £228bn in assets under management, representing a decrease of c. £3bn over the quarter primarily as a result of negative market returns alongside investor flows out of some of Baillie Gifford's equity

strategies. The Global Alpha strategy held assets under management of c. £38bn as at 30 September 2022, representing a decrease of c. £1bn over the quarter.

Personnel

There were no significant personnel changes to the Global Alpha Fund over the third quarter of 2022.

Deloitte view - We note the significant underperformance of the Global Alpha Growth Fund. We held a meeting with senior members of the Baillie Gifford team responsible for the strategy in October 2022. We are content that the portfolio managers continue to maintain the same investment philosophy and conviction within stock selection but we will continue to monitor the performance of the fund.

3.4 Morgan Stanley Investment Management

Business

The LCIV Global Equity Quality Fund held assets under management of c. £523m as at 30 September 2022, a decrease of c.£6m over the quarter.

As at 30 September 2022, the Morgan Stanley Global Sustain Fund, which the LCIV Global Equity Quality Fund is based upon, held assets under management of c. \$3.4bn, representing a decrease of c. \$0.4bn over the third quarter of 2022, primarily as a result of negative market movements.

Changes to the LCIV Global Equity Quality Fund

In August 2022, the Sub-Fund's investment policy was amended to formalise the strategy's "quality" focus of investing and the responsible investment parameters applied by the investment manager. Specifically, the revised policy:

- Formalises the objective of achieving a lower greenhouse gas ("GHG") emissions intensity than the MSCI All Country World Index; and
- Extends fossil fuel and related omissions and introduces a GHG emissions intensity filter.

The manager has also increased the range for the number of stocks typically held from 25-40 to 25-50. This is aligned to the investment manager's approach to portfolio construction.

The Sub-Fund is already fully compliant with the revised investment policy, as such no transactional activity or re-alignment is required in the light of these changes.

Personnel

There were no significant personnel changes to the Morgan Stanley Global Sustain Fund over the third quarter of 2022.

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

3.5 Insight

Business

Insight's assets under management stood at c. £683bn as at 30 September 2022, a decrease of c. £42bn over the quarter primarily as a result of negative market returns over the three-month period.

The Insight Buy and Maintain Fund's assets under management decreased by £0.5bn over the third quarter of 2022, to c. £2.2bn as at 30 September 2022.

Personnel

There were no significant team or personnel changes over the quarter to 30 September 2022.

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

3.6 CVC Credit

Business

CVC Credit managed €33.6bn in assets under management with regards to credit portfolio as at 30 September 2022, €9.3bn of which relates to private credit.

The European Direct Lending III Fund held its final close on €3.25bn in June 2022, with the co-investment vehicle closing at €477.6m. As at 18 October 2022, CVC Credit has deployed €430.8m across the main fund and the co-investment vehicle.

Personnel

There were no significant team or personnel changes over the quarter to 30 September 2022.

Deloitte view – We rate CVC Credit positively for its private credit capabilities.

3.7 abrtn

Business

The Standard Life Long Lease Property Fund, managed by abrtn, had a total fund value of c. £3.4bn as at 30 September 2022, representing a decrease of c. £0.1bn since 30 June 2022.

Personnel

There were no significant team or personnel changes over the quarter to 30 September 2022.

Deloitte View – We continue to rate abrtn positively for its long lease property capabilities.

3.8 Man GPM

Business

Man GPM held a total of c. \$2.5bn in assets under management as at 30 September 2022, including commitments, a decrease of c. \$0.7bn over the quarter. The Community Housing Fund's NAV stood at c. £115.7m as at 30 June 2022.

Commitments to the Community Housing Fund now total £235m. The Fund's total capacity is £400m.

Over the quarter, Man GPM issued a capital call of c. £3.0m for payment by 12 July 2022. Following quarter end, Man GPM issued a distribution of c. £2.4m to the Fund on 11 October 2022, including an equalisation payment to reflect the impact of new investors committing to the strategy at the most recent close, and a capital call of £3.1m for payment by 10 November 2022. As such, the Fund's total commitment is c. 62% drawn for investment following the capital call as at 10 November 2022.

Personnel

Man GPM hired Ludmila Garrett, asset manager, and Moustafa Moustafa, investment associate over the third quarter of 2022. In addition, Man GPM have hired a replacement Investment Director following Ian Jackson's departure. Man GPM will provide further information on Ian's successor in due time.

Deloitte view – We continue to rate Man GPM for its affordable housing capabilities. While Ian Jackson's departure does not trigger a Key Person Event, we will monitor any implications his departure may have on fund raising and deployment within the strategy.

3.9 Pantheon

Business

Pantheon held c. \$88bn in assets under management as at 30 June 2022, remaining relatively unchanged since 31 March 2022.

Following the final close in March 2019, the Global Infrastructure III Fund had \$2.2bn in committed assets. The Global Infrastructure III Fund has completed 41 deals, with \$2.2bn in closed or committed deals as at 30 September 2022 and is fully committed.

Pantheon does not plan to add any further investments to the portfolio and, going forward, capital calls will be used to pay off the short-term credit facility and to finance additional capital drawn by the fund's existing investments.

Personnel

There were no significant team or personnel changes over the quarter to 30 September 2022.

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

3.10 Macquarie

Business

Macquarie held assets under management of £456bn as at 30 September 2022.

Personnel

There were no significant team or personnel changes over the quarter to 30 September 2022.

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

3.11 Quinbrook

Business

As at 30 September 2022, a total of £260m has been committed to the Renewables Impact Fund, accounting for 52% of the Fund's target, with no further closes taking place over the quarter. Quinbrook is confident that momentum will continue and plans to conduct rolling closes throughout the remainder of 2022.

The Renewables Impact Fund has deployed a total of £158.7m into the investment portfolio as at 30 September 2022, representing 61% of commitments in total.

Personnel

Over the third quarter of 2022, Daniel Feeney joined Quinbrook's ESG team as a Senior Analyst in London. Prior to joining Quinbrook, Daniel worked in consulting and analysis having previously worked at Longspur Capital and at Alpha FMC. Meanwhile Ingrid Roberts, an associate in Quinbrook's finance team, left her role over the quarter.

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

3.12 Ruffer

Business

As at 30 September 2022, Ruffer held c. £26.5bn in assets under management, remaining relatively unchanged over the third quarter of 2022.

Personnel

During the third quarter, Ruffer announced that Aled Smith, Partner at Ruffer, will be leaving the firm. Aled's responsibilities will be shared between other senior directors in the research team. Ruffer have confirmed there will be no primary impact on the investment process or decision-making which continues to be led by Henry Maxey and Jonathan Ruffer.

Deloitte view – The Ruffer product is distinctive within the universe of diversified growth managers with the manager willing to take contrarian, long term positions, where necessary drawing on the expertise of external funds. We continue to rate Ruffer and the strategy.

4 London CIV

4.1 Investment Performance to 30 September 2022

At 30 September 2022, the assets under management within the 16 sub-funds of the London CIV stood at £12.2bn, with a further combined £2.3m committed to the London CIV's private market funds. The total assets under oversight (which includes passive investments held outside of the London CIV platform) decreased by c. £0.9bn to c. £23.8bn 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 2022 (£m)	Total AuM as at 30 Sept 2022 (£m)	Number of London CIV clients	Inception Date
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	1,890	1,236	5	11/04/16
LCIV Global Alpha Growth Paris Aligned	Global Equity	Baillie Gifford	1,033	1,731	10	13/04/21
LCIV Global Equity	Global Equity	Newton	684	544	3	22/05/17
LCIV Global Equity Quality	Global Equity	Morgan Stanley Investment Management	529	523	2	21/08/20
LCIV Global Equity Focus	Global Equity	Longview Partners	849	854	5	17/07/17
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	547	561	8	11/01/18
LCIV Sustainable Equity	Global Equity	RBC Global Asset Management (UK)	1,226	1,244	8	18/04/18
LCIV Sustainable Equity Exclusion	Global Equity	RBC Global Asset Management (UK)	400	556	4	11/03/20
LCIV PEPPA	Global Equity	State Street Global Advisors	501	511	2	01/12/21
LCIV Global Total Return	Diversified Growth Fund	Pyrford	223	212	3	17/06/16
LCIV Diversified Growth	Diversified Growth Fund	Baillie Gifford	841	802	9	15/02/16
LCIV Absolute Return	Diversified Growth Fund	Ruffer	1,124	1,141	10	21/06/16
LCIV Real Return	Diversified Growth Fund	Newton	176	168	2	16/12/16
LCIV MAC	Fixed Income	CQS & PIMCO	1,153	1,174	12	31/05/18
LCIV Global Bond	Fixed Income	PIMCO	590	563	7	30/11/18
LCIV Alternative Credit	Fixed Income	CQS	360	354	3	31/01/22
Total			12,126	12,174		

Source: London CIV

4.2 Private Markets

The table below provides an overview of the London CIV's private markets investments as at 30 June 2022.

Sub-fund	Total Commitment as at 30 June 2022 (£'000)	Called to Date (£'000)	Undrawn Commitments (£'000)	Fund Value as at 30 June 2022 (£'000)	Number of London CIV clients	Inception Date
LCIV Infrastructure Fund	399,000	277,669	171,331	213,494	6	31/10/2019
LCIV Real Estate Long Income Fund	213,000	213,000	n/a	208,579	3	11/06/2020
LCIV Renewable Infrastructure Fund	853,500	257,535	595,965	246,427	13	29/03/2021
LCIV Private Debt Fund	635,000	324,537	300,463	277,167	8	29/03/2021
The London Fund	195,000	45,827	149,173	40,304	2	15/12/2020

Source: London CIV

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 2022

	Last Quarter (%)	Last Year (%)	Since Inception (% p.a.)
LGIM Future World Global Equity Index Fund – GBP Currency Hedged	-4.9	-16.6	1.2
Solactive L&G ESG Global Markets Index	-4.9	-16.6	1.1
MSCI World Equity Index – GBP Hedged	-4.8	-16.1	2.4
Relative (to Benchmark)	0.0	0.0	0.1

Source: Northern Trust and 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.

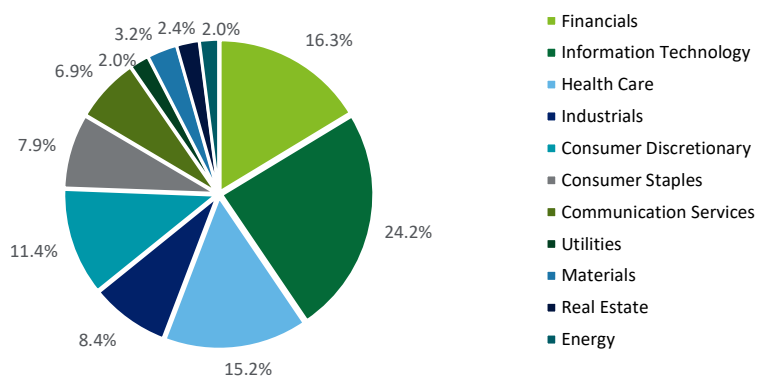
The LGIM Future World Global Equity Index Fund – GBP Currency Hedged performed in line with its Solactive L&G ESG Global Markets Index benchmark over the quarter to 30 September 2022, marginally underperforming the MSCI World Equity Index – GBP Hedged over the three-month period.

Over the one-year period to 30 September 2022, the LGIM Future World Global Equity Index Fund – GBP Currency Hedged delivered an absolute return of -16.6% on a net of fees basis, performing in line with its Solactive L&G ESG Global Markets Index benchmark, while underperforming the MSCI World Equity Index – GBP Hedged by 0.5% on a net of fees basis with the strategy’s under allocation to the energy sector proving detrimental over the year.

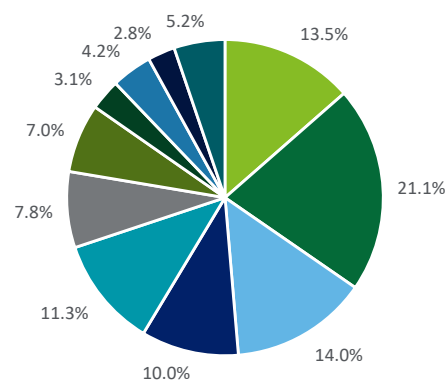
5.2 Portfolio Sector Breakdown at 30 September 2022

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 2022.

LGIM Future World Global Equity Index Fund



MSCI World Equity Index



Source: LGIM

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 2022

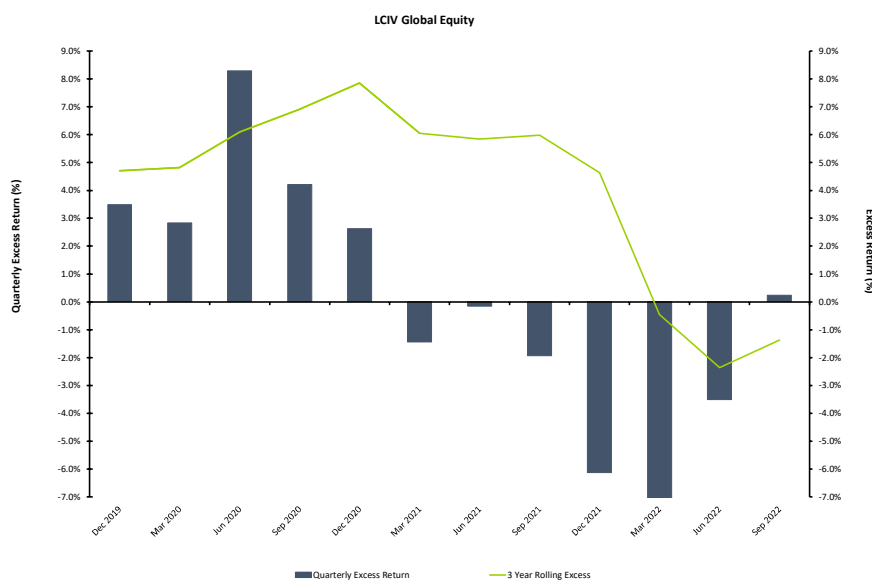
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Last 5 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford – Net of fees	1.6	-21.7	5.9	7.8	11.5
MSCI AC World Index	1.4	-4.2	7.2	8.4	10.6
Relative	0.2	-17.5	-1.4	-0.6	0.8

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

Over the third quarter of 2022, the LCIV Global Alpha Growth Fund, managed by Baillie Gifford, delivered an absolute return of 1.6% on a net of fees basis, outperforming its MSCI AC World Index benchmark by 0.2% as growth-oriented stocks recovered slightly following a prolonged period of underperformance.

