



Notice of Meeting:

Pension Fund Panel

Meeting Location:

Committee Room 5, Perceval House, 14-16 Uxbridge Road, Ealing, London W5 2HL

Date and Time:

Thursday, 21 March 2024 at 7.00 pm

Contact for Enquiries:

Email: democraticservices@ealing.gov.uk

Telephone: 020 8825 6302

Chief Executive:

Tony Clements

This meeting will be held in public. If you would like attend in person and have any special requirements in order to attend, please email democraticservices@ealing.gov.uk or telephone on 020 8825 6302 at least three clear working days in advance wherever possible.

Committee Membership: Councillors

C Anderson (Chair), D Martin (Vice-Chair), Y Johnson, M Rice, R Wall, I Nijhar and A Young

Trade Union Representative: S. Kalsi

AGENDA

1 Apologies for Absence

2 Urgent Matters

3 Declarations of Interest

4 Matters to be Considered in Private

Any discussions relating to Appendix 3 (report 2) and Appendix E (report 1), will be held in private as these appendices contain information that is exempt from disclosure by virtue of paragraph(s) 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

5 Minutes (Pages 5 - 10)

To approve as a correct record the minutes of the meeting of the Pension Fund Panel held on 14 December 2023.

6 Appreciation and welcome

Thanks, and goodbye to Philip Pearson and welcome to Matt Woodman (Hymans)

7 Training

Property Update

Presentation delivered by Les Ross, (Fund Manager) and Euan Baird (Director, UK Institutional) from Aberdeen– 30 minutes.

HSBC UK Direct Lending Fund II

Presentation delivered by executives from the HSBC Senior UK Direct Lending Fund II – 30 minutes.

8 Pension Fund Administration Update (Pages 11 - 50)

9 Pension Fund Performance Monitor Update for Quarter ended 31 December 2023 (Pages 51 - 130)

10 Pension Fund Budgetary Estimate and Work Plan 2024-25 (Pages 131 - 148)

11 Date of Next meeting

The next Pension Fund Panel meeting will be held on 23 July 2024.

Published: 13 March 2024

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Minutes of the meeting of the Pension Fund Panel

Date: Thursday, 14 December 2023

Venue: Room 5.12, Perceval House, 14-16 Uxbridge Road, Ealing W5 2HL

Attendees (in person): Councillors

C Anderson (Chair)

D Martin (Vice-Chair), Y Johnson, R Wall, I Nijhar and A Young

Apologies:

Attendees (virtual): Councillors

M Rice

1 Apologies for Absence

There were none.

2 Urgent Matters

Bridget Uku informed the panel that the recommendation on point 1.25 on pg 208 of the agenda pack should have included:

Authorise the Strategic Director Resources to progress and oversee the implementation of the revised strategy following consultation with the (PFP) Chair, Vice Chair and Opposition spokesman and report back at regular intervals.

3 Declarations of Interest

There were none.

4 Matters to be Considered in Private

The Chair clarified the items to be considered in private for the panel which included the Training item 6 would be held in private as they contained information that was exempt from disclosure by virtue of paragraph(s) of Part 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

5 Minutes

That the minutes of the Pension Fund Panel meeting held on 12 September were signed and agreed as a true and accurate record.

6 Training - Alternative Investments

Mike Kew and James Penny, from Darwin Alternatives presented a status update to the Pension Board.

Resolved:

That, the panel thanked Mike Kew and James Penny for the presentation.

7 Strategy Review and Fund Performance Update

The chair invited Bridget Uku and Phillip Pearson to update the board on the pension fund strategy review.

Resolved:

That the panel thanked Phillip Pearson and Bridget Uku for their presentation.

8 Pension Fund Administration Update

The Chair invited Jenny Connett to present the pension fund administration update. She stated that:

- Performance had increased recently after a readjustment to a new administrative system.
- The number of pensioners that were under Ealing's pension fund had increased and expected to continue to increase.

In response to the panel Jenny Connett stated that:

- There were some outstanding cases to catch up with, because of these cases largely being death related and they are complex cases.
- the 1 to 1 sessions got booked up very quickly and there was not enough capacity to meet with every pension member.
- Pensioners in need of urgent payments could expect to receive funds in a matter of days and the pension fund would not lend money.
- There was no way to force people to take the survey and recognised that there was little statistical use in the graphs of very few survey respondents.

Resolved:

That the panel thanked Jenny Connett for her presentation and noted the report.

9 Pension Fund Performance Monitor Update for Quarter ended 30 September 2023

The Chair invited Bridget Uku to present the pension fund performance update.

Bridget Uku presented the report that could be found on pages 43 – 72.

Bridget stated that:

- The council had written a redemption notice to Lothbury Management. She added that Lothbury Management potentially would be under a new owner in the new year and Ealing would be happy to invest given new ownership.
- The fund had been underperforming compared to expectations in several areas.
- The chancellor had asked councils to begin pooling investments expecting listed securities to be pooled by 31 March 2025.
- The government had also requested that councils increase their private equity funds up to 10% of their total portfolio.

In response to the panel Bridget Uku and Phillip Pearson stated that:

- Some funds could take 10-15 years to pool their funds, Ealing could take only 3-4 years.
- Student accommodation will not perform as well over the next year as student numbers had peaked and many could not afford the rates currently charged. He stated that student accommodation was still an interesting asset class and there was still growth potential.
- Lothbury had requested that their termination be extended until March 2024 to allow merger discussions to proceed.

Resolved:

That the panel thanked Bridget Uku and Phillip Pearson for their presentation and approve all recommendations within the report.

10 2022-23 Pension Fund Annual Report and Audit Arrangements

The Chair invited Bridget Uku to present the pension fund annual report and audit arrangements.

Bridget Uku presented the report that could be found on pages 73 – 206.

Resolved:

That the panel approve the recommendation within the report.

11 The Pension Fund Asset Allocation Strategy Review

The Chair invited Bridget Uku to present the pension fund asset allocation strategy review.

Bridget Uku gave an overview of the report and the recommendation that could be found on pages 207-250.

Phillip Pearson explained to the panel the strategy revision and the suggested reasons for it. He highlighted the main goals of the strategy revision which were:

- Active risk removal
- Diversify property
- Accelerate implementation to progress to net zero
- Implement new asset classes

Resolved:

That the panel thank Bridget Uku and Phillip Pearson and approve all recommendations within the report.

12 Ealing Pension Fund Responsible Investment

The Chair invited Bridget Uku to present the report.

Bridget Uku presented the report that could be found on pages 251 – 262. She stated that:

- The fund was less carbon intense than the general market.
- Ealing was still waiting on quotes from consultants to assist Ealing and waiting for guidance for local authorities on how to decarbonise.

Phillip Pearson stated that:

Ealing was way ahead of the curve in decarbonising their fund and their contributions to green companies was well above average.

There were a few changes that could be made to accelerate the funds decarbonising.

There were funds that promise a 7% reduction in carbon year on year in line with the IPCC's recommendation for global warming below 1.5 degrees.

Resolved:

That the panel thanked Bridget Uku and Phillip Pearson for their report and approve all recommendations.

13 Date of Next meeting

Meeting commenced: 7.00 pm

Meeting finished: 8.33 pm

Signed:

Dated: Thursday, 21 March 2024

C Anderson (Chair)

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Report for: ACTION/INFORMATION
Item Number:

Contains Confidential or Exempt Information	Yes
Title	Pensions Administration – Monitoring and Contract Arrangements Update
Responsible Officer(s)	Mark Nelson MNelson@ealing.gov.uk
Author(s)	Jenny Connett jennconn@ealing.gov.uk
Portfolio(s)	CIr Callum Anderson – Chair of the Pension Fund Panel
For Consideration, By	Pensions Fund Panel
Date to be considered	21 March 2024
Implementation Date if Not Called In	None
Affected Wards	None
Keywords/Index	Pension administration, Monitoring, LPPA

<p>Purpose of Report: This report:</p> <ol style="list-style-type: none"> 1. Updates the panel on the performance of the external contractor, Local Pensions Partnership Administration (LPPA), who are responsible for the pension administration contract. 2. Seeks approval for an increase in the annual cost of the pension administration contract.
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1. Recommendations

- The Panel is recommended to note the performance of the LPPA. Appendix 1 sets out the LPPA’s Quarterly Administration report covering the period 1/10/2023 – 31/12/2023.
- The Panel is recommended to accept the 2024/25 pensions administration budget proposed by the LPPA as detailed in confidential Appendix 2.

2. Summary of Current Position

- Performance Figures: Appendix 1 – LPPA Quarterly Administration Report Q3 - 1/10/2023 – 31/12/2023.

The report shows the quarterly overall SLA performance was 97.6% (meeting the 95% target).

All payment cases completed by the LPPA are checked by Ealing staff to ensure that payments are correct, and that all documentation is correctly stored on the pensions administration system.

- The LPPA have provided a proposed budget for 2024/25 in confidential Appendix 2.
The increased budget is due to the following:
 1. An increase in the overall membership of the fund, by 4.2%.
 2. Inflationary increases (including supplier and staffing and salary costs).
 3. Additional work required due to McCloud and the Pensions Dashboard.
 4. Reduced smoothed cost carried forward from the 2023/24. This represents a true up cost from 23/24 which it was agreed would be spread over a 3-year period.
 5. True up from the 2022/23 budget.
 6. The Efficiency and Service Improvement programme.
 7. Further investment in cyber security.
- The Pensions AGM was held on 21 February, 322 people applied for a one-to-one appointment, 120 appointments took place on the day, with 202 email responses to questions that were sent in. Most people were interested in their options for retirement.
- We have started the submission of monthly reports to the LPPA from 1 April 2023 and will be up to date by the end of April 2024.
- Annual Benefit Statements - the LPPA have 5 outstanding annual benefit statements that they are able to produce from 2023, which they are continuing to work on.

3. Outstanding Issues

The pensioners reconciliation project is ongoing. This will reconcile the pensions that are in payment on i Trent with the pensions administration system UPM.

Where overpayments of pensions were identified, the correct pension payments are now in place going forward.

The remaining issues are in connection with possible under payments of pension. Most of these cases are due to pension increases not being up to date on the pensions administration system, with the correct payments being made on the payroll. This is a future project that the LPPA will be looking at this year.

We are currently carrying out a reconciliation of new pensions coming into payment from 1/4/2020 to 31/10/2023.

4. Financial

The cost of the contract is fully met from the Pension Fund revenue budget.

5. Legal

None

6. Value for Money

Statistics on the Local Government Pension Scheme, show that Ealing Councils overall administration costs, (which include the LPPA's costs), are just above the average when compared to other London Boroughs.

7. Staffing / Workforce and Accommodation Implications

Monitoring performance by the LPPA and managing the contract, is dealt with by 5 FTE Ealing employees, who make up the Pensions Monitoring Team. This team also deals with the administration of the Teacher's Pension Scheme.