Over the one-year and annualised three-year periods to 30 September 2022, the strategy delivered returns of -21.7% and 5.9% p.a. respectively, considerably underperforming the benchmark by 17.5% over the year, and by 1.4% p.a. over the longer three-year period.

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 remains below the target (+2% p.a.) over the quarter, having underperformed the benchmark by 1.4% p.a. over the three-year period to 30 September 2022.



Having underperformed the benchmark for 6 quarters in succession, the LCIV Global Alpha Growth Fund outperformed its benchmark over the quarter with the strategy's stocks that operate in traditionally defensive sub-sectors delivering relatively robust returns.

Over the quarter, Baillie Gifford took advantage of low valuations by investing in companies that the manager perceives to be undervalued with long-term growth potential, whilst fully exiting positions that are expected to perform poorly during the changing economic outlook. One notable new purchase over the quarter was MercadoLibre, a Latin American e-commerce, payments and logistics platform. The investment manager believes MercadoLibre presents a large opportunity due to its presence in e-commerce, providing a payments, credit and savings platform for a continent poorly served by the existing financial system.

The Fund's performance remains significantly behind the benchmark over the year. The manager, Baillie Gifford, has attributed the recent significant levels of underperformance to a number of factors. Particularly, against a backdrop of supply chain disruption, interest rate rises and heightened inflation, investment markets continue to recognise a significant 'flight-to-value' trend as cautious sentiment towards growth stocks continues to grow. The LCIV Global Alpha Growth Fund invests predominantly in early stage and large-cap growth oriented stocks, with this bias proving beneficial during the periods of economic recovery following the onset of the COVID-19 pandemic. However, such is the extent of the switch in market sentiment, characterised by the swing towards value-oriented stocks, the negative impact on the strategy's performance has more than offset the noticeable gains achieved throughout 2020.

The sharp increase in interest rates by both the US Federal Reserve and Bank of England, in addition to causing investors to adopt a more cautious approach, has resulted in investments with longer durations and larger projected cashflows (which are typical characteristics of growth stocks) being attributed a reduced modelled present value. Baillie Gifford does, however, continue to analyse its underlying portfolio and is confident that the majority of underlying businesses in the portfolio are performing well operationally and remain resilient, rather the broader environment has provided the largest source of headwinds and detraction to performance. Despite this perceived breakdown in relationship between underlying earnings growth rates and share price return, Baillie Gifford continues to remain disciplined in its processes, expanding investment time horizons where appropriate and continuing to focus on the underlying fundamental characteristics of the investment portfolio.

Baillie Gifford confirmed that the Fund's standard risk measures, including tracking error and portfolio beta, have increased as a result of increased share price volatility and divergence from the benchmark. The Fund's management team have, however, reviewed and analysed the portfolio's resiliency to periods of rising inflation and the robustness of the underlying business' balance sheets, and the manager does not see any cause for concern within the portfolio.

Despite the magnitude of recent underperformance, which the manager admits is disappointing, Baillie Gifford has confirmed that the portfolio managers will continue to follow the same process and conviction within its stock selection and portfolio management. Baillie Gifford implements a bottom-up approach to investing, agnostic of the wider benchmark, and the Fund's active share statistics have remained relatively stable over the past three years.

6.2 Positioning Analysis

The top ten holdings in the portfolio account for c. 28.6% of the fund and are detailed below.

Top 10 holdings as at 30 September 2022	Proportion of Baillie Gifford Fund
Anthem Com	4.2%
Microsoft	3.0%
Martin Marietta Materials	3.0%
Prosus Nv	2.9%
Reliance Industries	2.8%
Arthur J Gallagher	2.7%
Alphabet Inc Class C	2.7%
Moody's	2.7%
Service Corporation International	2.4%
Pernod Ricard	2.1%
Total	28.6%

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 2022.

Top 5 contributors as at 30 September 2022	Contribution (%)
Anylam Pharmaceuticals	+0.58
Albemarle	+0.47
Trade Desk	+0.46
Martin Marietta Materials	+0.44
Tesla Inc	+0.36

The table below represents the top 5 detractors to performance over the quarter to 30 September 2022.

Top 5 detractors as at 30 September 2022	Contribution (%)
Prosus Nv	(0.37)
LI Auto Inc. ADR	(0.36)
AIA Group	(0.31)
Alibaba Group Holding	(0.29)
Service Corporation International	(0.21)

7 LCIV – Global Equity Quality

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 Quality – Investment Performance to 30 September 2022

	Last Quarter (%)	Last Year (%)	Since Inception (% p.a.)
Morgan Stanley – Net of fees	-0.7	-4.6	6.0
Benchmark (MSCI World Net Index)	1.4	-4.2	10.0
Global Franchise Fund (net of fees)	2.0	-8.3	9.8
Net Performance relative to Benchmark	-2.1	-0.5	-4.0

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

The LCIV Global Equity Quality Fund delivered a negative return of -0.7% on a net of fees basis over the quarter to 30 September 2022, underperforming the MSCI World Net Index by 2.1%. Over the longer twelve-month period to 30 September 2022, the strategy has underperformed its benchmark by 0.5%, delivering an absolute return of -4.6% on a net of fees basis.

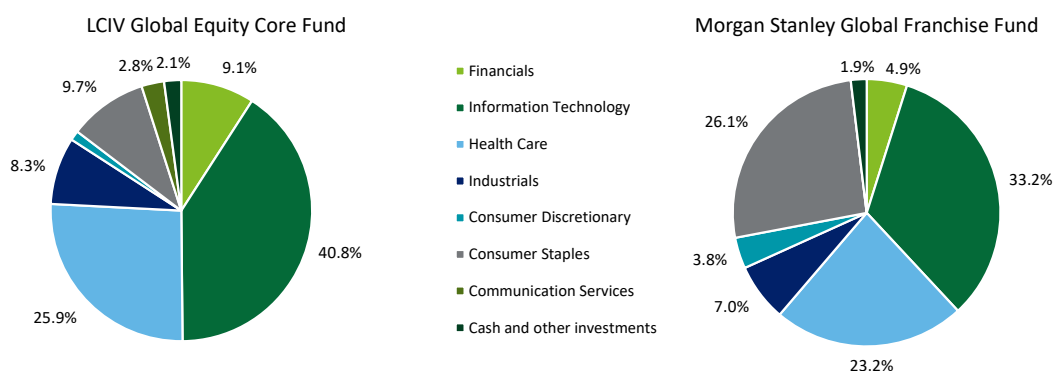
The LCIV Global Equity Quality Fund’s portfolio is predominantly comprised of quality franchises with strong recurring cash flows, and the strategy therefore has a low allocation to cyclical stocks.

The LCIV Global Equity Quality Fund made one addition to the portfolio during the quarter, being an investment in Adobe, a software content provider with a subscription-based business model. The investment manager considered the stock now offered attractive value for money at the significantly discounted stock price.

The LCIV Global Equity Quality 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. The LCIV Global Equity Quality Fund underperformed the Global Franchise Fund by 2.7% over the quarter, with underperformance largely attributed to a lower allocation to consumer staples companies, with beverage and tobacco companies continuing to benefit from increased global social activity, having been adversely impacted by previous social distancing measures.

7.2 Portfolio Sector Breakdown at 30 September 2022

The charts below compare the relative weightings of the sectors in the LCIV Global Equity Quality Fund and the Morgan Stanley Global Franchise Fund as at 30 September 2022.



Source: London CIV and Morgan Stanley

The Global Equity Quality 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.

The Global Franchise Fund portfolio held an allocation of c. 7.1% to tobacco stocks as at 30 September 2022. The Global Equity Quality 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 Quality Fund portfolio's key characteristics as at 30 September 2022, compared with the Morgan Stanley Global Franchise Fund.

	LCIV Global Equity Quality Fund	Global Franchise Fund
No. of Holdings	41	33
No. of Countries	8	5
No. of Sectors*	7	6
No. of Industries*	16	13

*Not including cash

Source: London CIV and Morgan Stanley

Holdings

The top 10 holdings in the Global Equity Quality Fund account for c. 46.3% of the strategy and are detailed below.

Global Equity Quality Fund Holding	% of NAV
Microsoft	7.2
VISA	5.8
Danaher	5.1
Accenture	4.8
SAP SE	4.6
Thermo Fisher Scientific	4.4
Reckitt Benckiser Group	4.1
Becton Dickinson	3.5
Intercontinental Exchange	3.4
Baxter International Inc.	3.4
Total	46.3*

*Note figures may not sum due to rounding

Source: London CIV and Morgan Stanley

Global Franchise Fund Holding	% of NAV
Microsoft	9.0
Philip Morris International Inc	6.9
Reckitt Benckiser Group	6.1
VISA	5.9
Danaher	5.8
Accenture	4.9
Thermo Fisher Scientific	4.7
SAP SE	4.5
Intercontinental Exchange Inc	3.8
Abbott Laboratories	3.8
Total	55.3*

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

8 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.

8.1 Buy and Maintain Fund - Investment Performance to 30 September 2022

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Last 5 Years (% p.a.)	Since Inception (% p.a.)
Insight Non Gilts - Net of fees	-12.2	-24.0	-7.2	-2.4	2.7
iBoxx £ Non-Gilt 1-15 Yrs Index	-9.5	-17.8	-5.3	-1.7	2.5
Relative	-2.7	-6.2	-1.9	-0.7	0.2

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

The Insight Buy and Maintain Fund delivered a negative return of -12.2% on a net of fees basis over the third quarter of 2022, underperforming its temporary iBoxx non-gilt benchmark by 2.7%. The Buy and Maintain Fund delivered a negative absolute return of -24.0% on a net of fees basis over the year to 30 September 2022, underperforming the benchmark by 6.2%, and an absolute return of -7.2% p.a. on a net of fees basis over the three years to 30 September 2022, underperforming its benchmark by 1.9% p.a.

Negative returns over the quarter continue to be largely attributed to the sharp rise in UK government bond yields, with central banks implementing further hikes over the quarter and investors pricing in further future expected rate rises, and the widening of credit spreads in response to the conflict in Ukraine, commodity shortages and heightened inflation. The longer duration of the Buy and Maintain Fund, relative to the benchmark, has proved detrimental over the quarter and year to 30 September 2022, with longer dated yields rising by a greater extent than shorter maturity counterparts.

Insight has confirmed that there were no defaults within the Buy and Maintain portfolio over the third quarter of 2022.

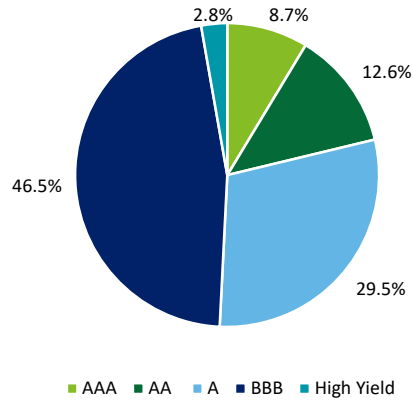
8.2 Performance Analysis

The table below summarises the Buy and Maintain portfolio's key characteristics as at 30 September 2022.

	30 June 2022	30 September 2022
Yield (%)	4.1	6.7
No. of issuers	169	150
Modified duration (years)	7.5	6.8
Spread duration (years)	7.2	7.3
Government spread (bps)	205	265
Largest issuer (%)	1.2	1.5
10 largest issuers (%)	8.7	10.9

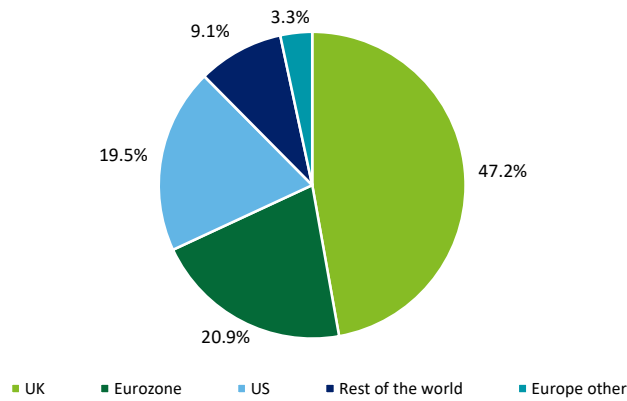
Source: Insight

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

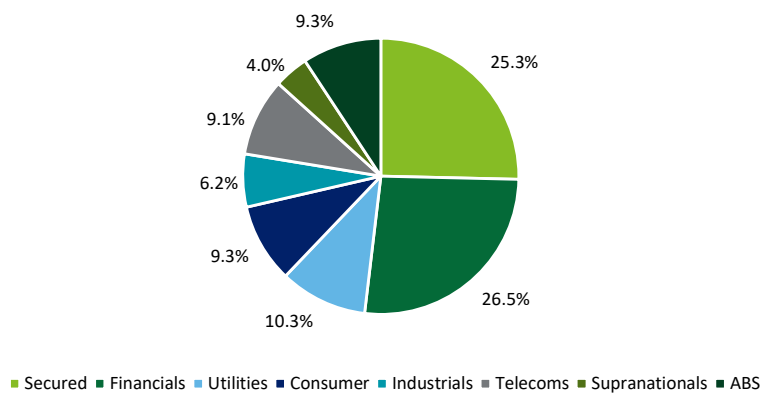


As at 30 September 2022, the fund’s investment grade holdings made up c. 97.2% of the portfolio, an increase of c. 1.9% over the quarter. The fund remains predominantly invested in BBB and A rated bonds.

The graph below shows the split of the Buy and Maintain portfolio by country as at 30 September 2022.



The graph below shows the split of the Buy and Maintain portfolio by sector as at 30 September 2022.



The table below shows the top 9 issuers by market value as at 30 September 2022:

Issuer name	Rating*	Holding (%)
Last Mile Logistics Pan	AAA	1.5
Rogers Communications	BBB	1.3
Home Depot Inc	A	1.2
Fedex	AA	1.2
Natwest Group Plc	A	1.2
Aust and Nz Banking Group	BBB	1.2
Municipality Finance Plc	AA	1.2
Highways Plc Hways	AAA	1.1
Westfield Stratford	AA	1.1

*Ratings provided by Insight

9 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 SONIA benchmark by 4% p.a. PIMCO was added as an additional manager to the Fund on 28 February 2022. An annual fee covers the managers' and the London CIV platform management fees.

9.1 Multi Asset Credit – Investment Performance to 30 September 2022

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (%) p.a.)
CQS & PIMCO – MAC – Net of fees	-2.4	-10.7	-1.0	0.0
3 Month SONIA + 4%	1.5	5.0	4.6	4.7
Relative	-3.9	-15.8	-5.7	-4.7

Source: Northern Trust
Inception date taken as 30 October 2018

The re-alignment of the LCIV MAC Sub Fund to create a two-manager structure which commenced on 28 February 2022, introducing the PIMCO Diversified Income Fund to sit alongside CQS, was completed in July 2022.

Over the third quarter of 2022, the Multi Asset Credit Sub Fund delivered an absolute return of -2.4% on a net of fees basis, underperforming its cash-based benchmark by 3.9%. Over the year to 30 September 2022, the strategy underperformed the benchmark by 15.8%, delivering a negative absolute return of -10.7% on a net of fees basis, while over the long three year period to 30 September 2022 the Multi Asset Credit Fund has delivered an annualised return of -1.0% a net of fees basis, underperforming the cash-based benchmark by 5.7% p.a.

The strategy considerably underperformed its cash-based target over the quarter with credit spreads continuing to widen as underlying bond yields rose sharply across all maturities across the credit spectrum, owing primarily to the impacts of heightened inflation, the conflict in Ukraine and a backdrop of interest rate rises.

Over the quarter, the MAC Sub Fund's long dated investment grade exposure detracted from performance with the underlying yields rising more prominently at the long end of the curve. Within European markets, subordinated financials suffered due to a general migration towards US assets and investors seeking cash from these relatively liquid assets over the quarter. Despite positive returns, floating rate instruments detracted from performance as European loans lagged the US due, in part, to the selling pressure in the Sterling market as investors sought liquidity.

The Multi Asset Credit Sub Fund experienced 35 credit rating downgrades over the quarter to 30 September 2022, representing c. 3.2% of the portfolio, with no defaults occurring over the period.

9.2 Portfolio Analysis

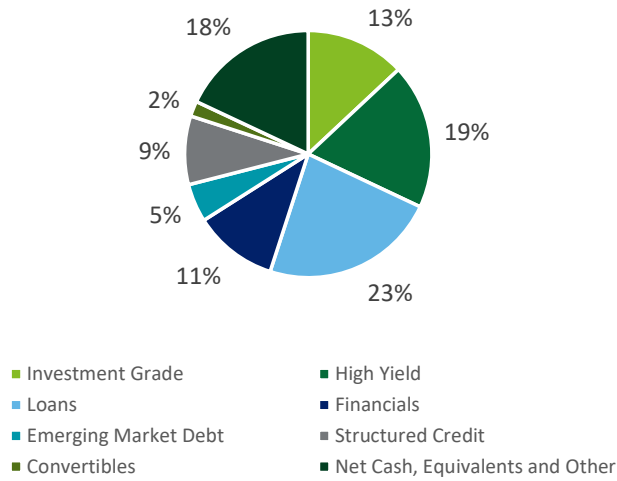
The table below summarises the Multi Asset Credit Sub Fund portfolio's key characteristics as at 30 September 2022.

	30 June 2022			30 September 2022		
	PIMCO	CQS	LCIV MAC	PIMCO	CQS	LCIV MAC
Weighted Average Bond Rating	A	B+	BB+	A	BB-	BBB
Yield to Maturity (%)	7.0	9.9	8.6	7.9	11.4	9.7
Spread Duration	4.2	3.3	3.7	3.9	2.9	3.4
Interest Rate Duration	4.8	0.9	2.7	4.7	0.9	2.8

Source: London CIV

9.3 Asset Allocation

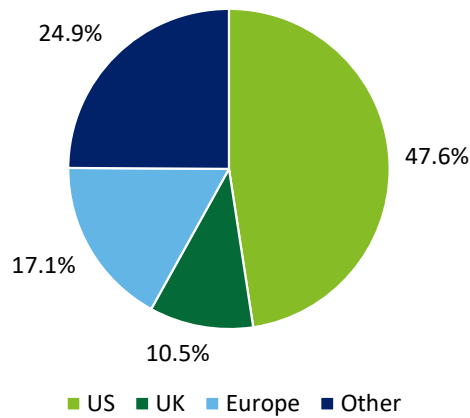
The asset allocation split of the Multi Asset Credit Sub Fund as at 30 June 2022 is shown below. The London CIV has not been able to provide the breakdown as at 30 September 2022 as at the time of writing.



Source: London CIV

9.4 Country Allocation

The graph below shows the regional split of the LCIV Multi Asset Credit Sub Fund as at 30 September 2022.



Source: London CIV

10 CVC Credit – European Direct Lending

CVC Credit was appointed to manage a European direct lending mandate in March 2022 with the aim of outperforming the 3-month Sterling SONIA benchmark by 5% p.a. The manager has an annual management fee and performance fee.

10.1 European Direct Lending – Investment Performance to 30 September 2022

Capital Calls and Distributions

The Fund committed a total of £110m across the main fund (£85m) and the co-investment vehicle (£25m) in March 2022.

CVC Credit issued one capital call over the quarter, and issued one capital call following quarter end:

- CVC Credit issued its first drawdown requests for £17.4m and £3.9m to be drawn into the main fund and the co-investment vehicle respectively by 28 July 2022.
- Following quarter end, CVC Credit issued a further drawdown request for £2.5m to be drawn into the co-investment vehicle, for payment by 7 November 2022.

As such, the Fund’s total commitment to the main fund was c. 20% drawn for investment and the total commitment to the co-investment vehicle was c. 26% drawn for investment following the capital call on 7 November 2022.

Activity

Over the second quarter of 2022, CVC Credit made 4 new additions to the European Direct Lending Fund III main fund, totaling €455.7m, and 2 new additions to the co-investment vehicle, totaling €54.3m.

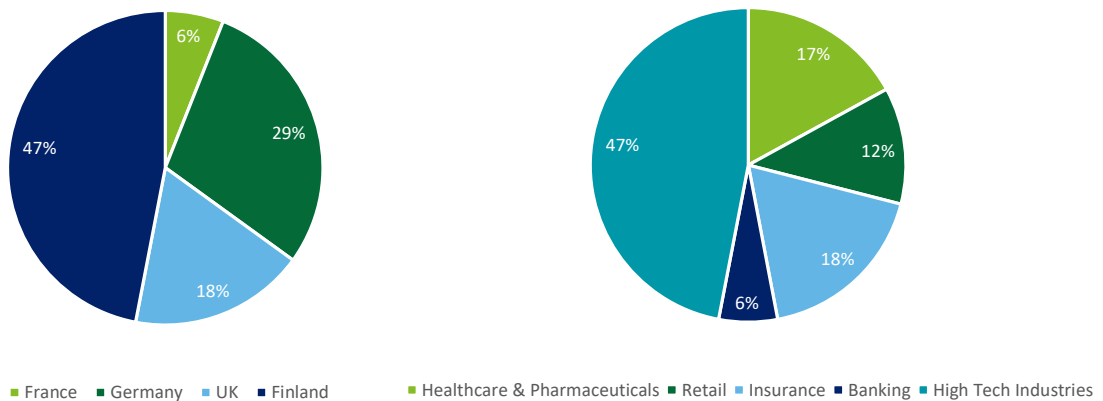
Over the third quarter of 2022, CVC Credit signed 14 additional new investments, 7 of which were funded as at 30 September 2022.

10.2 Asset Allocation

Main Fund

As at 30 June 2022, the European Direct Lending III Fund main fund has 6 investments, with a market value totaling €434.5m.

The charts below show the current diversification by geography and industry in the main fund as at 30 June 2022.

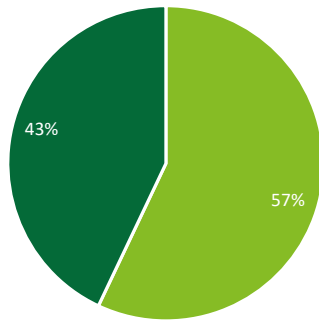


Source: CVC Credit

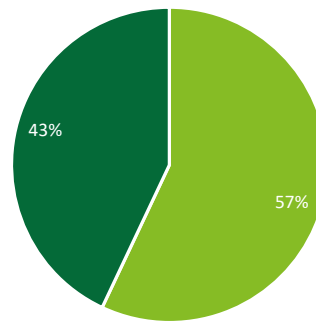
Co-Investment Vehicle

As at 30 June 2022, the European Direct Lending III Fund co-investment vehicle has 2 investments, with a market value totaling €36.7m.

The charts below show the current diversification by geography industry in the co-investment vehicle as at 30 June 2022.



■ UK ■ Finland



■ Insurance ■ High Tech Industries

Source: CVC Credit

11 abr dn – Long Lease Property

abr dn 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 2022

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)	Since Inception (% p.a.)
abr dn - Net of fees	-2.4	6.8	7.0	7.1	8.0
Gilts All Stocks + 2.0% p.a.	-12.1	-21.4	-7.6	-1.4	2.3
Relative	9.7	28.2	14.6	8.4	5.7

Source: abr dn and Northern Trust. Relative performance may not tie due to rounding.

Since inception: 14 June 2013

The Standard Life Long Lease Property Fund, managed by abr dn, delivered an absolute return of -2.4% on a net of fees basis over the third quarter of 2022, outperforming the FT British Government All Stocks Index Benchmark by 9.7%.

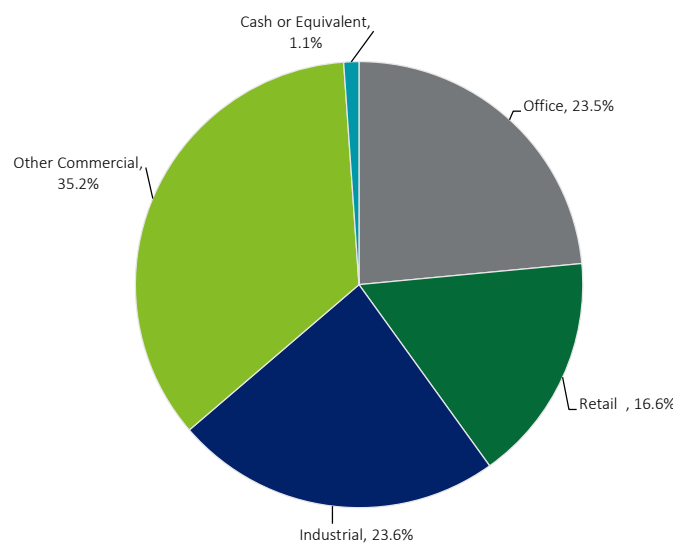
Over the quarter to 30 September 2022, the Long Lease Property Fund delivered a negative return but outperformed the wider property market, primarily as a result of the strategy’s long-term income focus relative to the wider property market, with lower levels of valuation write-downs recognised for long income assets.

The Fund has underperformed the IPD-based benchmark over the three-year period owing largely to the relative underallocation to high performing sectors over this period. The Fund’s longer term performance does, however, continue 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.

Outperformance over the quarter can also be largely attributed to the strategy’s exposure to the alternatives sector, which has seen lower levels of valuation decline compared with the more traditional property sectors.

11.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 30 September 2022 is shown in the graph below.



Source: abr dn.

abrtn completed no further acquisitions over the third quarter of 2022.

Over the third quarter of 2022, abrtn concluded one disposal over an office asset in Worthing, which had just under 10 years left on the lease to Southern Water. abrtn opted to sell the asset owing to the manager's strategy to reduce the fund's regional office exposure and to reduce the exposure to older assets, which abrtn expects will require significant capital expenditure in the future to meet ESG requirements. The asset sold for over £21m, representing a net initial yield of 7.1%.