8. Property and Assets

None

9. Any Other Implications

None

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LPP

Local Pensions Partnership
Administration

Ealing Pension Fund

Quarterly Administration Report

1st October - 31st December 2023

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DEFINITIONS

Page 8

Total Fund Membership

Total Fund Membership is the number of Member records held on the LPPA pensions administration system that are contributing to, awaiting benefits, or receiving benefits from the pension fund.

Current Age Demographic

The age profile of the Membership is split across three types of status:

Active Members – Members who are currently contributing toward their pension benefits.

Deferred Members – Members who hold a deferred benefit in the fund.

Pensioner Members – Pensioners and Dependants who are currently receiving a pension.

Page 10

Casework Performance - All Cases

Performance is measured once all information is made available to LPPA to enable them to complete the process.

Relevant processes are assigned a target timescale for completion, and the performance is measured as the percentage of processes that have been completed within that timescale.

Page 11

Casework Performance - Standard

The category of 'Other' on this page covers processes including, but not limited to:

- APC/AVC Queries
- Additional Concs Cessation
- Change of Hours
- Change of Personal Details
- Under Three Month Opt-Out
- Main to 50/50 Scheme Changes
- Divorce Quotes
- Divorce Settlement
- Ill Health Reviews

Please note that this page includes cases that have met the SLA target, but the stop trigger may also have been actioned before the process has been completed.

Page 12

Ongoing Casework at the end of the Reporting Quarter

Please note the number of processes brought forward, does not match the corresponding number of outstanding processes reported in the previous quarter (due to various reasons which can include; but not limited to, the deletion of a process or changes in assigned categories).

Page 14 & 15

Helpdesk Performance

Average wait time measures the time taken from the caller being placed into the queue, to them speaking with a Helpdesk adviser.

Page 20 & 21

Member Online Portal

The number and percentage of member records by status, that are registered for LPPA's Member Self-Service facility, PensionPoint.

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Common/Scheme Specific Data Fails

The Pensions Regulator requires Administrators to keep Member data up to date to ensure benefits are accurately paid. This is split by Common Data (details that are specific to the Member) and Scheme Specific Data (data that is related to the pension).

Individual Fails shows the total number of unique Members that have a single or multiple number of Common Data or Scheme Specific Data fails. On both charts, the Accuracy Rate (%) then compares the number of Individual Fails to the total number of Scheme Members.

For more detail on the Data Items / Error types presented in these charts, please visit either the [TPR](#) or [PASA](#) (The Pension Administration Standards Association) websites.

OUR CORE VALUES

This administration report is produced in accordance with the Service Level Agreement (SLA) for the provision of pension administration services.

The report describes the performance of Local Pensions Partnership Administration (LPPA) against the standards set out in the SLA.

Within LPPA, our values play a fundamental role in guiding our behaviour as we grow our pensions services business and share the benefits with our Clients.



ANNUAL PLAN

✓ COMPLETED 📅 DUE

Page 19

	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24
Annual Benefit Statement and Newsletter to Deferred Members				✓								
Pension Increases		✓										
P60s and Newsletter to Pensioners		✓										
Annual Benefit Statement and Newsletter to Active Members					✓							
Pension Saving Statements							✓					
HMRC Scheme Returns							✓					
IAS19 data				✓	✓				✓			📅

EXECUTIVE SUMMARY

Forward thinking...
Working together...
Doing the right thing...
Committed to excellence...

This performance report covers the reporting period of Q3 2023/24 (October – December 2023)

Casework and Helpdesk performance metrics continue to trend in the right direction.

Payroll

All pensioner payroll and lump sum payments due in the reporting period were made on time (this equates to over £100m, across all clients, in pension payments per month).

Statutory deadlines

All regulatory and statutory deadlines due in the reporting period were met.

- Pension Saving Statements
- HMRC Scheme Returns

Casework SLA performance

Overall performance against SLAs is above the targeted 95% and has been consistently achieved since May 2023. Performance is above or close to the 95% target in the key areas of Bereavements and Retirements.

Satisfaction scores

Helpdesk and Retirement satisfaction scores are now reported at client level as a rolling 12 month view. Moving away from the reporting across all LPPA clients will result in a reduced number of surveys completed and will affect the visual of the graphs but provides a clear view of the satisfaction in respect of your members.

Pensions Helpdesk

Helpdesk performance for average call wait time and number of answered calls is now reported at a client level, abandoned rate remains across all LPPA clients as we do not know which client a member was calling from until after a call has been accepted.



Fund Membership

In this section...

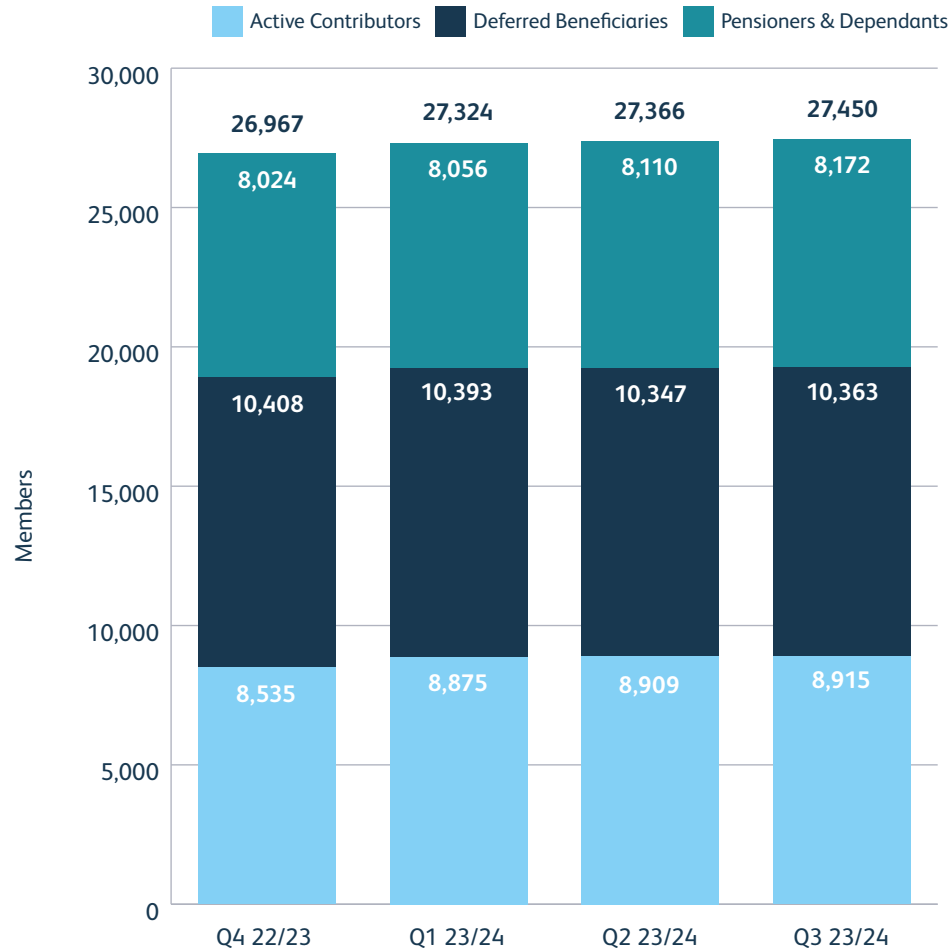
- Total fund membership
- Current age demographic

TOTAL FUND MEMBERSHIP



TOTAL FUND MEMBERSHIP

CLIENT SPECIFIC

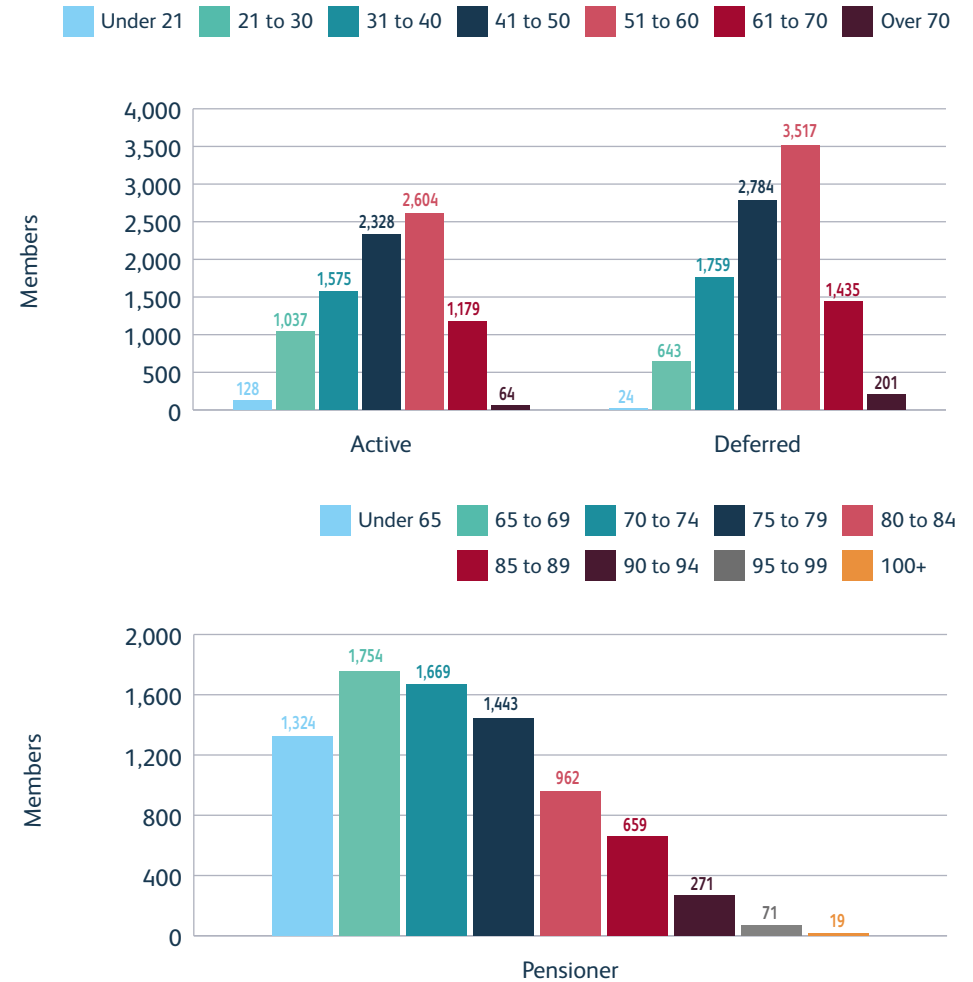


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CURRENT AGE DEMOGRAPHIC

CLIENT SPECIFIC



Casework Performance

In this section...