Q3 2022 and Q4 2022 rent collection, split by sector, as at 27 October 2022 is reflected in the table below:

Sector	Proportion of Fund as at 30 Sept 2022 (%)	Q3 2022 collection rate (%)	Q4 2022 collection rate (%)
Alternatives	6.0	100.0	98.0
Car Parks	3.7	100.0	100.0
Car Showrooms	3.2	100.0	100.0
Hotels	7.8	100.0	100.0
Industrial	14.7	100.0	98.0
Leisure	3.3	100.0	97.0
Public Houses	5.5	100.0	100.0
Offices	29.6	100.0	100.0
Student Accommodation	8.1	100.0	100.0
Supermarkets	18.2	100.0	100.0
Total	100.0	100.0	99.5

Source: abrtn

As at 30 September 2022, 1.0% of the Fund's NAV is invested in ground rents via an indirect holding in the abrtn Ground Rent Fund, with 16.9% of the Fund invested in income strip assets.

100% of Q3 rent has been collected as at 27 October 2022, with only the alternatives, industrial and leisure sector assets not having recognised 100% statistics as at 27 October 2022.

abrtn has now collected 100% of 2020, 2021 and Q1-Q3 2022 rent. 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 June 2022:

Tenant	% Net Income
Amazon UK Services Limited	6.2
Tesco Stores Limited	4.7
Viapath Services LLP	4.6
Premier Inn Hotels Limited / Whitbread plc	4.2
Marston's plc	4.1
J Sainsbury plc / Sainsbury's Supermarkets Limited	3.9
QVC	3.6
Salford Villages Limited / University of Salford	3.5
Asda Stores Limited	3.5
Next Group plc	3.3
Total	41.5*

*Total may not equal sum of values due to rounding

At the time of writing, the top 10 tenants as at 30 September 2022 has not been made available by abrdn.

The unexpired lease term as at 30 September 2022 stood at 24.4 years, representing a decrease from 24.7 years as at 30 June 2022. The proportion of income with fixed, CPI or RPI rental increases increased by c. 0.2% over the quarter to 92.3%.

12 Man GPM – Affordable Housing

Man GPM was appointed to manage an affordable housing mandate following the manager selection exercise in November 2021. The manager has an annual management fee.

12.1 Community Housing Fund – Investment Performance to 30 September 2022

Capital Calls and Distributions

The Fund committed £50m to Man GPM in January 2022.

Man GPM issued one capital call over the quarter, and issued one capital call following quarter end:

- Man GPM issued a £3.0m capital call to the City of Westminster Pension Fund for payment by 12 July 2022.
- Man GPM issued a £3.1m capital call to the City of Westminster Pension Fund for payment by 10 November 2022.

Man GPM issued one distribution following quarter end:

- Man GPM issued a £2.4m distribution to the City of Westminster Pension Fund on 11 October 2022, including an equalisation payment of £1.9m.

As such, the Fund's total commitment was c. 62% drawn for investment following the capital call on 10 November 2022.

Activity

Man GPM agreed terms on one project over the second quarter of 2022, in May:

- Glenvale Park, Wellingborough – a forward fund of 146 modular homes. The development targets 69% affordable rent homes and 31% shared ownership homes. The investment has been completed and Man GPM is holding discussions on a 10 year fully repairing and insuring operating lease to a local Housing Association. Gross project cost of £33.4m.

Man GPM has stated that all projects are proceeding broadly in-line with expectations.

Pipeline

As at 30 September 2022, Man GPM's pipeline investment opportunities included three late-stage investment opportunities with an estimated gross cost of £178m in which negotiations are in place with the vendor, alongside two favourable investment opportunities with an estimated combined gross project cost of £51m where Man GPM holds a positive view on returns and investment thesis, having completed initial due diligence, with an offer not yet accepted by the vendor.

12.2 Investments Held

The table below shows a list of the projects currently undertaken by the Man GPM Community Housing Fund as at 30 June 2022.

Investment	Number of Homes	Number of Affordable Homes	Expected Total Commitment – Gross (£m)	Expected Total Commitment – Net (£m)	Total Capital Drawn and Invested to Date (£m)
Alconbury Weald	95	95 (100%)	22.3	13.6	8.4
Grantham	227	186 (82%)	38.0	19.5	11.3
Lewes	41	39 (95%)	12.9	8.8	4.4
Campbell Wharf	79	79 (100%)	21.5	15.8	12.5
Towergate	55	55 (100%)	18.1	7.8	3.8
Coombe Farm	71	59 (83%)	24.8	11.0	9.5
Chilmington	225	192 (85%)	70.8	27.1	18.7
Tattenhoe	34	34 (100%)	6.5	3.0	1.5
Wellingborough	146	146 (100%)	33.4	14.7	7.2
Total	973	885 (89%)	248.5	127.9	86.9

Source: Man GPM. Totals may not sum due to rounding.

13 Pantheon – Global Infrastructure Fund III

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

13.1 Global Infrastructure - Investment Performance to 31 July 2022

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Since Inception (% p.a.)
Pantheon - Net of fees	10.3	37.3	15.9	16.1
3 Month SONIA + 8%	2.5	9.0	8.7	9.2
Relative	7.9	28.3	7.3	6.9

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

Since inception: 15 April 2019

Pantheon Global Infrastructure Fund III 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 2022 and includes the impact of fluctuations in the USD to GBP exchange rate.

The Pantheon Global Infrastructure Fund III delivered a positive return of 10.3% over the three-month period to end July 2022 on a net of fees basis, outperforming its cash plus target by 2.5%. Over the period to 30 June 2022, the strategy has delivered a net IRR of 14.2% to investors.

Capital Calls and Distributions

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

Over the quarter, Pantheon issued one net capital call:

- A net capital call of \$4.1m for payment by 9 September 2022, which consisted of a c. \$5.5m capital contribution, representing c. 6.0% of the Fund's total commitment, offset by a c. \$1.4m distribution, consisting of \$0.7m return of capital, \$0.4m realised gain and \$0.3m dividend income. The capital call will primarily be used to repay a portion of the Fund's outstanding credit facility.

Following quarter end, Pantheon issued one further net capital call:

- A net capital call of \$6.4m for payment by 30 November 2022, which consisted of a c. \$8.2m capital contribution, representing c. 9.0% of the Fund's total commitment, offset by a c. \$1.8m distribution, consisting of \$1.1m return of capital, \$0.6m realised gain and \$0.1m dividend income. The capital call will primarily be used to repay a portion of the Fund's outstanding credit facility.

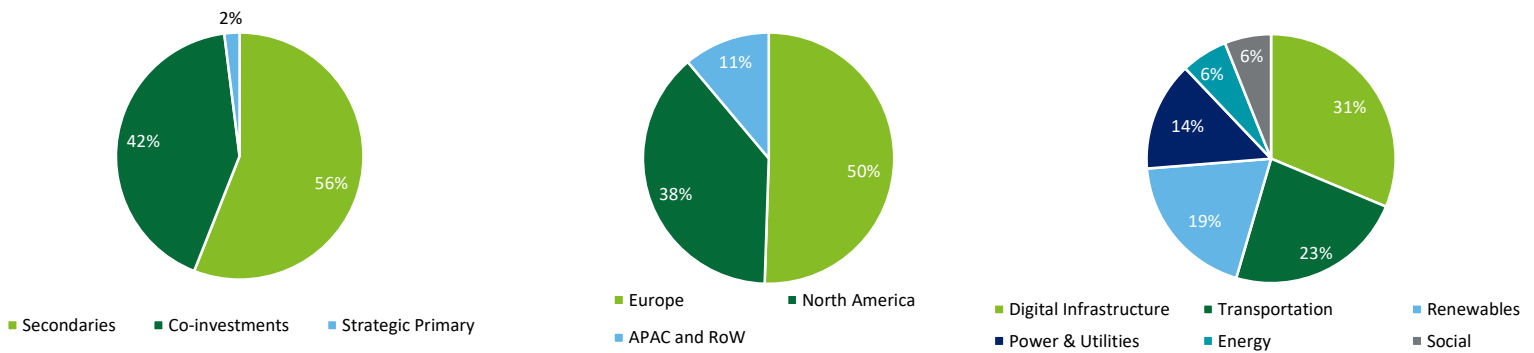
The remaining unfunded commitment following payment of the 30 November 2022 draw down request is c. \$9.8m, with the Fund's \$91.5m commitment c. 89% drawn for investment.

Activity

The Global Infrastructure Fund III is now fully deployed. Going forward, capital calls will be used to pay off the short-term credit facility and to finance additional capital drawn by the fund's existing investments.

13.2 Asset Allocation

The charts below show the current diversification by strategy, geography and sector in PGIF III as at 30 September 2022.



Source: Pantheon

The table below shows a list of the investments held by PGIF III as at 30 September 2022.

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	Oct 21
Ermewa	Europe	Transportation	Co-investment	68	Oct 21
Anthem	Global	Diversified	Secondary	109	Oct 21
Aquarius	Global	Transportation	Secondary	74	Oct 21

Source: Pantheon

14 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.

14.1 MGREF2 - Investment Performance to 30 September 2022

Capital Calls and Distributions

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

Macquarie issued one distribution over the third quarter of 2022, and one capital call following quarter end:

- Macquarie issued a distribution of €0.2m on 25 August 2022, consisting entirely of interest income.
- Macquarie issued a capital call for €3.2m, consisting of €3.1m to fund investments into the portfolio and €0.1m for transaction costs relating to the investment, for payment by 26 October 2022.

The remaining unfunded commitment as at 26 October 2022 was c. €25.2m, with the Fund’s total contribution at c. €29.8m and the Fund’s €55m commitment c. 54.2% drawn.

Activity

Over the quarter on 6 July 2022, Macquarie, in a consortium with MGIF, British Columbia Investment Management Corporation and MUNICH ERGO Asset Management GmbH, reached financial completion on the acquisition of Reden Solar from InfraVia Capital Partners and Eurazeo for an equity value of €1.4bn. Reden Solar is a global solar developer, with 762 MW of operating assets and a 15 GW development pipeline.

Macquarie recognises that the current inflationary environment has, generally, led to an increase in operational expenses at an individual asset level. However, renewable assets have benefitted from an increase in power prices.

14.2 Projects

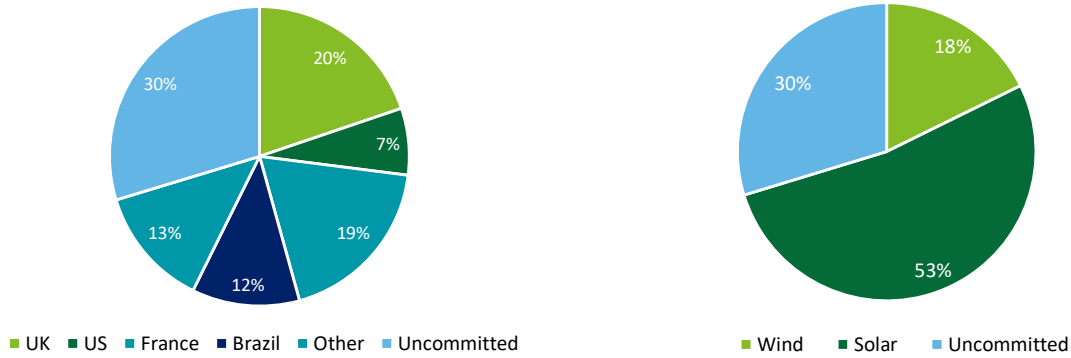
The table below shows a list of the investments held by the MGREF2 as at 30 September 2022.

Project Name	Fund Ownership	Investment Date	Sector	Location	Gross Value (£m)
Gwynt y Môr	10%	Jan-20	Offshore wind	UK	164.4
US Residential Solar Co	50%	Oct-20	Solar	US	170.9
Apex Energies	89%	Feb-22	Solar	EU	139.4
Island Green Power	50%	May-22	Solar	UK	155.7
Araripe IV	100%	Jun-22	Onshore wind	Brazil	63.6
Reden Solar	23%	TBC	Solar	EU	335.5
Total					1,029.6

Source: Macquarie

14.3 Asset Allocation

The charts below show the diversification by geography and sector in the MGREF2 as at 30 September 2022.



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 (solar was initially viewed as more of an opportunistic allocation, but solar is now expected to make up a larger proportion of the portfolio, compared with the initial target allocations set by Macquarie).

15 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.

15.1 Renewables Impact Fund - Investment Performance to 30 September 2022

Capital Calls and Distributions

The City of Westminster Pension Fund committed £50m to Quinbrook in December 2020 with the Fund committing an additional £10m in December 2021.

Over the third quarter of 2022, Quinbrook issued one capital call notice:

- A capital call of c. £8.5m, drawn entirely for investments into the portfolio, for payment by 23 August 2022.

As such, as at 30 September 2022, the remaining unfunded commitment stands at c. £25.8m, with the Fund's total commitment at c. £34.2m and the Fund's £60m commitment c. 57% drawn.

Activity

Project Rassau, first invested in by the Fund in December 2020, became operational on 22 February 2022 and has since operated at 100% availability. Rassau has a CPI-linked revenue contract with National Grid covering a range of critical grid support services as the UK power grid experiences rapid growth in variable renewables, notably weather dependent wind and solar capacity. The contract expiry date was originally 31 March 2026. However, National Grid has since requested that the Rassau contract be extended by a year to March 2027. Quinbrook negotiated exclusivity over an additional six projects with Rassau development partner Welsh Power, securing over 50% of the total revenue on offer from National Grid and in July 2022, completed the acquisition of four of these projects.

Over the third quarter of 2022, Quinbrook's exclusivity agreement with partner Welsh Power delivered a further four projects which secured contracts in the Stability Pathfinder Phase 2 auction (collectively, "Project Thistle"). The Fund completed the acquisition of these four projects in July 2022. A total of ten contracts were awarded by National Grid across four project sponsors as part of the Phase 2 auction. Quinbrook secured over 50% of the total revenue on offer from National Grid under these Phase 2 contracts

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.