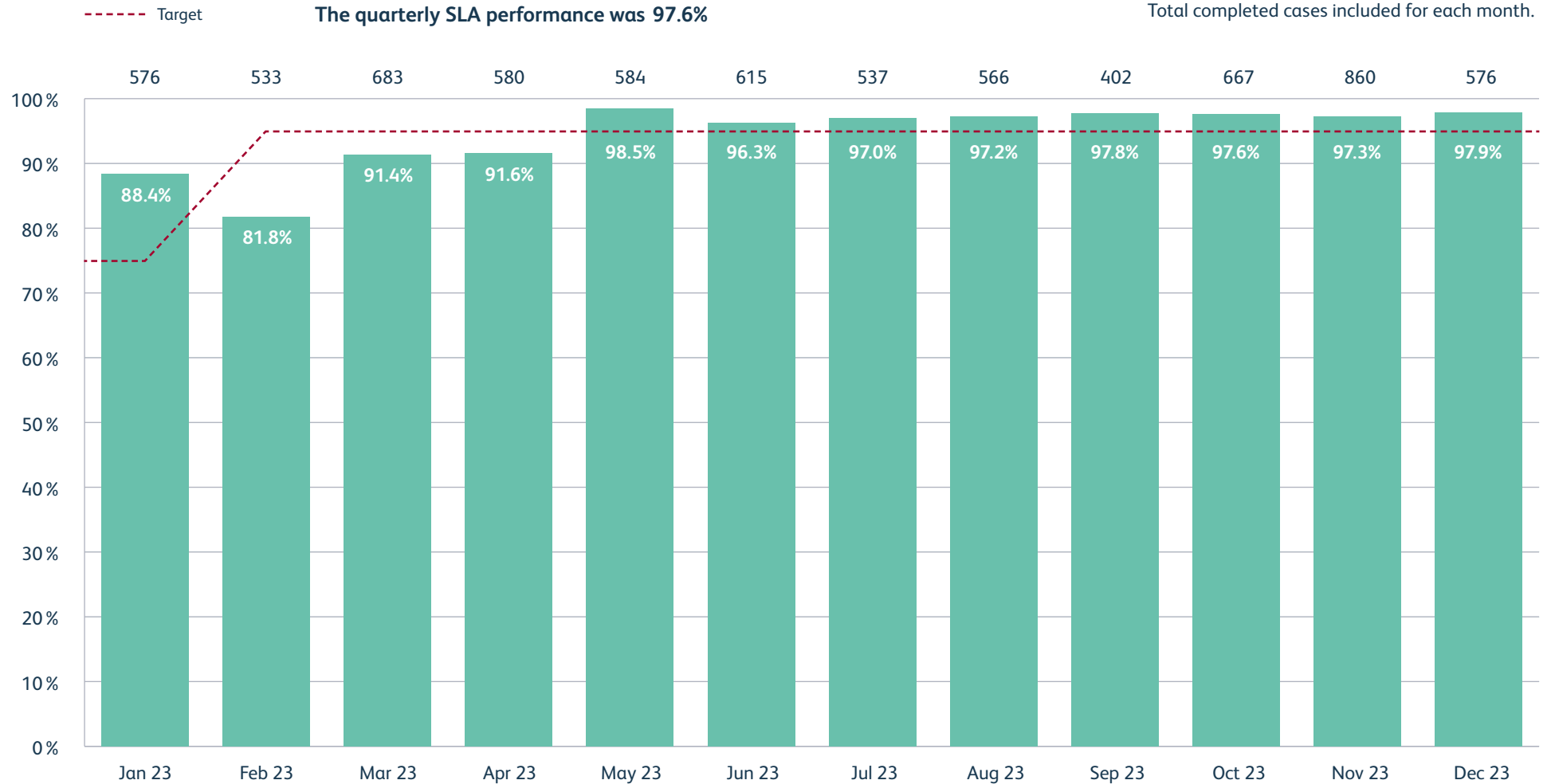
- Performance – all cases
- Performance standard
- Ongoing casework at end of reporting quarter

CASEWORK PERFORMANCE

Please note:

Agreed with clients that LPPA's monthly operational targets would be relaxed from Nov 22 to Jan 23, in line with UPM migration timings (22/23).

▾
PERFORMANCE – ALL CASES
CLIENT SPECIFIC



CASEWORK PERFORMANCE



PERFORMANCE STANDARD

CLIENT SPECIFIC

--- Target (95%)

Page 25



CASEWORK PERFORMANCE

ONGOING CASEWORK AT THE END OF THE REPORTING QUARTER CLIENT SPECIFIC

The following table is created by identifying all reportable casework within UPM, and includes those that have subsequently Completed / Aborted / Remain Outstanding within the quarter. The figures in this table cannot be compared to those in the previous slide for a number of reasons including: the table includes aborted cases, but the horizontal bar graph does not; the SLA 'stop trigger' can be actioned before the process has been completed.

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	Brought Forward at 01/10/23	Received (Inbound)	Completed (Outbound)	Outstanding as of 31/12/23
New Starters	51	400	450	1
Transfers In	267	140	112	295
Transfers Out	263	188	165	286
Estimates	43	55	74	24
Deferred Benefits	576	243	338	481
Retirements - Deferred	184	258	232	210
Retirements - Active	109	232	232	109
Refunds	112	317	321	108
Deaths	194	216	216	194
Correspondence	105	115	157	63
Aggregation	211	233	196	248
Other (see Definitions – page 3)	69	424	432	61
TOTALS	2,184	2,821	2,925	2,080

Helpdesk Calls Performance

The Helpdesk deals with all online enquiries and calls from Members for all funds that LPPA provide administration services for.

In this section...

- Wait time range
- Calls answered

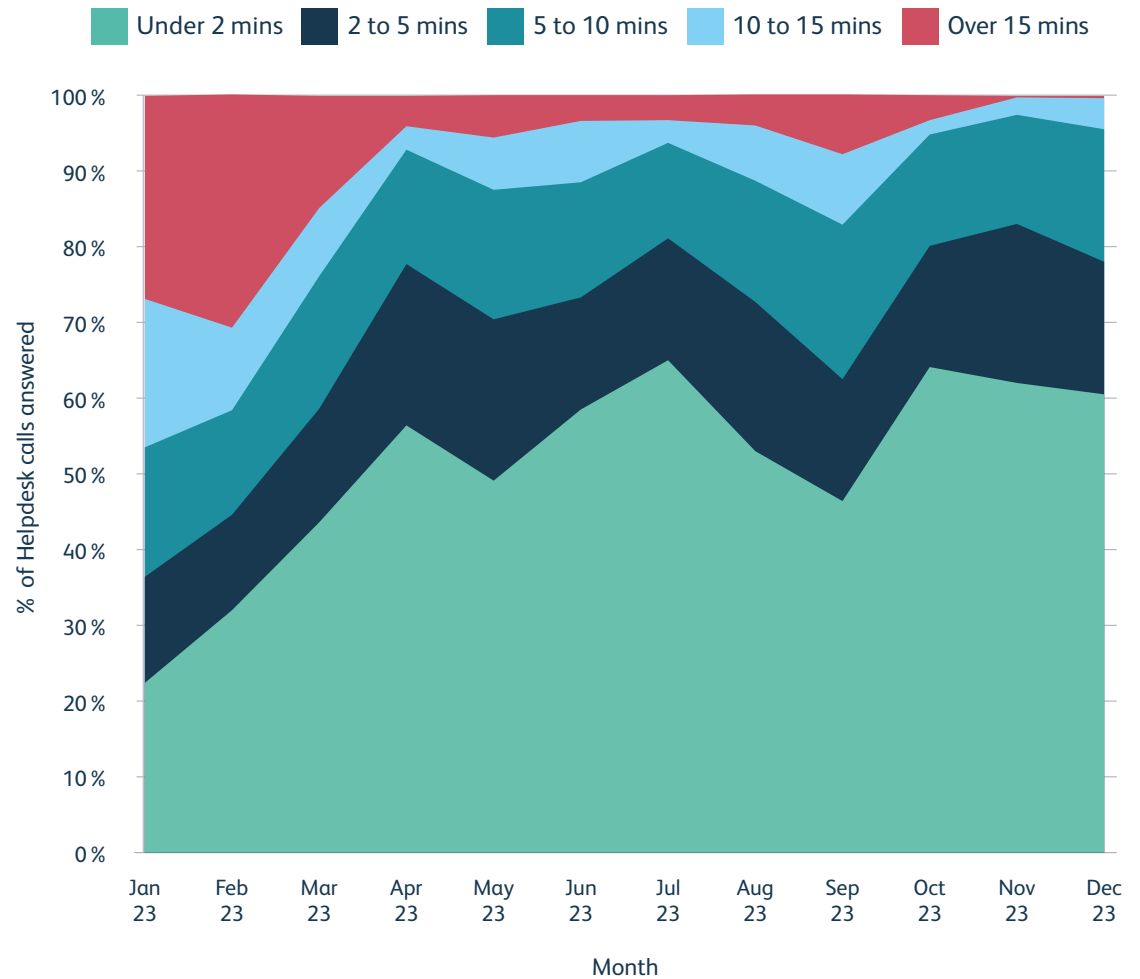
HELPDESK CALLS PERFORMANCE



WAIT TIME RANGE

CLIENT SPECIFIC

	Under 2 mins	2 to 5 mins	5 to 10 mins	10 to 15 mins	Over 15 mins
Jan 23	22.4%	14.0%	17.1%	19.6%	26.8%
Feb 23	32.0%	12.6%	13.8%	10.9%	30.8%
Mar 23	43.6%	15.0%	17.5%	9.0%	14.8%
Apr 23	56.4%	21.3%	15.1%	3.1%	4.0%
May 23	49.1%	21.3%	17.1%	6.9%	5.6%
Jun 23	58.5%	14.8%	15.2%	8.1%	3.4%
Jul 23	65.0%	16.1%	12.6%	3.0%	3.3%
Aug 23	53.0%	19.7%	16.0%	7.3%	4.1%
Sep 23	46.4%	16.1%	20.4%	9.3%	7.9%
Oct 23	64.1%	16.0%	14.7%	1.9%	3.3%
Nov 23	62.0%	21.0%	14.4%	2.3%	0.2%
Dec 23	60.5%	17.5%	17.5%	4.1%	0.3%