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 217.3MW of solar PV and 210.5MW of battery storage projects with an estimated capital requirement in excess of £245m. 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.

15.2 Projects

The table below shows a list of the investments held by the Quinbrook Renewables Impact Fund as at 30 September 2022.

Project Name	Fund Ownership	Investment Date	Technology	Location	Net investment (£m)
Project Reggie					
Rassau Grid Services	100%	Dec-20	Synchronous Condenser	UK	65.1
Development Cost	100%	Dec-20	Synchronous Condenser	UK	5.6
Thurso Grid Services	100%	Jul-21	Synchronous Condenser	Scotland	2.7
Rothienorman Grid Services	100%	Jul-21	Synchronous Condenser	Scotland	5.4
Gretna Grid Services	100%	Jul-22	Synchronous Condenser	Scotland	2.9
Neilston Grid Services	100%	Jul-22	Synchronous Condenser	Scotland	2.3
Project Habitat					
Project Habitat	100%	Jul-21	Trading Platform	UK	31.0
Project Dawn					
Project Dawn	100%	Mar-22	Battery Storage	UK	2.3
Project Cleve Hill					
Project Cleve Hill	100%	Oct-21	Solar and Battery Storage	UK	41.7
Project Uskmouth					
Project Uskmouth	100%	May-22	Battery Storage	Wales	0.8
Total					159.8

Source: Quinbrook

16 LCIV – Absolute Return

Ruffer was appointed to manage an absolute return mandate, held as a sub-fund under the London CIV platform, from 19 January 2022, with the aim of outperforming the 3 month Sterling SONIA benchmark by 3% p.a. The manager has a fixed fee based on the value of assets. The manager has an annual management fee.

16.1 Absolute Return Fund - Investment Performance to 30 September 2022

	Last Quarter (%)	Since Inception (% p.a.)
Net of fees	1.8	0.7
Target	1.3	3.1
Net performance relative to Target	0.5	-2.5

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

Since inception: 19 January 2022

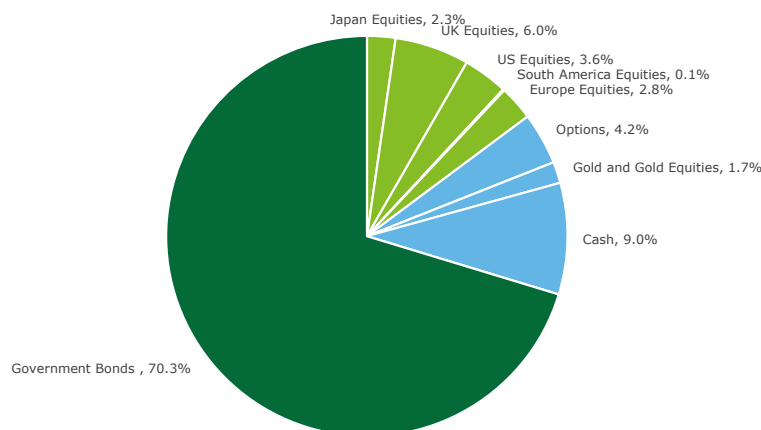
The LCIV Absolute Return Fund returned 1.8% on a net of fees basis over the quarter to 30 September 2022, outperforming its SONIA+4% target by 0.5%.

Both UK nominal and real government bond yields rose significantly over the quarter, driven largely by the persistent rise in inflation and the resulting series of interest rate hikes by Bank of England, accentuated towards the end of the quarter by the market’s reaction to the economic policies announced by the Chancellor of Exchequer in the September 2022 “mini-budget”. Inflation-linked bonds represent a core component of the Absolute Return Fund portfolio, as such a degree of underperformance would not have been unexpected. However, the manager, Ruffer, profited from the market turmoil, purchasing bonds from stressed sellers at noticeably depressed prices with these bonds recovering relatively quickly from their lows and the Sub Fund therefore generating sufficient profit to offset losses made across the rest of the portfolio.

16.2 Asset Allocation

The chart below represents the asset allocation of the LCIV Absolute Return Fund portfolio as at 30 September 2022.

Note, the government bond allocation has increased significantly over the third quarter from 43.1% as at 30 June 2022 to 70.3% as at 30 September 2022, reflecting the impact of the manager’s strategy outlined above.



Source: London CIV

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	20.0	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 Quality	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
Insight	Buy and Maintain	7.0	Insight Custom Benchmark	n/a	12/04/18
CQS	Multi Asset Credit	6.0	3 Month SONIA	+4% p.a. (net of fees)	30/10/18
CVC Credit	European Direct Lending	6.0	3 Month SONIA	+5% p.a. (net of fees)	28/07/22
abrdn	Property	5.0	FTSE Gilts All Stocks Index +2% p.a.	+0.5 p.a. (net of fees)	14/06/13
Man GPM	Affordable Housing	2.5	3 Month SONIA	+4% p.a. (net of fees)	14/02/22
TBC	Affordable Housing / Supported Living	2.5	TBC	TBC	n/a
Pantheon	Global Infrastructure	5.0	3 Month SONIA	+8% p.a. (net of fees)	15/04/19
Macquarie	Global Renewable Infrastructure	3.0	3 Month SONIA	TBC once fully drawn for investment	08/02/21
Quinbrook	UK Renewable Infrastructure	3.0	3 Month SONIA	TBC once fully drawn for investment	25/01/21
Ruffer	LCIV Absolute Return Fund	-	3 Month SONIA	+3% p.a. (net of fees)	21/01/22
	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.

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of the Local Government Act 1972.

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City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	6 December 2022
Classification:	General Release (Appendix 1 is exempt)
Title:	Pantheon Global Infrastructure Fund IV
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 <i>Tri-Borough Director of Treasury and Pensions</i> ptriggs@westminster.gov.uk 020 7641 4136

1 EXECUTIVE SUMMARY

- 1.1 As agreed at the last Pension Fund Committee meeting on 27 October 2022, this paper provides further due diligence on the Pantheon Global Infrastructure Fund IV, should the Committee wish to maintain the current 5% strategic asset allocation to Pantheon in the future.

2 RECOMMENDATIONS

2.1 The Pension Fund Committee is recommended to:

- Consider the views outlined by Deloitte, attached in appendix 1, with an investment strategy review to take place for discussion at the next Pension Fund Committee meeting on 9 March 2023.
- Approve that Appendix 1 to this report is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person, including the authority holding that information, as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

3 BACKGROUND

- 3.1 At the Pension Fund Committee on 27 October 2022, the Committee agreed to undertake further due diligence on the Pantheon Global Infrastructure Fund IV (PGIF IV). The paper, produced by Deloitte, attached at Appendix 1, provides further details on the Environmental, Social and Governance (ESG) processes and Pantheon's cashflow analysis underlying assumptions.
- 3.2 Infrastructure assets can be defined as those that are required by society to facilitate the operation of the economy: this includes transportation, utilities, energy distribution and telecommunications.
- 3.3 The secondary market gives investors the opportunity to access assets that are already fully functioning and tend to be more yield generating in comparison to primary investments. Co-investments allow investors to invest additional capital alongside a fund manager to gain direct exposure to an infrastructure position, which they could not usually access due to lack of experience or lack of capital resource.
- 3.4 As at 30 September 2022, the PGIF III fund was 80% drawn, with the remaining commitment expected to be called by early 2023. Based on the current market value of £68.9m, the portfolio's allocation totals 4.0% of the Pension Fund's strategic asset allocation, with the Fund's remaining commitment expected to take the allocation to circa 5.0%.
- 3.5 The PGIF III fund has a close-ended structure with the investment period to finalise over the coming months. From 2023 onwards, PGIF III will begin to return capital to investors as the underlying assets are realised. Therefore, the allocation will continue to reduce over the next seven years.

4 PANTHEON GLOBAL INFRASTRUCTURE FUND IV

- 4.1 The Pantheon Global Infrastructure Fund IV (PGIF IV) was launched in 2021, and broadly exhibits the same characteristics as PGIF III, with a similar investment process. The fund has a ten-year, close-ended structure with circa 70% of assets within the secondary market and the remaining allocated to co-investments.
- 4.2 Pantheon embeds ESG factors into its investment process, with bespoke ESG due diligence undertaken at the general partner and asset based level. This includes an in depth risk assessment and risk ratings assigned to counterparties, which are assessed on an annual basis. As part of this process, Pantheon considers several ESG key performance indicators (KPIs) including company policy, investment team and due diligence processes, and reporting and monitoring.
- 4.3 At the Pension Fund Committee meeting on 27 October 2022, Pantheon provided modelling to estimate the required commitment to PGIF IV in order to:

- **Scenario 1: No Growth Assumption**
Maintain a net asset value of 5.0% across PGIF III and PGIF IV, assuming the Fund's investment portfolio valuation remains relatively static; and
- **Scenario 2: 5% p.a. Investment Portfolio Growth**
Maintain a net asset value of 5.0% across PGIF III and PGIF IV, assuming a 5.0% annual growth rate of the Fund's investment portfolio valuation.

4.4 Deloitte has provided an in depth analysis based on the scenario cashflow analysis produced by Pantheon, attached at appendix 1. The details the expected drawdown timeline of PGIF IV, as well as the winding down and selling of assets within PGIF III.

5 CONCLUSIONS AND NEXT STEPS

5.1 Deloitte has prepared a report, attached at Appendix 1, which outlines the PGIF IV fund, with further due diligence on the products ESG process and cashflow assumptions. The Pension Fund Committee is recommended to consider the following:

- That the investment performance of PGIF III relative to the rest of the Fund may take the allocation higher or lower than the 5.0% allocated;
- Given that the mandate is denominated in USD, there is an element of currency exchange rate risk which will impact the market value; and
- The second scenario provided by Pantheon assumes a constant 5.0% annual growth, this may differ from actual performance.

5.2 Deloitte will undertake a review of the Pension Fund's strategic asset allocation following the 2022 actuarial valuation. This will be taken to the next Committee meeting on 9 March 2023. As part of this, Deloitte will consider the Fund's allocation infrastructure, should the Committee wish to allocate to PGIF IV.

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: Pantheon Global Infrastructure Fund IV – Follow Up (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:	6 December 2022
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 31 October 2022 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 top five risks 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

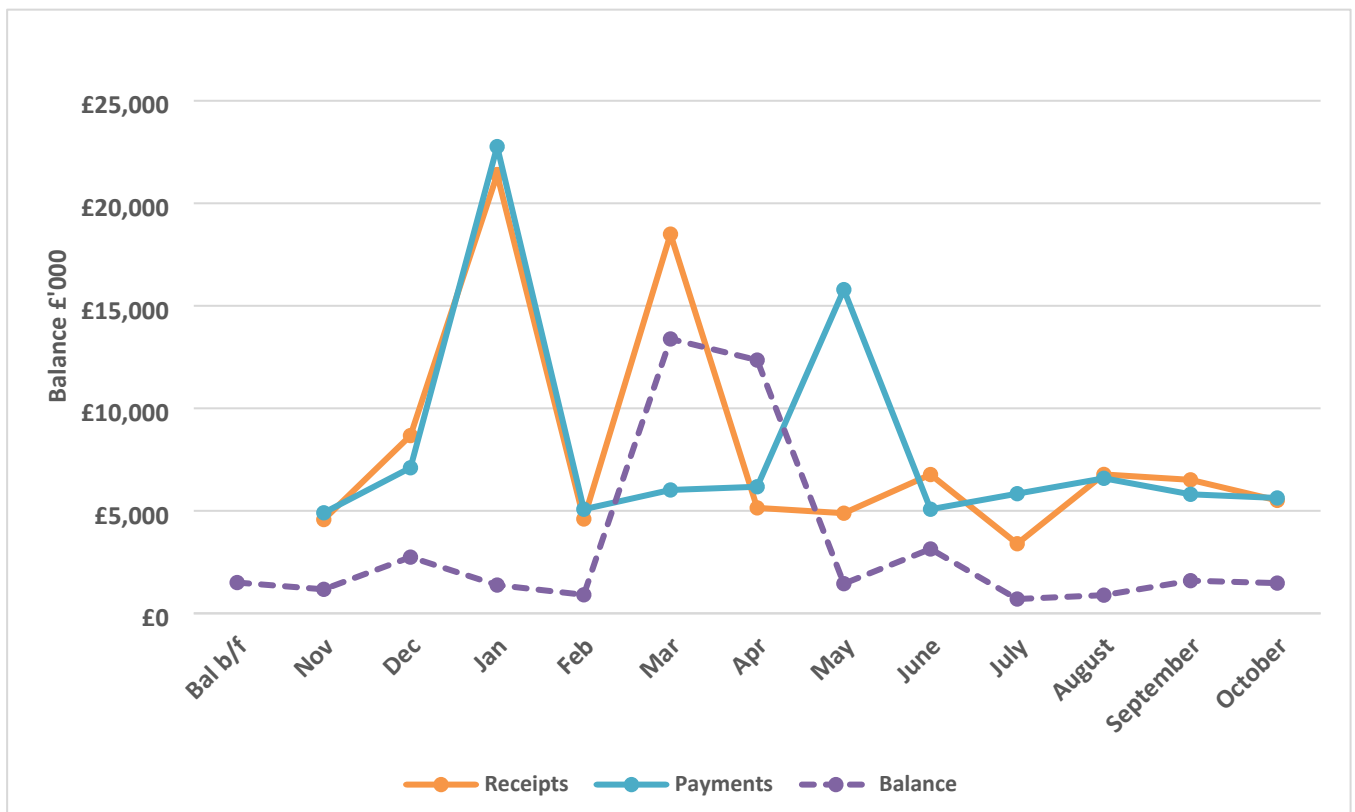
3.1 The risk register is divided into two sections: investment and pensions administration. The risk groups have been updated to reflect the CIPFA guidance on risk categories. The current top five risks to the Pension Fund, as updated in November 2022, are highlighted in the table below:

CIPFA Risk Group	Risk Rank	Risk Description	Trending
Liability Risk	1 st /42	Price inflation is significantly more than anticipated in the actuarial assumptions. Inflation continues to rise in the UK and globally due to labour shortages, supply chain issues, and high energy prices. CPI was 11.1% in the year to October 2022. The government’s energy relief package for domestic households is expected to have a downward pressure on CPI, however this package will now only last for 6 months.	
Asset and Investment Risk	2 nd /42	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 £1.69m. The Fund returned -11.54% net of fees in the year to 30 September 2022, underperforming the benchmark by -3.79% net of fees. Much of this underperformance can be attributed to the equity and fixed income mandates.	
Asset and Investment Risk	3 rd /42	Increased risk to global economic stability. Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with volatility in oil and commodity prices, as well as the weakening of the pound. Leading to tightened financial conditions, reduced risk appetite and raised credit risks. Geo-political risk as a result of events and political uncertainty.	
Regulatory and Compliance Risk	4 th /42	The Department for Levelling Up, Housing and Communities (DLUHC) has proposed new regulations for Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD). The first reporting year will be the financial year 2023/24, with the regulations expected to be in force by April 2023 and the first reports required by December 2024. Officers have commenced preparatory work.	NEW
Liability Risk	5 th /42	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others. Current economic conditions will cause strain on smaller employers.	