HELPDESK CALLS PERFORMANCE

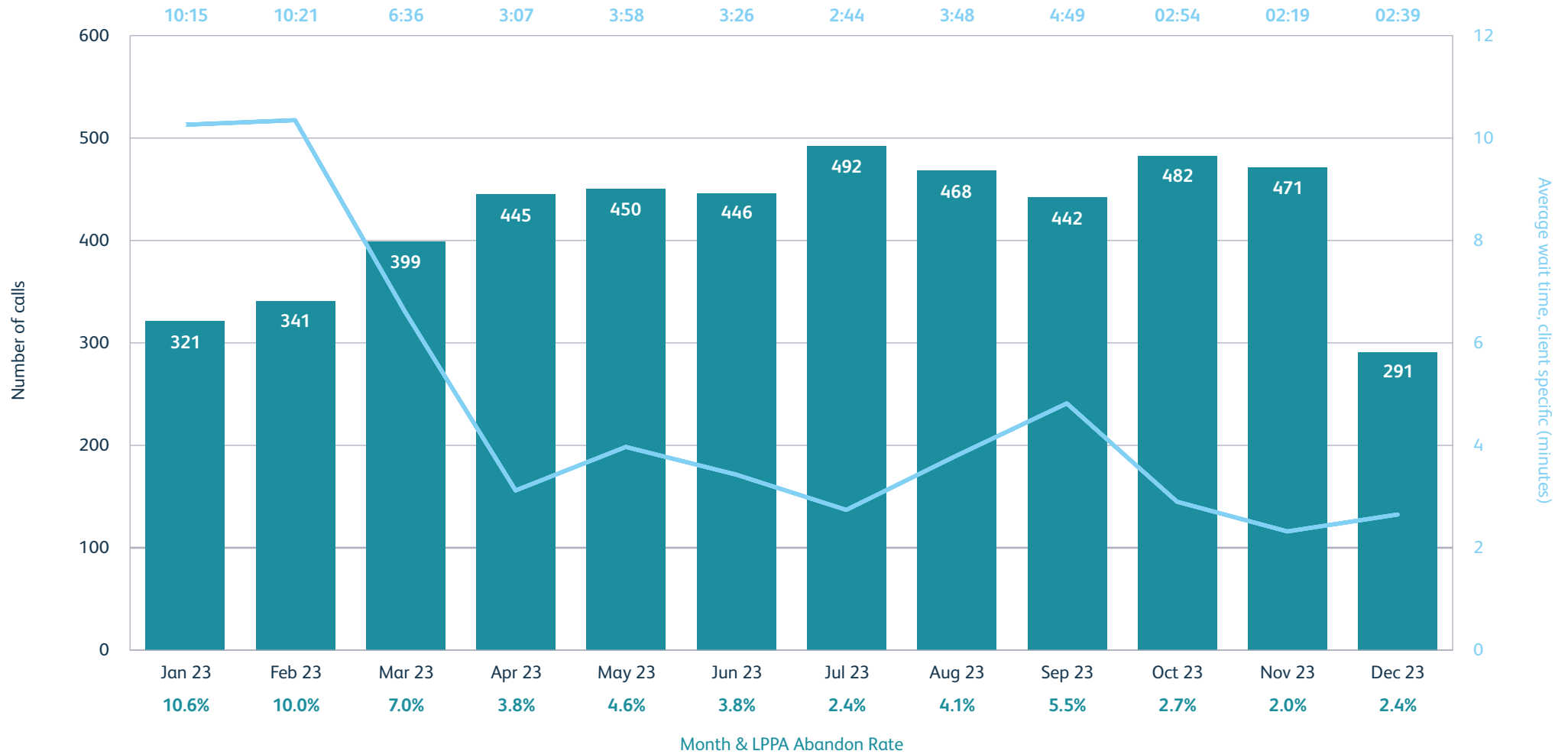


CALLS ANSWERED

CLIENT SPECIFIC

— Average wait time (mm:ss)

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Customer Satisfaction Scores

In this section...

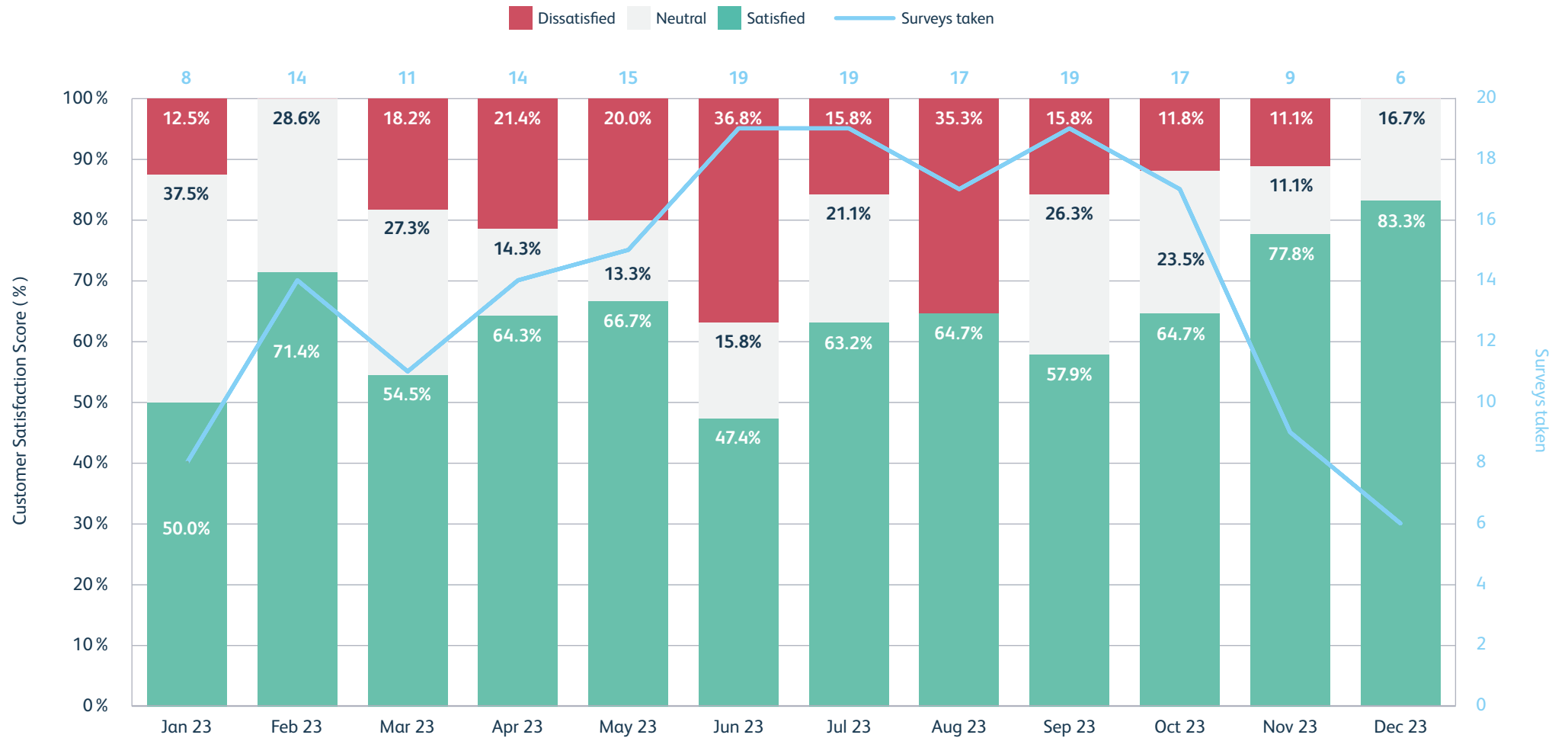
- Helpdesk calls satisfaction
- Retirements

CUSTOMER SATISFACTION SCORES



HELPDESK CALLS SATISFACTION

CLIENT SPECIFIC



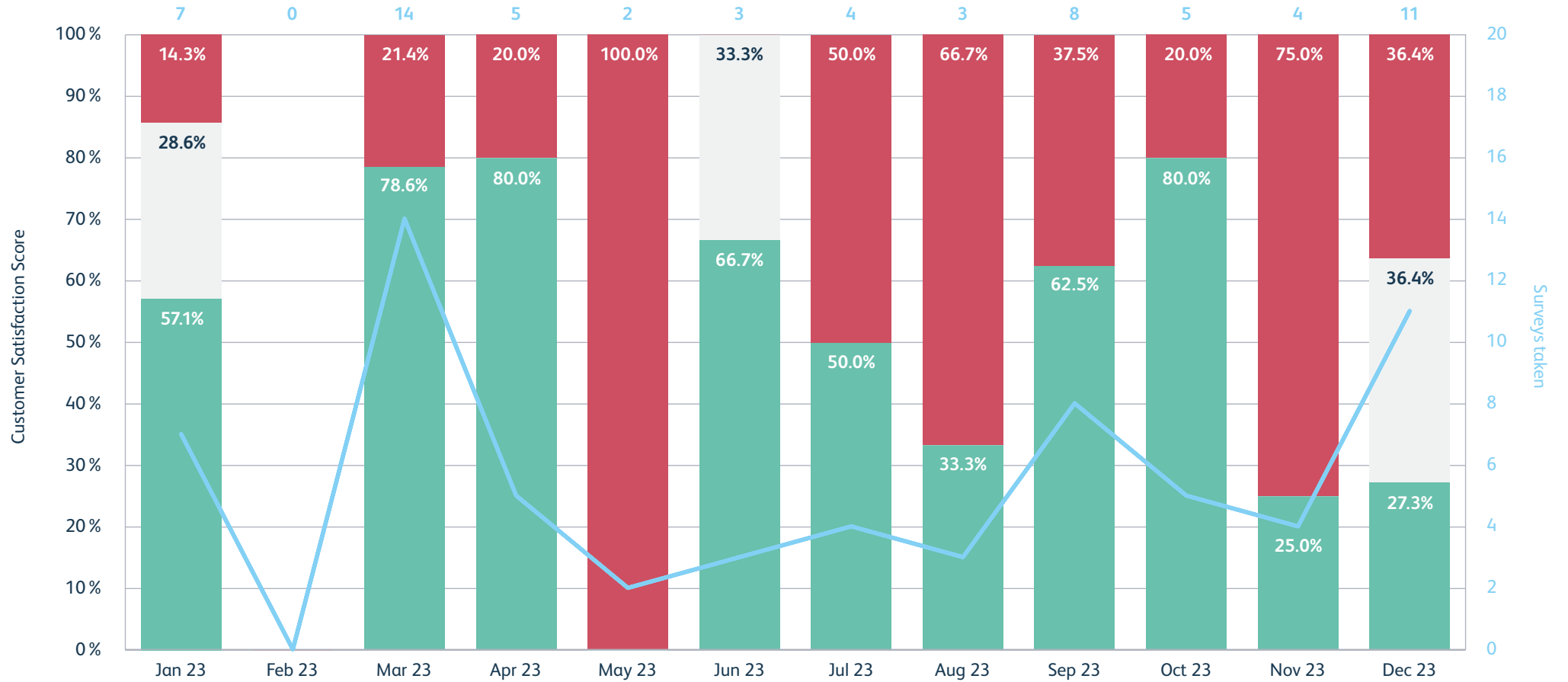
CUSTOMER SATISFACTION SCORES

Please note:

Surveys were paused in February and reinstated in March, following a review of the process. Some surveys were being issued before payment had been made to the member – the timing of the survey has now been updated to correct this.

RETIREMENTS CLIENT SPECIFIC

Dissatisfied Neutral Satisfied Surveys taken





Member Online Portal

In this section...