4. Cashflow Monitoring and Forecasted Cashflows

4.1 The balance on the Pension Fund's Lloyds bank account at 31 October 2022 was £1.4m. 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 November 2021 to 31 October 2022.



4.3 Payments and receipts have remained stable over the last 12 months. Officers continue to keep the cash balance under review and take action to maintain necessary liquidity. During the year, the Fund has received deficit recovery receipts from the Council, which been paid over to the custodian for safeguarding. The Council made a final deficit recovery payment to the Pension Fund during March 2022. During the quarter, the Fund withdrew £6m from cash at custody to maintain a positive cash balance.

- 4.4 The Pension Fund held £9.2m in cash with Northern Trust as at 31 October 2022. 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 following table shows the cash inflows and outflows within cash at custody for the three-month period from 1 August 2022 to 31 October 2022.

Cash at Custody	Aug	Sep	Oct
	£000	£000	£000
	Actual	Actual	Actual
Balance b/f	4,296	7,599	4,102
Distributions	142	2,704	4,352
Deficit Recovery	0	0	0
Sale of assets	35,000	0	5,000
Interest	7	10	463
Cash withdraw	(2,000)	(2,000)	(2,000)
Foreign Exchange Gains/Losses	14	96	42
Purchase of Assets	(29,860)	(4,330)	(2,818)
Miscellaneous	(0)	0	0
Management fees	0	23	10
Balance c/f	7,599	4,102	9,151

- 4.5 Over the quarter, capital calls relating to the Pantheon Global Infrastructure fund, Quinbrook Renewables Impact mandate, Macquarie Renewable Infrastructure fund and CVC Credit Private Debt fund took place. During August 2022, sales of £35m took place within the Insight Buy and Maintain Bond fund and NT Ultra Short Bond fund, to fund these capital calls. In addition, £5m was sold from the London CIV Absolute Return fund during October 2022.

- 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 August 2022 to 31 October 2022. The total cash balance as at 31 October 2022 was £10.6m.

Cash at custody & Bank account	Aug	Sep	Oct
	£000	£000	£000
	Actual	Actual	Actual
Balance b/f	4,994	8,486	5,696
Cash outflows	(36,433)	(10,016)	(8,435)
Cash inflows	39,925	7,226	13,367
(Withdraw)/Deposit from custody to bank account	(2,000)	(2,000)	(2,000)
Withdraw/(Deposit) from bank account to custody	2,000	2,000	2,000
Balance c/f	8,486	5,696	10,628

4.7 The following table illustrates the expected cashflow for the 12-month period from 1 April 2022 to 31 March 2023 for the Pension Fund Lloyds bank account. Forecast cashflows are estimated using the previous year's actual cashflows, which are inflated and then divided equally over the 12 months. Pension payments are linked to CPI-inflation.

Current Account Cashflows Actuals and Forecast for period April 2022 - March 2023:

	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	
Balance b/f	13,383	12,353	1,448	3,140	699	888	1,594	1,475	1,736	1,997	1,257	1,518	£000s
Contributions	4,647	3,285	5,755	840	3,318	3,735	3,181	3,274	3,274	3,274	3,274	3,274	41,132
Transfers in, overpayments, VAT reclaim, recharges & misc. receipts	497	1,600	1,015	556	1,458	777	320	520	520	520	520	520	8,820
Pensions	(3,587)	(3,641)	(3,613)	(3,647)	(3,627)	(3,656)	3,663	(3,637)	(3,637)	(3,637)	(3,637)	(3,637)	(43,619)
HMRC Tax Payments	(615)	(675)	(666)	(653)	(672)	(674)	(666)	(634)	(634)	(634)	(634)	(634)	(7,792)
Transfers out, lump sums, death grants, refunds & misc. payments	(1,966)	(1,337)	(647)	(1,484)	(2,138)	(1,453)	(854)	(1,095)	(1,095)	(1,095)	(1,095)	(1,095)	(15,354)
Expenses	(6)	(137)	(152)	(52)	(150)	(23)	(444)	(167)	(167)	(167)	(167)	(167)	(1,802)
Net cash in/(out) in month	(1,030)	(905)	1,692	(4,441)	(1,811)	(1,294)	(2,128)	(1,739)	(1,739)	(1,739)	(1,739)	(1,739)	(18,614)
Withdrawal/(deposit) from custody cash	0	(10,000)	0	2,000	2,000	2,000	2,000	2,000	2,000	1,000	2,000	2,000	7,000
Deficit Recovery Contributions	0	0	0	0	0	0	9	0	0	0	0	0	9
Balance c/f	12,353	1,448	3,140	699	888	1,594	1,475	1,736	1,997	1,257	1,518	1,778	

- 4.8 The three-year cashflow forecast for 2022/23 to 2024/25 for the Pension Fund's Lloyds bank account is shown below. Forecast cashflows are calculated using the previous year's cashflows which are then inflated, with pensions payable linked to CPI-inflation.

Three Year Cashflow Forecast for 2022/23 to 2024/25:

	2022/23	2023/24	2024/25
	£000	£000	£000
	F'cast	F'cast	F'cast
Balance b/f	13,383	542	761
Contributions	39,291	40,077	40,878
Transfers in, overpayments, VAT reclaim, recharges & misc. receipts	6,236	6,361	6,488
Pensions	(43,642)	(48,006)	(50,406)
HMRC Tax	(7,614)	(7,766)	(7,921)
Transfers out, lump sums, death grants, refunds & misc. payments	(13,136)	(13,399)	(13,667)
Expenses	(2,008)	(2,048)	(2,089)
Net cash in/(out) in year	(20,873)	(24,781)	(26,717)
Withdrawal/(deposit) from custody cash	8,000	25,000	27,000
Deficit Recovery Contributions	32	0	0
Balance c/f	542	761	1,044

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 2022

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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.
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.
Tolerate	Do nothing because the cost outweighs the benefits and/or an element of the risk is outside our control.

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		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 the 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	16/11/2022
Administrative and Communicative Risk	2		The increase in online hacking poses a continual risk to members personal data, as well as potential disruption issues for members accessing the online pension portal. In these instances, Hampshire Pension Services would need to take the portal offline to ensure the system and data is secure.	2	2	4	8	3	24	TREAT: 1) The Hampshire Pension Portal has several layers of security in place to ensure the security of member data and access to the portal. 2) HPS undertake penetration testing on a regular basis in conjunction with Civica to ensure any risks/weaknesses in the systems security is identified and rectified. 3) Civica undertake upgrades and maintenance to the pension portal on a continual basis.	2	16	16/11/2022
Resource and Skill Risk	3		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	16/11/2022
Administrative and Communicative Risk	4		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 employer portal used by HPS should offer increased security for member data from all employers.	1	12	16/11/2022
Administrative and Communicative Risk	5		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. 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	16/11/2022
Administrative and Communicative Risk	6		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	16/11/2022
Administrative and Communicative Risk	7		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	16/11/2022
Administrative and Communicative Risk	8		Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	1	4	3	8	3	24	TREAT: 1) 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.	1	8	16/11/2022
Administrative and Communicative Risk	9		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	16/11/2022
Administrative and Communicative Risk	10		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	16/11/2022






Administrative and Communicative Risk	11		Poor reconciliation process leads to incorrect contributions.	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.	2	8	16/11/2022
Administrative and Communicative Risk	12		Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	1	2	4	7	2	14	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. HPS have their own COWPF Bank Account which is reconciled. COWPF transferred to HPS on the 8th of November 2021 there have never been any issues in running the pension payroll or paying the pensions on time.	1	7	16/11/2022
Administrative and Communicative Risk	13	NEW	Possibility of members opting out of the pension scheme, following concerns around inflation and the cost of living crisis.	2	3	1	6	2	12	TREAT: 1) Auto-enrolment of the pension scheme takes place every 3 years. 2) The Fund offers members the flexibility to pay half their normal contribution rate and build up half their normal pension. This is designed as a short term option and employees are automatically transferred back into the main scheme every 3 years. Members keep their full life and ill-health cover they join the 50/50 section.	1	6	16/11/2022
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	16/11/2022
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	16/11/2022
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	16/11/2022
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	16/11/2022




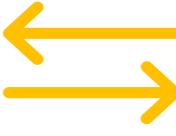


Pension Fund Risk Register - Investment Risk










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. Inflation continues to rise in the UK and globally due to labour shortages, supply chain issues, and high energy prices as a result of the Russia-Ukraine conflict. CPI was 11.1% as at 31 October 2022, up from 10.1% at 30 September 2022.	5	3	2	10	5	50	TREAT: 1) The Fund holds investments in bonds, inflation linked long lease property, private debt and infrastructure to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection. 2) The Pension Fund has increased its holdings within infrastructure and intends to increase allocations to property into 2022. 3) Officers continue to monitor the increases in CPI inflation on an ongoing basis. 4) Short term inflation is expected due to a number of reasons on current course.	4	40	16/11/2022
Asset and Investment Risk	2		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 £1.69m. The Fund returned -11.54% net of fees in the year to 30 September 2022, under performing the benchmark by -3.79% net of fees. Much of this underperformance can be attributed to the equity and fixed income mandates.	5	3	3	11	4	44	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. 6) The Committee invited Baillie Gifford to attend the Committee meeting on 23 June 2022, the asset manager reaffirmed their commitment to growth-oriented investment. The London CIV continues to monitor the manager's below benchmark performance over the last 12 months and has observed that the performance gap is recoverable. London CIV remains confident in the investment process but acknowledges that there could have been better management of investment risk.	3	33	16/11/2022
Asset and Investment Risk	3		Increased risk to global economic stability. Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with volatility in oil and commodity prices, as well as the weakening of the pound. Leading to tightened financial conditions, reduced risk appetite and raised credit risks. Geo-political risk as a result of events and political uncertainty.	3	4	3	10	4	40	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) The Fund alongside its investment consultant continually reviews its investment strategy in different asset classes. 4) The City of Westminster Pension Fund can report that as at 16th November 2022, the value of investments to Russia or Ukraine within the Pension Fund's asset classes is valued at zero. 5) Currency hedging takes place within the LGIM Future World Fund and LCIV Absolute Return Fund, this will offer some protection against the weakening of the pound.	3	30	16/11/2022

Regulatory and Compliance Risk	4	NEW	The Department for Levelling Up, Housing and Communities' (DLUHC's) has proposed new regulations for Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD). The first reporting year will be the financial year 2023/24, with the regulations expected to be in force by April 2023 and the first reports required by December 2024.	3	1	4	8	4	32	TREAT: 1) The Pension Fund's investment consultant has already started work on identifying the climate risks to the Fund, and how these can be assessed and reported on. 2) The Pension Fund already collects and reports on carbon emission data, which will form part of the TCFD metrics and targets. This data can currently be found in the Responsible Investment Statement. 3) Officers attend training sessions and conferences on TCFD reporting, including London Pension Fund Officers Forum, where there is an open arena for discussions. 4) The City of Westminster Pension Fund has submitted a response to the DLUHC consultation on the proposed climate reporting regulations to come into force by April 2023.	3	24	16/11/2022
Liability Risk	5		Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others. Current economic conditions will cause strain on smaller employers.	5	3	3	11	3	33	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.	2	22	16/11/2022
Page 160 Liability Risk	6		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	22	16/11/2022
Asset and Investment Risk	7		Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in September 2019.	3	1	3	7	4	28	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) The Pension Fund has committed 6% towards renewables and 5% to affordable and social supported housing, alongside moving equities into ESG-tilted mandates. 5) An ESG and RI Policy was drafted for the Pension Fund as part of the ISS and a Responsible Investment Statement has been released for 2022. 6) Officers regularly attend training events on ESG and TCFD regulations to ensure stay up to date with latest guidance.	3	21	16/11/2022