- Total members registered
- Members registered (%)

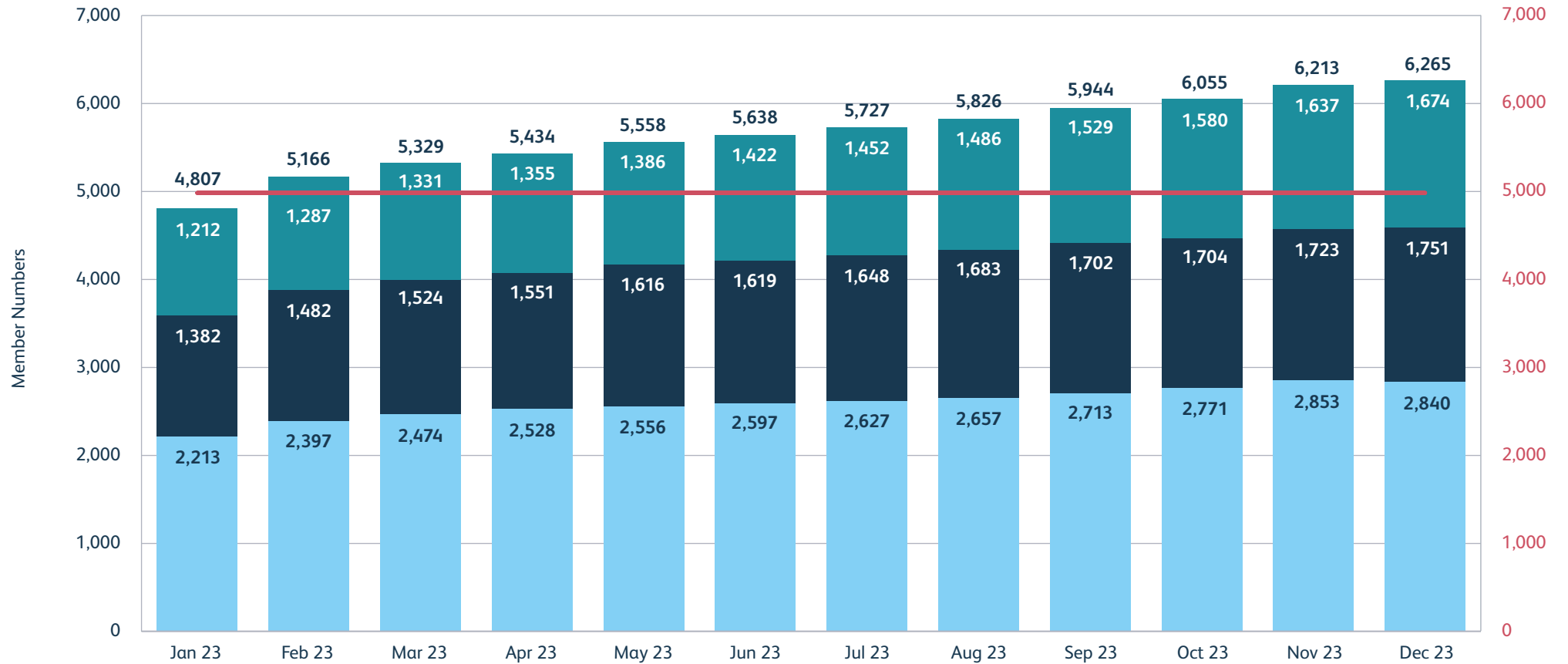


TOTAL MEMBERS REGISTERED

CLIENT SPECIFIC

Active Deferred Pensioner

4,980 (previous My Pension Online registrations as of Feb 2022)

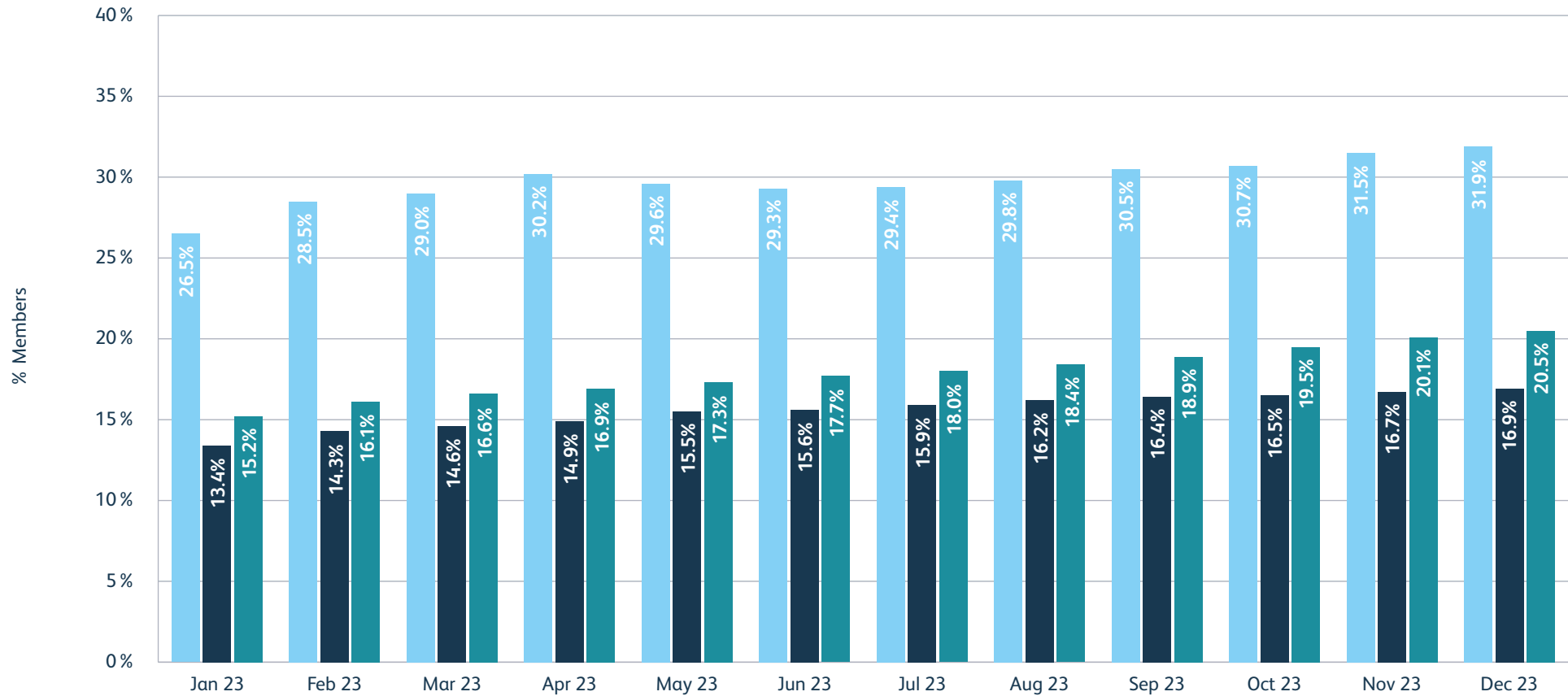




MEMBERS REGISTERED (%)

CLIENT SPECIFIC

Active Deferred Pensioner



Employer Engagement & Member Communication Activity

In this section...

- Delivered
- Scheduled
- Engagement communications (Employers & Members)

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



DELIVERED

ALL LPPA

- The [member contact form](#) was improved to assist member self-service requests for information contained on the LPPA website – this has resulted in more member visits to retirement and PensionPoint pages (FAQ's, how to videos etc).
- Monthly return files - reminder [emails](#) and telephone calls to non-submitting employers were issued / actioned, to ensure that support is provided, as well as highlighting the impact if files are not up-to-date, ready for the production of ABS documents in 2024.
- An employer email promoting [Get Online week](#) was issued.
- A McCloud (LGPS) client round table was facilitated by LPPA to provide a business (project) and communications update, together with a discussion on employer data requirements, followed by a Q&A.
- The [Employer toolkit](#) page was updated (simplified) on the LPPA website
- An [email invite](#) was issued promoting the virtual LPPA Employer Forum (23 November 23)
- [Pension Pulse](#) (newsletter) was issued to employers and focused on the LPPA Employer Forum (including a link to the session recording), the employer toolkit and a reminder that member estimates can be generated in the employer portal.

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- Several new resource pages were added to the LPPA website:
 - [Increasing your pension benefits](#) - provides members with information on taking out an AVC, APC or added pension.
 - [Age discrimination remedy pages](#) – explaining how members are affected by the McCloud judgement.
- New [Forms, documents and scheme information](#) page added.



SCHEDULED

ALL LPPA

- The LPPA Communications team are working on planned improvements to the retirement section of the LPPA website.
- Communications will be issued to employers to ensure that the 'reasons for leaving' are as specified (for leavers included in the monthly return file), to help facilitate a move towards bulk submission of leavers later in the year.
- Communications are planned to employers to highlight the importance of 'on-time retirement notifications' to LPPA, and how the leaver process can support them to ensure the member retirement experience is enhanced.
- Email communications and telephone calls will continue to non-submitting (monthly return file) employers, and updates will be provided to clients.

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



ENGAGEMENT COMMUNICATIONS

CLIENT SPECIFIC

- 1 virtual visit was held
- 1 Employer attended our Employer Forum
- 5 Ealing Fund members attend a making sense of your pension session and 1 fund member attended a making sense of retirement session

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EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



EMPLOYERS

CLIENT SPECIFIC

Date	Employer	Activity	Number in attendance
23 Nov	Ealing Council	Employer Forum	4
21 Nov	Ealing Council	Virtual Visit	5

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MEMBERS

CLIENT SPECIFIC

Date	Employer	Activity	Number in attendance
24 Oct	All Ealing employers	Making sense of your pension	2
14 Nov	All Ealing employers	Making sense of retirement	1
16 Nov	All Ealing employers	Making sense of your pension	2
16 Nov	Ealing Council	Cost of Living Event	30+
05 Dec	All Ealing employers	Making sense of your pension	1



Data Quality

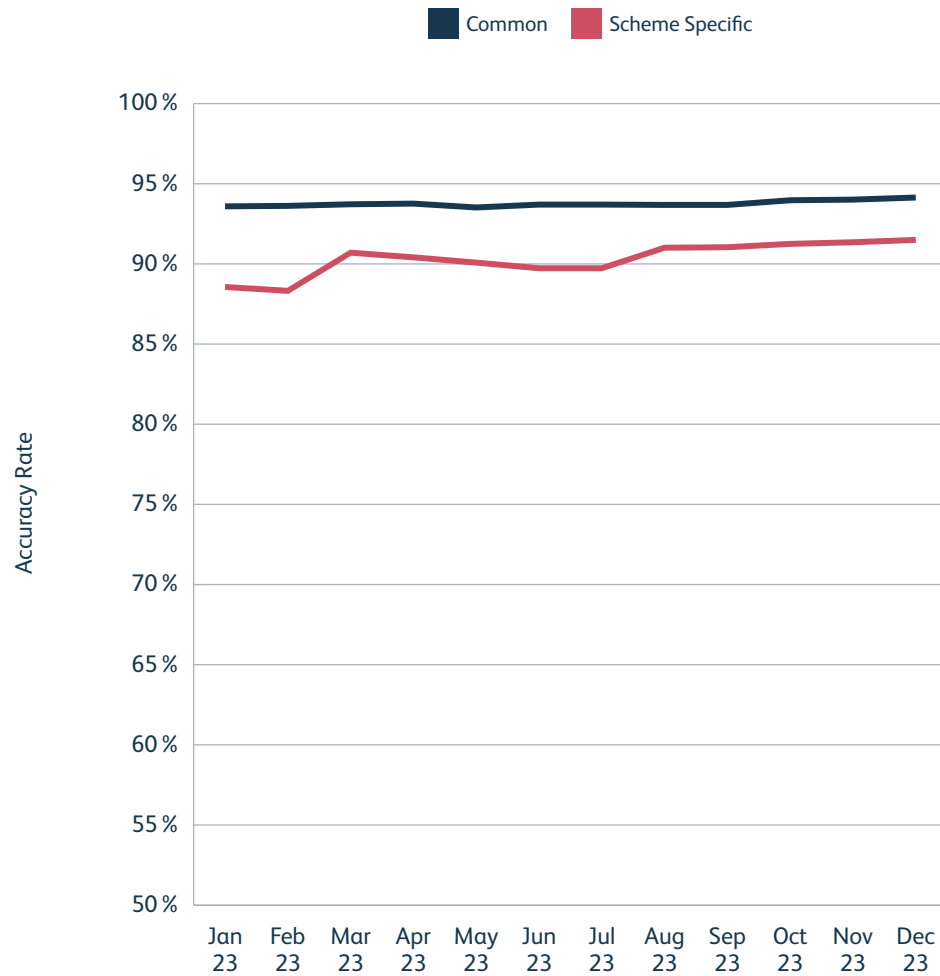
In this section...