Asset and Investment Risk	8		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	3	30	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.	2	20	16/11/2022
Liability Risk	9		Employee pay increases are significantly more than anticipated for employers within the Fund. Persistently high inflation will potentially lead to unexpectedly high pay awards.	4	4	2	10	3	30	TREAT 1) Fund employers should monitor own experience. 2) 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. 3) 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). 4) Employee pay rises currently remain below inflation.	2	20	16/11/2022
Asset and Investment Risk	10		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) The LCIV has recently bolstered its investment team with the successful recruitment of a permanent CIO, Head of Responsible Investment & Client Relations Director. 4)Fund representation on key officer groups. 5) Ongoing Shareholder Issue remains a threat.	2	20	16/11/2022
Resource and Skill Risk	11		Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	3	27	TREAT: 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval) 2) Comprehensive training packages will be offered to members.	2	18	16/11/2022
Regulatory and Compliance Risk	12		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.	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	16/11/2022

Asset and Investment Risk	13	NEW	Volatility in investment markets caused by government decisions. There was heightened market volatility following the unveiling of the Chancellor's mini budget on 23 September and Bank of England interventions in the UK Gilts market.	4	2	2	8	3	24	TREAT: 1) The Fund's investment management structure is highly diversified, which lessens the impact of market risk compared with less diversified structures. 2) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 3) The City of Westminster Pension Fund's strategic asset allocation will be reviewed following the 2022 actuarial valuation.	2	16	16/11/2022
Asset and Investment Risk	14		The global outbreak of COVID-19 poses economic uncertainty across the global investment markets.	4	3	1	8	3	24	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	16	16/11/2022
Asset and Investment Risk	15		Volatility caused by uncertainty regarding the withdrawal of the UK from the European Union. Supply chain shortages disrupting the economy. Uncertainty remains regarding the Northern Ireland Protocol.	4	3	1	8	3	24	TREAT: 1) Officers to consult and engage with advisors and investment managers. 2) Possibility of hedging currency and equity index movements. LGIM and LCIV Absolute Return mandates are currently GBP hedged. 3) The UK has exited the EU and the transition period has come to an end. There is still the potential for volatility implementing some of the post-Brexit agreements.	2	16	16/11/2022
Asset and Investment Risk	16		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	16/11/2022
Liability Risk	17		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	16/11/2022
Resource and Skill Risk	18		Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding. Following local elections, which took place in May 2022, the composition of the Committee has changed.	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	16/11/2022

Regulatory and Compliance Risk	19		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 23 August 2022, 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	16/11/2022
Liability Risk	20		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	16/11/2022
Page 163 Liability Risk	21		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	16/11/2022
Liability Risk	22		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 £100m in cash held within a short duration bond fund and LCIV Absolute Return 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.£22m cashflow negative from 2022/23 onwards.	1	12	16/11/2022
Regulatory and Compliance Risk	23		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 be 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	16/11/2022
Regulatory and Compliance Risk	24		Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation.	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	16/11/2022

Liability Risk	25		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	16/11/2022
Reputational Risk	26		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	16/11/2022
Reputational Risk	27		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	16/11/2022
Asset and Investment Risk	28		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	16/11/2022
Liability Risk	29		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	16/11/2022
Liability Risk	30		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	16/11/2022
Asset and Investment Risk	31		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	16/11/2022
Asset and Investment Risk	32		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	16/11/2022
Asset and Investment Risk	33		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	16/11/2022

Resource and Skill Risk	34		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	16/11/2022
Regulatory and Compliance Risk	35		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	16/11/2022
Reputational Risk	36		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	16/11/2022
Liability Risk	37		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	16/11/2022
Page 105 Liability Risk	38		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	16/11/2022
Regulatory and Compliance Risk	39		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	16/11/2022
Regulatory and Compliance Risk	40		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	16/11/2022

Regulatory and Compliance Risk	41		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	16/11/2022
Regulatory and Compliance Risk	42		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	16/11/2022



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	6 December 2022
Classification:	Public (Appendix 1 is Exempt)
Title:	UK Stewardship Code 2020
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 <i>Tri-Borough Director of Treasury and Pensions</i> ptriggs@westminster.gov.uk 020 7641 4136

1 Executive Summary

- 1.1 The purpose of this report is to present the City of Westminster Pension Fund's most recent application to the Financial Reporting Council's (FRC) UK Stewardship Code (the Code) 2020 signatory list.

2 Recommendation

2.1 The Pension Fund Committee is requested to:

- Note the attached (appendix 1) application to the FRC UK Stewardship Code 2020.
- Approve that Appendix 1 to this report is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person, including the authority holding that information, as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

3 Background

- 3.1 The Stewardship Code is a set of principles released in 2010 and updated in 2020 by the Financial Reporting Council, directed at institutional investors who hold voting rights in United Kingdom companies. Its principal aim is to make shareholders, who manage other people's money, be active and engage in corporate governance in the interests of their beneficiaries.
- 3.2 The UK Stewardship Code 2020 sets high stewardship standards for asset owners and asset managers, and for service providers that support them. The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but, if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so.
- 3.3 To become a signatory of the Code, applicants must submit a Stewardship Report to the FRC demonstrating how the principles of the Code have been applied during the previous 12 months. The FRC reviews applications to assess whether they meet its expected reporting standards, and successful organisations are listed as a signatory to the Code. Once accepted onto the signatories list, organisations must reapply annually.
- 3.4 As detailed in the application, attached at appendix 1, the Pension Fund has made great strides during the year in relation to responsible investment and stewardship of the Fund's assets. As at 30 September 2022, the Fund had c.£58m invested within renewable infrastructure with a further c.£52m to be drawn. Assets are targeted to solar power, onshore and offshore wind, alongside supporting infrastructure such as battery storage and connection assets.
- 3.5 In addition, the Fund commissioned a review of its property mandates with a view to investing within social supported and affordable housing. The Pension Fund made commitments to both affordable housing and socially supported housing totalling 5% of the Fund. The allocation has a long-term goal of providing 13,000 new homes that cost no more than 35% of an average household's gross income and across sectors, including children's services housing, specialised supported housing and older person supported housing within the supported living market.
- 3.6 As per the most recent update to the signatories, on 7 September 2022, if the City of Westminster Pension Fund is successful in its application it will be amongst only a handful of LGPS funds in London to achieve this accolade. Westminster submitted a submission to the Code for 31 October 2022 deadline, with a decision on whether it has been successful expected during March 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: FRC UK Stewardship Code 2020 Westminster Application (Exempt)

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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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Pension Fund Committee

Date:	6th December 2022
Classification:	General Release
Title:	Pension Administration Update
Report of:	Sarah Hay, Pensions Officer People Services
Wards Involved:	All
Policy Context:	Service Delivery
Financial Summary:	£

1. Introduction

1.2 This report provides a summary of the performance of Hampshire Pension Services (HPS) with the Key Performance Indicators (KPIs) for the month of October 2022. In Section 3, I have updated the Pension Committee on the November 2022 data scores and given a brief update on our continuing data work. In section 4 I confirm that Harris have now signed the Compass admission agreement. This paper is for information only, there are no decisions required as a result of this paper.

2.1 KPI Performance

2.2 The scope of the KPIs in this report have been agreed between WCC and HPS in our agreement.

2.3 This paper covers the period of October 2022.

2.4 KPI performance for each month is within each partnership report. HPS report 100% compliance within the agreed KPI in each month. The majority of our KPIs require cases to be completed within 15 days. HPS do provide a breakdown for each category that shows the number of cases processed in each 5-day block.

2.5 Below I have summarised the cases completed in each category in the month.

KPI	Target Days	Oct-22
Active Retirement	15 days	8
Deferred Retirement	15 days	21
Estimates	15 days	46
Deferred Benefits	30 days	56
Transfers In & Out	15 days	1
Divorce	15 days	3
Refunds	15 days	17
Rejoiners	20 days	3
Interfunds	15 days	24
Death Benefits	15 days	13
Grand Total		192
		100%

2.6 There has only been one additional KPI reporting period available since the last Pension Committee meeting. The total case numbers processed in October increased back to 192 cases from 143 in September and reflect additional work coming in as employers responded to data requests from the fund as a result of the 2022 annual returns. There are currently 161 business as usual cases pending action which is a reduction on the prior month.

2.7 The fund strategy working with HPS is to increase the interaction the fund has with members via the member portal. In the last Committee report I updated that at the end of September we had 27.63% of members signed up to the member portal. This has now increased to 28.65% as at the end of October as broken down below. HPS are due to send out a letter to pensioners and deferred members who have not accessed the portal yet to encourage more to access their records.

Portal	Opted IN
Active	36.80%
Deferred	21.29%
Pensioner	29.15%
TOTAL	30.13%

2.8 In October there was one compliment received by HPS made by members and outlined below. There were also one compliant.

October Compliments was ", Prompt and reassuring reply."

2.9 Complaint raised was by a member who tried to access the portal whilst it was offline due to the cyber issue previously covered. The member then could not access the portal when it was brought back online, HPS reached out and helped the member to access his online records and the member was satisfied that his access issue was resolved.

3. Data Scores and Data Work

3.1 I am pleased to advise the Committee that that I have now received our November 2022 data scores and both common and scheme specific data have improved. The first data we measure is “common data” This will include standard information that all funds hold for members, including address details, date of birth, NI number. The second is “scheme specific” and will include items that only defined benefit schemes have including service lines, Career Revalued Earnings (CARE) pay, whole time pay etc. Our last data scores are set out below.

	Nov-21	Nov-22
Common Data	72%	82%
Scheme Specific	87%	89%

3.2 We will be delving into the issues with HPS that prevent our data being 100% in both categories in due course. In the next few months however, our focus will be on the data work already agreed i.e the backlog project the data work following the annual returns and the address tracing work. These projects should help clean our data and have the most imminent impact on our members.

3.3 The backlog project is well underway now with 536 cases in scope. Not all responses from employers have been received by HPS and so work is being done to chase employers to send in their missing data. The internal team is also going to have to guesstimate 10 leaver forms for people who had worked at Quintin Kynaston School who left before September 2017 when it became Harris Academy as no data is available to the employer to complete that work. College Park and Queen Elizabeth, the Second, have also asked if the fund can complete the leavers forms for them with their raw data as they lack the resources to do so themselves. We will review and see if we can complete the work but would need to charge the schools for this if we can resource.

3.4 I will be able to give a full update on the numbers at the next Pension Committee meeting but as an idea there were 68 records that had been deferred that were pending checking. There are also 15 refunds waiting to be approved for payment as of the 16th of November 2022, this is on top of the 94 cases that had already been completed. There is more work pending processing and queries going back and forth with employers thus clearer picture on the numbers will be available in January 2023.

- 3.6 In the last report I confirmed that we had 78 outstanding queries following the 2022 annual returns reduced from an original 775. We have now managed to reduce the outstanding queries to 63, the remaining queries are primarily with a few employers, St Marylebone School has the largest number of queries outstanding. The fund has raised a PAS charge of £100 of St Marylebone and contact has been made with the Head asking that the remaining data is cleared. More PAS charges will follow where engagement is not happening. We also have concerns about St Marylebone Bridge School and St Augustine's but most employers and payroll providers are engaging with the fund trying to resolve outstanding cases.

Outstanding Queries at 14/10/2022						
Starters	Leavers	Missing Data	Add Conts	Pay *	Other	Total *
34	5	33	0	6	0	78

Employer Name	Starters	Leavers	Missing Data	Pay	Other	Total
WCC Maintained Schools (Strictly Edu)		1	6		4	11
St Marylebone School (Academy)	18		5	1		22
College Park and Queen Elizabeth II (WCC)		1				1
St Augustine's Primary and High School (WCC)			13			13
St Marylebone C E Bridge Schl	6		1			7
Future Acad - Pimlico Primary Academy	1	1	3		1	6
Future Acad - Churchill Gardens Academy		1	1			2
Harris St Johns Wood Academy **			1			1

Total 63

- 3.7 Address tracing has recommenced as per the last Pension Committee report but there is no further update on responses at this time.

4 Employer Updates / Other Admin Issues

- 4.1 An update on the Compass Admission Agreement for the ten staff that were tupe transferred to them in 2018 from Harris Academy. Harris have now signed the admission agreement we are expecting the document to be signed by Compass then we will arrange sealing in WCC. This should be resolved shortly and the members records resolved. I have advised Harris that they must engage the fund before reletting this contract which I understand is due to end in August 2023.

5. Summary

- 5.1 In Section 2, I covered the KPI data for the period October 2022 is 100% within the agreed target.
- 5.2 In section 3, I update the Pension Committee on our improved 2022 data scores. In addition, I give a brief outline of the progress on the backlog project and the annual return queries since the last report.
- 5.3 Finally in section 4, I updated the Committee that we are now close to finalising the Admission Agreement for the ten staff that were transferred to Harris after Harris finally agreed to sign the Admission Agreement.
- 5.4 There are no decisions required from the Pension Committee in relation to this paper.

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Pension Fund Committee

Date:	6th December 2022
Classification:	General Release
Title:	London Diocesan Board of Schools
Report of:	Sarah Hay, Pensions Officer People Services
Wards Involved:	All
Policy Context:	Service Delivery
Financial Summary:	£ unknown

1. Introduction

1.2 This report provides a brief outline of the request from the London Diocesan Board of Schools (LDBS) to be granted access to the Westminster Pension Fund.

2. London Diocesan Board of Schools

2.1 On the 4th of November 2022, Terri Patterson, Head of People and Culture at the LDBS contacted Hampshire Pension Services asking if they could become an admitted body in the City of Westminster Pension Fund.

2.2 The E-mail was passed to Sarah Hay Strategic Pension Lead and Sarah asked Terri to confirm if the LDBS was a particular type of organisation one that may mean under LGPS regulation schedules access to the fund would be deemed automatic. For example, academies and the proprietors of academies are listed as scheduled bodies and the fund has to allow them access without an admission agreement.

2.3 Terri responded and indicated that LDBS which is a registered charity is not a scheduled body therefore it is entirely up to the fund if we grant access and if we do to set criteria for access to our pension fund.

2.4 Generally I would not suggest to the Pension Committee, we accept a new employer unless one of our existing fund employers is tupe transferring staff to them or they are a scheduled body with entitlements to access the fund. LDBS meets neither requirement but they are working in Westminster and supporting

Westminster schools and so the Committee may want to consider the merits of their application.

- 2.5 The LDBS have a relationship with 26 WCC schools. They work with Church of England Schools and some Roman Catholic Schools, and they appear to be focussed on improving academic standards in the schools they support.
- 2.6 LDBS employee approximately 30 people most of whom are eligible for the Teachers Pension Scheme (TPS). They have not identified to us yet how many roles that they believe would be potentially eligible for the LGPS should we allow access. However, if the majority of staff are in the TPS then I would only expect a few roles to be eligible for the LGPS.
- 2.7 LDBS have advised that they recruit staff from the Local Government Sector and therefore being able to offer the LGPS to non-teaching staff would help them to attract people with the experience they need to deliver their key services.
- 2.8 A credit status report has been requested in relation to the LDBS but is not available at the time of writing this report.
- 2.9 I have not engaged actuarial or legal on any specifics of the request of the LDBS to join the fund as yet as this would generate costs which I would avoid if the Pension Committee were not mindful to accept the application.
- 2.10 The Pension Committee should be aware that there is risk associated with accepting any new employer into the fund. Risk can be mitigated with guarantees and bonds, but you have to check with bonds that they are in date and cover all your potential liability. Reviewing liability on an ongoing basis comes with actuarial costs and although we could ask LDBS to cover the cost of any actuarial fees if we reached a point where they could not pay for this or if they could not renew a bond the fund could be exposed to potential additional liabilities.
- 2.11 LDBS have been asked what guarantees or security they could offer the fund and the answer is pending at the time of writing this report.

3. Summary

- 3.1 I am asking the Pension Committee to give me a steer on the approach they would like me to take with LDBS request to join the City of Westminster Pension Fund.



Pension Fund Committee

Date:	6th December 2022
Classification:	General
Title:	LGPS Projects & Governance Update
Report of:	Diana McDonnell-Pascoe Pension Project and Governance Lead, People Services
Wards Involved:	All
Policy Context:	Service Delivery
Financial Summary:	£38,810.95

1. Introduction

The purpose of this paper is to update the Pension Committee on the various projects and governance activities being undertaken by the Pensions and Payroll Team to improve the administration of the City of Westminster Pension Fund (COWPF) Local Government Pension Scheme (LGPS).

2. Current Projects

2.1. Statutory Projects

2.1.1. Guaranteed Minimum Pension (GMP)

At the time of writing this paper, there is a risk to the project not being completed ahead of Pensions Increases in April 2023. This risk has developed since the previous Committee Meeting in October and is down to delays at during the data analysis part of the rectification phase. Mercer have advised by email on 23rd November 2022 that they believe they are still on track to meet the February

deadline however we are still waiting for a revised project plan detailing the risk mitigation and how they propose to pull the time back and complete as expected.

We are disappointed in the continual delays in receiving the revised project plan and we have expressed our frustration to Mercer. In return, we are collaborating with Procurement and the Head of Supplier Relationships, Tony Roy, to explore our options. We are also collaborating with Hampshire Pension Services on how to mitigate the risk and we are still striving to meet our intended deadline.

With respect to project costs, HPS have given us an indication of the cost of uploading the rectified data. At present, this cost is approximately £30,000 and is detailed as follows:

- They have estimated 13 to 20 days of Civica / Intellica resource would be needed to upload the rectified GMP data in to UPM and support the work to adjust pensions in payment. Based on a maximum of 20 days' resource, the charge would be £24,000 at most.
- They have estimated roughly 21 days of HPS resource to support the upload and adjustments which comes to approximately £6,000.

I would ask the Committee's approval to raise a purchase order for £30,000 with the understanding that all spend against it will be carefully monitored. We have confidence that HPS will only charge us for work completed.

2.1.2. McCloud

The McCloud judgement was aimed at preventing age discrimination in the LGPS. COWPF LGPS will recalculate the benefits for eligible members for the remedy period of 1st April 2014 to 31st March 2022.

2.1.2.1. Workstream 1 – COWPF Employer Data Collection – led by Zuzana Fernandes, COWPF Pension Team

All employers are working with current and legacy payroll systems and payroll providers to obtain the data required and there is slower progress with some employers due to the complexity of obtaining the data required.

Hampshire Pension Services (HPS) have completed the second round of chasing for outstanding returns, and they are waiting two weeks to allow employers to have the chance to respond before escalating to the fund. The HPS internal project board continues to meet on a regular basis to discuss progress and prepare for any work that can be completed now to prepare us for Remedy.

Data Collection for remedy period of 1st April 2014 to 31st March 2022

HPS have received 23 of 37 completed service/break data sets from Westminster employers in October; initial data checks have been completed on all the data sets received. This represents 19.79% of the membership population who are likely to require McCloud remedy. This is an increase of three data sets (approx. 2%) and is a good improvement given the complexity of obtaining legacy data. Also in October, there were 14 employers yet to provide data which is a decrease from 17 employers in the previous month.

Data Collection for remedy period of 1st April 2021 to 31st March 2022

Although there were no additional submissions of data in October which remains at 21 of 39 completed service/data sets from Westminster employers received (i.e., 15.33% of the membership who are likely to require McCloud remedy), HPS have uploaded 6 of the 9 original service/break data sets to the system.

2.1.2.2. Workstream 2 – WCC Data Collection – led by Diana McDonnell-Pascoe, WCC Payroll Team

In this workstream we are collecting the McCloud data for Westminster City Council as an employer. We have three legacy payroll systems (Oracle, Agresso and CIPHR) and the current payroll system, IBC, to obtain the data from.

We have been updating HPS at a monthly McCloud meeting so that they are apprised of our progress.

Current progress is as follows:

- IBC data has been collected, collated, and shared with HPS as of June 2022.
- BT Agresso legacy data collection is expected to be completed by Sarah Hay in December 2022.
- CIPHR legacy data collection – manual collection
 - The manual collection of data is progressing with purpose. Currently Tracey Fuller is cross-matching spreadsheet data against pdf payslip data which requires a high degree of accuracy. We are having weekly updates on progress and are desirous of completing in January 2023.
- CIPHR legacy data collection – automated reporting
 - The first iteration of the new PowerBI interface of the CIPHR data in the corporate data warehouse has been developed which is a significant early achievement for the project team. During this build phase, the interface is without personally identifiable data (PID) so that it can be tested and refined in iterative steps. PID will be loaded into the interface once we are ready to go into final testing in the pre-production phase. This is in line with our GDPR protocols. The interface will start user testing with the pensions and payroll team on 3rd December which is a significant milestone. We are continuing with the manual collecting of the McCloud data notwithstanding this progress however, because a) we need a gold standard of data to audit against and b) this project may not be completed before the manual collection is completed so it would be unwise to abandon the manual collection.

- Oracle Legacy Data Collection
 - We have restarted the process of obtaining our Oracle legacy data and are working with a new customer liaison team at Oracle Corporation. Our request to them is to investigate a method of completing the McCloud data template on our behalf as we do not have the facility to generate any reports ourselves. Ideally, they will be able to complete this on our behalf. If this is not possible, we will explore other ways of obtaining our data with them.

2.1.2.3. Workstream 3 – LGPS Benefits Recalculation Exercise – led by Hayley Read, HPS Pension Team

There is no update under this workstream yet because Phase 2 has not launched.

2.2. Pensions Dashboards

As presented in my last paper, the Pensions Dashboard, as per the programme initiated by The Money and Pensions Service (MaPS), will become a priority project in the next financial year when we go to stage between April 2023 and September 2024.

We have now been presented with a Pension Dashboard Programme report from Hampshire Pension Services setting out the delivery plan for engaging with the programme.

Key takeaways from the report are as follows:

- At present, only active and deferred member benefits are in scope; pensioners and members with preserved/unclaimed refunds will not be included in the data set being provided to the Pensions Dashboard.
- The legislation sets out significant roles for The Pensions Regulator (TPR) who will regulate the compliance of public-sector pension providers and

schemes in providing data to individuals via their chosen dashboard – they will have powers to issue penalty notices to schemes and third parties.

- Pension benefit information must be made available via the pension dashboard by 1 April 2025 and cover both benefit options, to reflect McCloud remedy.
- HPS have chosen to use an integrated service provider (ISP), Civica, who will be responsible for:
 - Connecting to the dashboard ecosystem.
 - Providing both 'View' and 'Find' information to the Pensions Dashboard.
 - Managing member matching, and reporting 'partial matches' back to HPS.
 - Providing governance and monitoring tools

We have also been given an indication of costs for engaging with this programme. **The total cost as it stands at present is £8,810.95** (£8,100 indicative, £710.95 confirmed).

There are three categories of costs.

Category One: ISP Implementation Fee – one off cost.

City of Westminster Pension Fund's (COWPF's) share of the ISP Implementation Fee and based on the LGPS membership numbers as of 30th September 2022, i.e., 11,814 active and deferred members, this share of the ISP implementation fee is £710.95 and is payable by March 2023.

Category Two: ISP annual maintenance fee – ongoing cost.

COWPF's share of Civica's indicative ISP annual maintenance fee – payable from September 2024 – is £4,700 and will be increased by the Retail Price Index (RPI) each September.

Category Three: HPS resourcing to support the implementation – ongoing cost.

The HPS resource that will be required to support implementation and respond to member queries and 'partial matches' is currently estimated to be an additional 2 FTE staff. The cost of the 2 FTE will be split across all schemes they support based on scheme membership, and the indicative cost for the COWPF, per annum would be £3,400. This would increase in line with staff pay awards. This resourcing is estimated and will be reviewed and adjusted based on requirements as the project progresses.

I would like to ask the Committee's approval to pay the one-off cost of £710.95 in December 2022. When the indicative costs have been confirmed, I will return to seek approval of the confirmed costs.

2.3. Non-Statutory Projects

2.3.1. Pension Website Review

A kick off meeting was held with WCC's Customer Engagement team's Digital Lead to start the process of migrating from the current pension's website to the council website. The Digital Lead, Rebecca Gordon, will lead on facilitating this move which will include key stakeholders in different council teams and co-ordinating activities to the timeline.

The timeline has been initially set as follows:

- Project scoping and work breakdown planning including comms and engagement: November 2022 – Jan/Feb 2023
- Website development commences: Feb 2023
- Engagement with Customers (Focus Groups, User Acceptance testing etc): Spring/Summer 2023
- Digital Accessibility Audit (external): Summer 2023
- Website development completion: September 2023
- Final user testing and Soft Launch: mid-October 2023
- Decommission of existing site: 31st October 2023.

- Go-live: 1st November 2023

The overall project aim is to create a digitally accessible, curated website with clear planned pathways for users to access the information they need to be fully engaged with their pensions and to understand the pension information we provide. Our intention is to engage with identified categories of users of the site to ensure that the user experience is optimised and streamlined. We also want to connect with the analytics available to us to evaluate our communications campaigns and user activities on the site.

3. Governance

3.1. Business Continuity Planning

As HPS are our administration partner, we include them in our WCC business continuity planning. I will be engaging with HPS in 2023 to ensure alignment on business continuity planning.

3.2. External Audit

To prepare for next year's external audit by Grant Thornton, I will be attending the planning meeting with Finance colleagues to represent the administration side of the team. I intend to hold planning meetings with Hampshire Pension Services so we can prepare specific contacts for certain audit topics. HPS approve of this approach and have committed to supporting improved preparations for next year. As HPS will have managed the administration of the LGPS from start to finish of the next audit period, we expect next year's audit to progress smoothly.

3.3. Internal Audit

In Q4 of this financial year, Internal Audit will audit the pension projects. The planning meeting will be mid-January. I will update the Committee on this at the next meeting.

4. Summary

- 4.1.** The Guaranteed Minimum Pension project is at risk of not being completed before Pensions Increases in 2023 however, Mercer have advised by email on 23rd November 2022 that they believe they are still on track to meet the February deadline. Nevertheless, we are still waiting for a revised project plan detailing the risk mitigation and how they propose to pull the time back and complete as expected. Hampshire Pension Services have given us an indicated cost profile for their part in completing the project which is approx. £30,000.
- 4.2.** The McCloud project is progressing with purpose, and we expect to have the first of the legacy systems' (BT Agresso) data collection completed by December 2022. We are aiming to get the CIPHR data collection completed by January 2023, and we are re-engaging with Oracle Corporation to ascertain if they can complete the data collection on our behalf.
- 4.3.** The Pensions Website migration project has commenced, and we have a first draft timeline of activities to get the new micro-site up and running by October 2023. I will update further at the next Committee meeting.
- 4.4.** The Pensions Dashboard, as per the programme initiated by The Money and Pensions Service (MaPS), will be a priority project in the next financial year. COWPF LGPS will need to supply data to the dashboard, and we will work with HPS and Civica to connect to the dashboard when it is time for us to be staged. We have received a comprehensive report from HPS detailing the project so far, key decisions and obligations and setting out expected costs. Confirmed costs so far are £710.95 and indicative costs are approx. £8,100.
- 4.5.** Key Governance activities are being planned for 2023 starting with an Internal Audit focusing on pension projects in January 2023.

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