- TPR data scores
- Common data
- Scheme specific data

DATA QUALITY

TPR DATA SCORES

CLIENT SPECIFIC



	Common (Target 95%)	Scheme Specific (Target 90%)
Jan 23	93.59%	88.56%
Feb 23	93.62%	88.32%
Mar 23	93.72%	90.70%
Apr 23	93.76%	90.41%
May 23	93.52%	90.08%
Jun 23	93.70%	89.73%
Jul 23	93.70%	89.73%
Aug 23	93.68%	91.01%
Sep 23	93.68%	91.04%
Oct 23	93.97%	91.25%
Nov 23	94.01%	91.35%
Dec 23	94.14%	91.50%

END OF QUARTER DATA QUALITY

(TPR SCORES)



COMMON DATA

CLIENT SPECIFIC

Data Item	Active	Deferred	Pensioner / Dependant
Invalid or Temporary NI Number	1	41	13
Duplicate effective date in status history	0	32	13
Gender is not Male or Female	8	0	0
Duplicate entries in status history	36	92	46
Missing (or known false) Date of Birth	0	0	0
Date Joined Scheme greater than first status entry	27	11	0
Missing Surname	0	0	0
Incorrect Gender for members title	0	0	0
Invalid Date of Birth	9	0	0
No entry in the status history	2	0	0
Last entry in status history does not match current status	67	11	10
Member has no address	71	1168	15
Missing Forename(s)	0	0	0
Missing State Retirement Date	8	0	0
Missing postcode	68	1184	20
Missing Date Joined Pensionable Service	1	0	0
Total Fails	298	2539	117
Individual Fails	205	1319	85
Total Members	8915	10363	8172
Accuracy Rate	97.7%	87.3%	99.0%
Total accuracy rate			94.1%

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SCHEME SPECIFIC DATA

CLIENT SPECIFIC

Data Item	Fails
Divorce Records	0
Transfer In	36
AVCs/Additional Contributions	47
Deferred Benefits	1
Tranches (DB)	38
Gross Pension (Pensioners)	2
Tranches (Pensioners)	212
Gross Pension (Dependants)	100
Tranches (Dependants)	152
Date of Leaving	140
Date Joined Scheme	143
Employer Details	1
Salary	131
Crystallisation	91
CARE Data	437
CARE Revaluation	4
Annual Allowance	449
LTA Factors	78
Date Contracted Out	73
Pre-88 GMP	217
Post-88 GMP	574
Total Fails	2,926
Individual Fails	2,334
Total Members	27,450
Accuracy Rate	91.5%

LPP

Local Pensions Partnership
Administration

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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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**Report for:
NOTE AND ACTION**

Item Number:

Contains Confidential or Exempt Information	Yes: Appendix E contain exempt information by virtue of para 3 of Part 1 of schedule 12A to the Local Govt. Act 1972
Title	Pension Fund Performance Monitoring & Update for the quarter ended 31 December 2023
Responsible Officer(s)	Emily Hill, Strategic Director Resources (Chief Finance Officer)
Authors	Bridget Uku, Finance Manager Treasury & Investments Ext: 5981 Email: ukub@ealing.gov.uk Nyce Higiroy, Financial Accountant Ext: 9558 Email: higiron@ealing.gov.uk
Portfolio	Cllr Callum Anderson – Chair of the Pension Fund Panel
For Consideration By	Pension Fund Panel
Date to be Considered	21 March 2024
Keywords/Index	Pension Fund Performance, Investments, LGPS

Purpose of Report

This report informs the Pension Fund Panel (PFP) of the investment performance of the Fund Managers over the quarter to 31 December 2023.

The report also updates members on other Pension Fund (Fund) specific and Local Government Pension Scheme (LGPS) related issues that have arisen since the last PFP Meeting.

1. Recommendations

The Panel is asked to:

- 1.1 Note the value of the Fund Investments of £1,574.5m as at 31 December 2023, up from £1,488.1m as at 30 September 2023 (5.8% increase) (**para. 5.10**).
- 1.2 Note the update from Lothbury Property Trust in regard to the Fund's redemption notice for its entire investment in June 2023 (**Appendix C**).
- 1.3 Note the latest update on topical issues within LGPS (**para.11**).
- 1.4 Note update on the Council's responsible investment drive. (**Para 12**).

- 1.5 Note delegated authority remains with the Strategic Director Resources, as approved at the meeting on 12 December 2023, to start implementation of the Strategic Asset Allocation Changes approved. Work on implementation is currently underway (**para 10.4**).
- 1.6 Note that Officers collaborating with the Fund's advisors have initiated the implementation of the revised strategy, commencing with the allocation of private debt within the Fund. HSBC Senior UK Direct Lending Fund II has emerged as a potential addition to the current mix of Funds. Following a comprehensive review of the private debt allocation across all Funds, the precise investment amount to be deployed will be determined.
- 1.7 Members are asked to receive a presentation from executives representing the HSBC Senior UK Direct Lending Fund II (**para 13.1**)
- 1.8 Members are requested to acknowledge and approve the commitment of a still to be determined sum to the HSBC Senior UK Direct Lending Fund II under delegated authority with the aim of diversifying the Fund's private debt mix. This responsibility is delegated to the Strategic Director Resources for execution in collaboration with the Fund's advisors, and following consultation with the chair, vice-chair, and opposition spokesperson. (**para 13.1**)
- 1.9 Receive a presentation and a general update from Standard Life Long lease Property (**para.13.1**).
- 1.10 Note that the 2023 Pension Fund Annual General Meeting took place virtually on 21 February 2024. Officers conducted over 120 virtual one-on-one meetings with scheme members. Despite the event being oversubscribed, everything progressed smoothly.

2. Reason for Decision and Options Considered

2.1 To enable the PFP to monitor the quarterly and longer-term performance of the Fund and be informed of other issues in accordance with the requirements of the Council's Statement of Investment Principles.

2.2 The report is structured as follows:

- Section 3 - Strategic Asset Allocation Update (para 3)
- Section 4 - Overall Fund Performance against Benchmark (Table 3)
- Section 5 - Managers' Market Update
- Section 6 - Funding Update
- Section 7 - Class Action Filing
- Section 8 - Cash Management
- Section 9 - Procurement and National LGPS Framework Update
- Section 10 - LGPS and Ealing Scheme Topical Issues Update
- Section 11 - London Collective Investment Vehicle (LCIV) Update
- Section 12 - Responsible Investment Update
- Section 13 - Training and other external presentations

3. Strategic Asset Allocation

- 3.1 Three specialist Fund managers took full control of the Pension Fund Investments in April 2007 and only RLAM, the UK Corporate Bond Manager is still retained today. The strategic asset allocation of the Fund was first re-orientated in September 2013 following the decision to invest around 10% of assets in three pooled property funds.
- 3.2 In this regard, the Council appointed three property managers in September 2013, investing directly into three pooled UK commercial property manager solutions:
- Standard Life, Long Lease Fund
 - Lothbury Property Fund
 - Hermes Property Unit Trust
- 3.3 The bond and property mandates have been topped up intermittently to rebalance the Fund to its benchmark strategic asset allocation.
- 3.4 A number of changes outlined below have since been made to the portfolio.
- 3.5 In 2017, the Fund allocated 10% to return-seeking assets, split between private debt (5%) and infrastructure (5%) to capitalise on the stability offered by contractual cash flows. In March 2022, 1% of this allocation was redirected towards impact investments. While impact strategies are still evolving, they are geared toward achieving distinct environmental and social benefits, furthering the Fund's commitment to responsible investment and decarbonisation.
- 3.6 The PFP endorsed three strategies for the 1% impact allocation: the Henley Property Fund, the Darwin Bereavement Fund, and the Temporis Impact Fund (subject to conditions). Presently, the Henley and Darwin Bereavement Funds have been committed, following suitability reviews presented by the Fund's advisors to the PFP. The full commitment for the Darwin Fund (£5m) has been drawn down, while the Henley Fund is undergoing periodic drawdowns, with a remaining commitment of 9.1%. One of the Impact Funds was not invested in and will now be considered alongside other options as part of the Strategic Asset implementation currently underway.
- 3.7 The revised Strategic Asset Allocation agreed at the meeting on the 14/12/2023 is outlined below on Table 3 and the previous SAA is outlined on Table 2. As implementation has not yet been fully executed, officers are monitoring to the previous SAA for this report. Table 3 illustrates the scale of the reorientation of the Funds assets that will be required.

Table 1: Strategic Allocation

Mandate	Fund Manager	Strategic Asset Allocation
LCIV Global Equity	Baillie Gifford LGIM Blackrock	55%
UK Corporate Bonds	Royal London Asset Management (RLAM)	25%
Property Funds	Standard Life / Hermes / Lothbury	10%
Enhanced Yield*	Private Debt & Infrastructure Equity Debt	5%
Infrastructure/ Impact Investments	JP Morgan Henley Darwin BSF	5%
Cash		0%
Total		100%

Strategic Asset Allocation**Table 2: Current Allocation**

Mandate	Fund Manager	Asset Allocation at 31 December 2023 %	Current Strategic Asset Allocation %
LCIV Global Equity	Baillie Gifford	16.7	18.3
	LGIM	41.0	36.7
	Blackrock	3.3	0.0
Total Equities		61.0	55.0
Infrastructure/ Impact Funds	JP Morgan Henley Darwin BSF	4.3	5.0
UK Corporate Bonds	Royal London Asset Management (RLAM)	21.2	25.0
Property Funds	Standard Life / Hermes / Lothbury	7.1	10.0
Private Debt	Brightwood Churchill Permira	4.1	5.0
Cash		2.3	0.0
Total		100.0	100.0

*Percentages may not add up due to rounding

Strategic Asset Allocation Review 2023/24 outcomes

3.8 At the December meeting, the PFP considered and approved recommendations emerging from the Fund's recent asset liability modelling and strategic asset allocation review conducted by the Fund's advisors Hymans. These included

- Reducing the current Equity allocation
- Increasing allocation for income assets
- Reducing allocation to property
- Revising allocation to protection assets

3.9 The table below details the Fund's current and revised asset allocation

Table 3 – Fund's Current and Revised Asset allocation

Fund Manager	Asset Class	Asset Values on 31 Dec 23 (£m)	Percentage of total assets 31 Dec 23 (%)	Approved Strategic Asset Allocation (%)	Difference
BlackRock	Passive Equity	52.6	61.1	47.0	14.1
Baillie Gifford	Global Active Equity	263.5			
LGIM	Global Passive Equity	645.5			
TBC	Private Equity	0	0	3	-3
Total Growth		961.5	61.1	50.0	11.1
JP Morgan	Infrastructure	58.2	3.7	6.0	-2.3
Aberdeen Standard	Property	32.0	7.1	9.0	-1.9
Lothbury	Property	35.6			
Hermes	Property	43.6			
Brightwood	Private Debt	6.6	4.1	5.0	-0.9
Churchill	Private Debt	21.3			
Permira	Private Debt	37.1			
Darwin	Imapct	5.1	0.6	1.0	-0.4
Henley		4.6			
TBC	Multi Asset Credit	0.0	0.0	4.0	-4.0
Total Income		244.2	15.5	25.0	-9.5
Royal London	UK IG Credit	332.1	21.1	15.0	6.1
TBC	Index Linked Gilts	0	0	10.0	-10.0
Cash	Cash	36.6	2.3	0.0	2.3
Total Protection		368.8	23.4	25.0	-1.6
Total Value		1,574.5	100	100	-

3.10 The planning and implementation of the above strategy has been delegated to the Strategic Director Resources to execute in consultation with the chair and vice chair. This will be communicated to the PFP at relevant intervals.

Private Debt Review and Top Up

3.11 The Fund’s advisers carried out an interim review of the position on private debt and suggested that the Fund aim for a target allocation to its private debt managers per below. An additional £10m commitment to Permira Fund was made, with 39% drawn down so far.

Private debt manager	Proposed target allocation
Permira	50%
Churchill	25%
Brightwood	25%

The Fund has a strategic allocation of 5% to private debt and appointed three managers to operate diverse strategies.

3.12 An additional \$10m commitment was made to Churchill Fund IV, with 77.6% drawn down to date.

3.13 An additional \$20 million allocation to Brightwood was approved, and the onboarding process has began for part of the allocation.

3.14 An in depth review of private debt is currently underway as part of the implementation of recent SAA changes. Although the outcome of this review is expected imminently, it will not be available for this reporting cycle. Therefore, the exact allocation amount to the HSBC Senior UK Direct Lending Fund II has not yet been finalised. A summary of this Fund can be found in paragraph 13.1, while the Hymans suitability review is provided in the private and confidential Appendix E. Members are asked to acknowledge and approve an in-principle investment in the HSBC Senior Direct Lending Fund II following the presentation. Officers and the Fund's advisers will incorporate LCIV's proposed launch of a Private Debt Fund in quarter 4 of 2024 into the review process.

4. Fund Performance against Benchmarks

4.1. For the quarter ending 31 December 2023, the Fund returned 5.82% against a benchmark of 5.21% and this is summarised in the table below.

Table 3. Performance by Fund Manager this quarter

Asset Class	Fund %	Benchmark %	Relative to Benchmark* %
Global Equities			
Baillie Gifford (LCIV)	9.09	6.42	2.68 ▲
LGIM	6.25	6.24	0.01 ▲
BlackRock	7.14	6.79	0.36 ▲
UK Bonds			
Royal London Asset Management (RLAM)	8.17	7.39	0.79 ▲
Property			
Lothbury	-6.01	-1.16	-4.85 ▼
Standard Life	-3.96	-1.16	-2.79 ▼
Hermes	-2.09	-1.16	-0.93 ▼
Private Debt			
Churchill	-1.31	1.99	-3.30 ▼
Brightwood	-1.38	1.99	-3.37 ▼
Permira	2.39	2.00	0.39 ▲
Infrastructure			
JP Morgan	3.20	1.41	1.79 ▲
Impact Funds			
Henley	-1.45	1.59	-3.04 ▼
Darwin BSF	1.75	1.94	-0.19 ▼
Cash	-0.46	1.30	-1.77 ▼
Total for quarter	5.82	5.21	0.61 ▲
12 months figures	10.77	11.27	-0.50 ▼
3 years figures	3.10	5.35	-2.26 ▼
5 years figures	5.96	6.92	-0.95 ▼
Since inception	6.57	7.29	-0.71 ▼

*Relative performance is a geometric rather than arithmetic calculation

▲ Performance is above benchmark

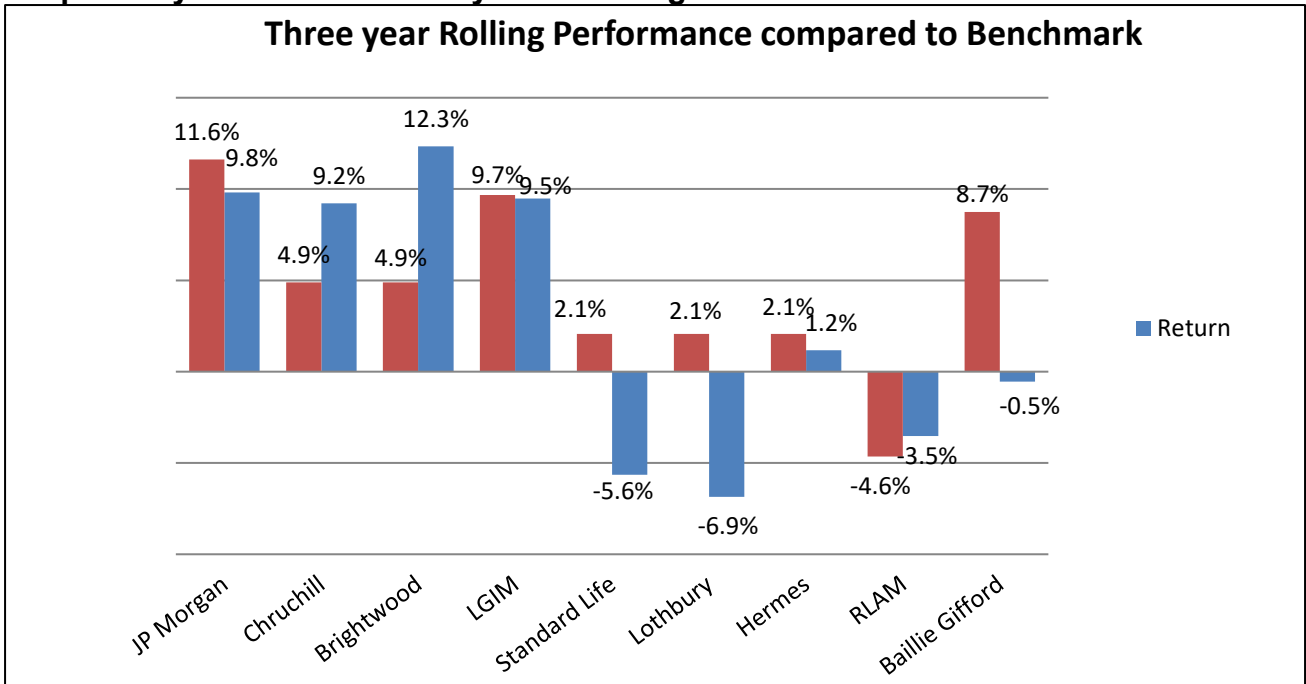
▼ Performance is below benchmark

► Performance is same as benchmark

4.2. The Fund's composite portfolio benchmark is comprised of the most relevant indices for each asset class, weighted in accordance with the target asset allocation. The total Fund underperformance for 12 months, 3 and 5 years and since inception was -0.50%, -2.26%, -0.95% and -0.71% respectively.

4.3. The graph below shows the 3-year performance by Fund Manager compared to benchmark.

Graph 2. 3-year Performance by Fund Manager



3-year performance data for BlackRock, Darwin and Henley is not available given the duration since the Fund invested with these managers.

5 Fund Manager Performance drivers for the quarter ending 31 December 2023

5.1 Set out below is a synopsis of performance drivers, market conditions prevailing and outlook.

Market Reviews from the Fund Managers

5.2 LCIV - Baillie Gifford

The Sub-fund returned 9.1% in Q3 against 6.4% for the MSCI All Country World benchmark index thus posting a relative outperformance of +2.6%. Over the 12-month period to the end of December 2023 the Sub-fund returned 13.7%, 2.2% less than the benchmark.

In stark contrast to Q2, the Sub-fund performed strongly in the fourth quarter on the back of a market environment that favoured growth stocks once again. Evidence of this more supportive environment can be seen in the forward earnings estimates for the portfolio which have increased significantly over the last year. According to the investment manager, at the end of December 2022, the aggregate three-year forward consensus earnings forecast for the Global Alpha strategy was barely ahead of the market at 5.4% vs 5.2% (in USD). This was misaligned to the investment manager’s view on the outlook for these companies. Since then, the same metric to the end of November 2023 had nearly tripled, to 15%. In contrast, the figure for the broad market, at 6%, had barely moved.

The other performance driver for the portfolio was better execution. Under the market scrutiny that the high interest environment and weak stock performance caused, several portfolio companies were forced to focus on operations, cut costs, and improve

efficiencies. One notable example was Amazon where operating margins have inflected sharply, reflecting the efficiency gains now coming through from the elevated levels of investment over the last few years. The stock is the top performance contributor since the inception of the portfolio.

One area of weakness for the portfolio remains exposure to, and stock selection within China. The local economy and stock market have remained weak throughout the year due to a lacklustre economic recovery. Consequently, a large part of the weakness at individual stock level was China-related with 3 out of the 5 top detractors for the portfolio in Q3 either having direct exposure to China or an indirect exposure to the Chinese consumer: The Chinese insurer, Ping-An was the largest performance detractor at the stock level followed by Prosus (due to their exposure to the Chinese technology giant Tencent) at the third place. The cosmetics company Shiseido which derives a significant portion of their revenues from China was also a large detractor

5.3 LGIM

Global equities rallied strongly over the third quarter, ultimately boosted by expectations that major central banks could soon cut interest rates as well as the impression that the US economy may avoid recession.

October was a challenging month; global equities continued to fall, bogged down by geopolitical fears about war in the Middle East and uncertainty over whether interest rates had peaked. In the final two months of the year, however, markets staged a blistering rally, buoyed by the prospect that the US Federal Reserve (Fed) had concluded its rate rises and was likely to cut rates in 2024.

In December, the Fed signalled that it was prepared to cut rates, potentially even before inflation is brought fully to target, which should boost economic growth and reduce the chance of a US recession. This justified the significant fall in bond yields over the previous weeks and provided a boost to risk appetite more generally.

The Fed's optimistic outlook for a 'soft landing' for the economy was backed up by US economic data suggesting that inflation was steadily falling while economic activity remained robust. US inflation fell to 3.1% for November while the US composite purchasing managers' index (PMI) rose to 51.0 in December, marking the third straight month of growth. The US economy added 199,000 jobs in November, which exceeded market expectations but nevertheless revealed a slowdown in the labour market.

European equities outperformed global equities. Eurozone inflation fell to 2.4% in November (driven by falling energy costs), close to the European Central Bank's (ECB's) 2% inflation target. Economic weakness, however, persisted, with the HCOB composite PMI remaining in contractionary territory. The combination of falling inflation and recessionary fears raised expectations that the ECB could cut rates in 2024.

UK equities underperformed, despite inflation falling to 3.9% in November, amid downbeat news on economic growth and comments from Bank of England Governor Andrew Bailey that it was "too early to be thinking about rate cuts". Emerging markets also underperformed, weighed down by China, where policy meetings offered pro-growth signals but lacked specific plans to achieve this. Credit data showed lacklustre

private-sector activity, and ratings agency Moody's warned that China's A1 credit rating may be downgraded.

5.4 **BlackRock**

Global bond markets finished the year on a highly positive note, with bond yields falling notably in developed markets in December. In the US, November Consumer Price Index (CPI) inflation printed in line with expectations, with prices accelerating by 3.1% on a year-on-year (YoY) basis. In the Euro Area, November CPI also printed in line with expectations, with YoY prices rising by 2.4%.

YoY November CPI surprised to the downside in the UK, with prices accelerating by 3.9% instead of the 4.3% expected. Core inflation, which excludes more volatile food and energy prices, also surprised to the downside, with prices accelerating by 5.1% instead of 5.6% YoY. Meanwhile in Japan, November inflation printed in line with expectations, with National CPI accelerating by 2.8% YoY.

The Federal Reserve (Fed) held rates at 5.25-5.50% as expected at its December meeting, with dovish news coming from the updated statement; Summary of Economic Projections (SEP) and press conference. The statement showed new appreciation for the inflation progress in 2023, while the dot plot for the 2024 median moved down to 4.63%, suggesting 75 basis points (bps) of rate cuts next year versus 50bps previously. No Fed official expected further hikes, and five out of the seven Fed officials expected more than three cuts. Meanwhile, the November Employment Report published during the month pointed to a rebalancing labour market with moderating net job gains. Increasing labour supply supported job gains. Total nonfarm payrolls rose 199K with roughly 40-50K coming from United Auto Workers and Screen Actors Guild strikers returning to work. The unemployment rate fell back to 3.7% and the overall participation rate moved back up to 62.8%. In the Euro Area, the European Central Bank (ECB) kept the deposit, refinancing operations and marginal lending facility rates at 4.0%, 4.5% and 4.75% respectively.

There was little change to the accompanying official press release text from October, however, the central bank released its updated growth and inflation forecasts and noted that it would slow investments from its pandemic emergency purchase programme (PEPP) and finish in 2024. The ECB reduced its growth forecasts for 2023 and 2024 to 0.6% and 0.8%, respectively, and expected GDP growth of 1.5% for both 2025 and 2026. It also slightly lowered its headline inflation forecasts for 2023 to 5.4% and 2024 to 2.7%, while keeping its 2.1% forecast for 2025 unchanged and predicting 1.9% headline inflation in 2026. The Bank of England (BoE) also revealed its monetary policy stance during the month, with the Bank maintaining the Bank Rate at 5.25%. However, the BoE also warned that there were still risks to inflation. Also in December, the Bank of Japan maintained its negative policy rate of -0.1% and its yield curve control (YCC) parameters at the December meeting.

5.5 **Royal London Asset Management (RLAM)**

The portfolio saw a positive return in the period and was ahead of the ICE BofA ML Sterling Non-Gilt Index benchmark. The main driver of positive performance was manager sector positioning, notably the underweight position in supranationals, which continued to lag the wider market having done so in the third quarter. Duration and curve

positioning were positive – we were slightly long going into the quarter and the fall in yields and strong performance from longer dated bonds therefore helped. Stock selection effects were also helpful: we saw positive selection in insurance bonds, notably longer dated subordinated bonds from Prudential and Legal & General, but negative selection effects in structured bonds, which generally have a lower sensitivity to wider market moves, although our exposure to Thames Water was a small positive. RLAM maintained exposure to the company's operating company debt based on the attractiveness of the overall yield. They continue to believe that the sector remains attractively valued – largely based on our view that spreads in the sector overcompensate when compared to other regulated infrastructure assets such as UK electricity distribution.

Last quarter RLAM highlighted an issue with their holding in HDL, where the principal was not repaid on maturity at the end of July. We are pleased to confirm that the bond was redeemed in full in November. They believe this is a good outcome as not only did holders receive full repayment, but also accrued interest at the coupon rate since the end of July. In their view, this demonstrates the power of covenants and how these can protect investors' interests in this sort of scenario. Naturally we prefer to avoid any default, but as expressed in the initial update, the manager had confidence in their position. It should be noted that, over time, the investment in HDL has been materially beneficial – despite the default.

Economic attention over the quarter has been on inflation. At the start of the quarter investors focussed on the persistence of large price increases and central bank messaging on rates being held higher for longer. Yet, as headline inflation fell, sentiment swung dramatically towards the end of the quarter, pushing markets to price in interest rate cuts in 2024. The Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE) all left rates unchanged over the quarter, maintaining official rates at multi-year highs. The Fed has now held rates unchanged at its last three meetings. There has however been a significant shift in messaging, with the US central bank now indicating that it expects to cut rates by 0.75% in 2024. The ECB has similarly kept rates steady at its two most recent meetings, but central bankers in the eurozone said that no rate cuts have yet been discussed.

Although recent outperformance means that the relative attractiveness of sterling credit bonds has reduced, RLAM still favour holding them compared to UK government debt as credit spreads remain at levels that more than compensate for the credit risk. Given the potential challenges in the outlook, they remain focused on identifying companies with strong balance sheets, favouring issues with security and downside protection, and ensuring that portfolios are diversified across issuers and sectors

5.6 Property Managers

5.7 Hermes

During the second quarter of 2023, the Trust's total return to unit holders was -1.8%. Valuation write-downs on the office and leisure assets had the most significant impact, reflected in capital value growth of -3.2% compared to -1.5% for the benchmark. The Manager remains focused on income as the primary long-term driver of total returns and the Trust's income return remained slightly ahead of the benchmark over the quarter (1.0% compared to 0.9%). Over the 12-month period to the end of September

2023, the Trust delivered a total return of -11.9%, which was consistent with the benchmark weighted average. In terms of annual performance breakdown, income continued to outperform the benchmark, while the capital element was slightly behind. The Manager's focus remains on delivering sustainable long-term performance to its investors and has achieved upper quartile outperformance to its investors over the 10-year period.

The industrial sector was the main contributor to the portfolio's performance. This was due to a stabilisation of yields following a correction in the previous year, as well as a still resilient occupational market that continued to drive rental growth. The retail warehouse sector also had a positive impact on the portfolio, as it experienced renewed investor sentiment and the Manager delivered positive active management results. However, the Other/Leisure and Rest of UK office sectors were detractors to portfolio performance, as weaker investor sentiment and outward yield movement due to the rising cost of debt and increased capital requirements continued to impact these sectors. The hospitality/leisure sector also experienced weaker performance trends, which were attributed to the deteriorating economic outlook due to the cost-of-living squeeze.

In terms of positive property level contributors to portfolio performance, the industrial estate in Fordham (let to a global life science company) and the retail warehouse in Oxford (Templars Shopping Park) were the main drivers. Both properties benefited from improved investor sentiment and positive active management activity. The latter was sold at a premium to valuation during the period. On the other hand, the vacant office building with alternative hotel use consent in Westminster (Great George Street) and the office building in Maidenhead (Horizon) were the main detractors to property performance. These properties suffered from weaker investor sentiment, with yields moving up and valuation decreases over the period. The office investment in Maidenhead also experienced new vacancies within the building and the Manager will explore potential alternative uses.

5.8 Lothbury

The economy was broadly stable in Q3 2023, with some better news for the outlook of interest rates based on slowing inflation. The real estate transactional market, however, remained subdued. As a result, values continued to erode gradually. In many cases, the Fund's assets experienced a worse performance than the market, as a result of them being under offer or on the market during a highly illiquid period.

The Fund's strongest performing sector in Q3 2023 was Retail Warehouse (-3.1% in values), with its largest asset, Mile End, holding its value due to the strong business plan for future development. The smaller assets, by contrast, saw some moderate decline in value. The Fund's single remaining foodstore, Fallowfield, lost some value. More severe were the declines experienced at the High Street assets, such as Covent Garden.

Another relatively robust sector was Industrials (-3.5%), with three of the Fund's assets seeing values hold steady over the fourth quarter for varying reasons. This included the large multi-let estate in Manchester. One of the highest quality assets, Poyle, recorded only a modest fall. The largest price correction was at one of the development land assets in Norwich.

The strongest performing sector in Q2 2023 was Student Housing. However, this position was not maintained into Q3 2023 (-6.4%), as values fell at each of the five assets. The corrections at both Durham and St Andrews were modest, but the two London assets saw a greater change over the quarter.

One of the weakest performances was in the Office sector, which is grappling with market-wide negative sentiment (-8.7%). The more severe corrections were recorded in the larger assets, St James's Street in London and Hardman Street in Manchester. The smaller assets in London proved more resilient this quarter.

5.9 Standard Life

During the final quarter of 2023, the Long Lease Property Fund provided a total return of -3.96% (gross of fees) compared to a benchmark of -1.16%. Over the shorter term, the Fund is underperforming the wider real estate market; the manager's one-year performance was -12.38% (including pricing swing) against the IPD monthly Index.

As reported last quarter, there remain certain sectors within the wider index where pricing is recovering or stabilising where we have no exposure, such as multi-let industrial assets, retail warehousing and the private residential sector, which explains part of the differential in performance against the wider market. In addition, the long income market has been one of the sectors that have seen the largest relative re-pricing since September 2022; given the low yields the market was coming off, the effect of outward yield shift has had a greater proportional effect on long income assets.

Over the longer term, the manager believes that their performance will continue to be aided by the stronger tenant credit quality of the portfolio; long, inflation-linked leases; and the lack of any high street or shopping centre exposure. Performance against the MSCI peer group of similar long income funds remains strong over the longer-term metrics. While they have underperformed this over the shorter term, we believe this is largely due to differing valuation houses moving at different rates, as there are some wide disparities of performance over short-term time frames.

Summary

- 5.10 Set out below is the Fund's investment position as at 31 December 2023 based on valuations provided by the Fund's custodian. Fund managers and custodian's valuations can differ as valuations may have been obtained from different sources. During the quarter the Fund value increased to £1,574.5 m (£1,488.1m: 30 September 2023).

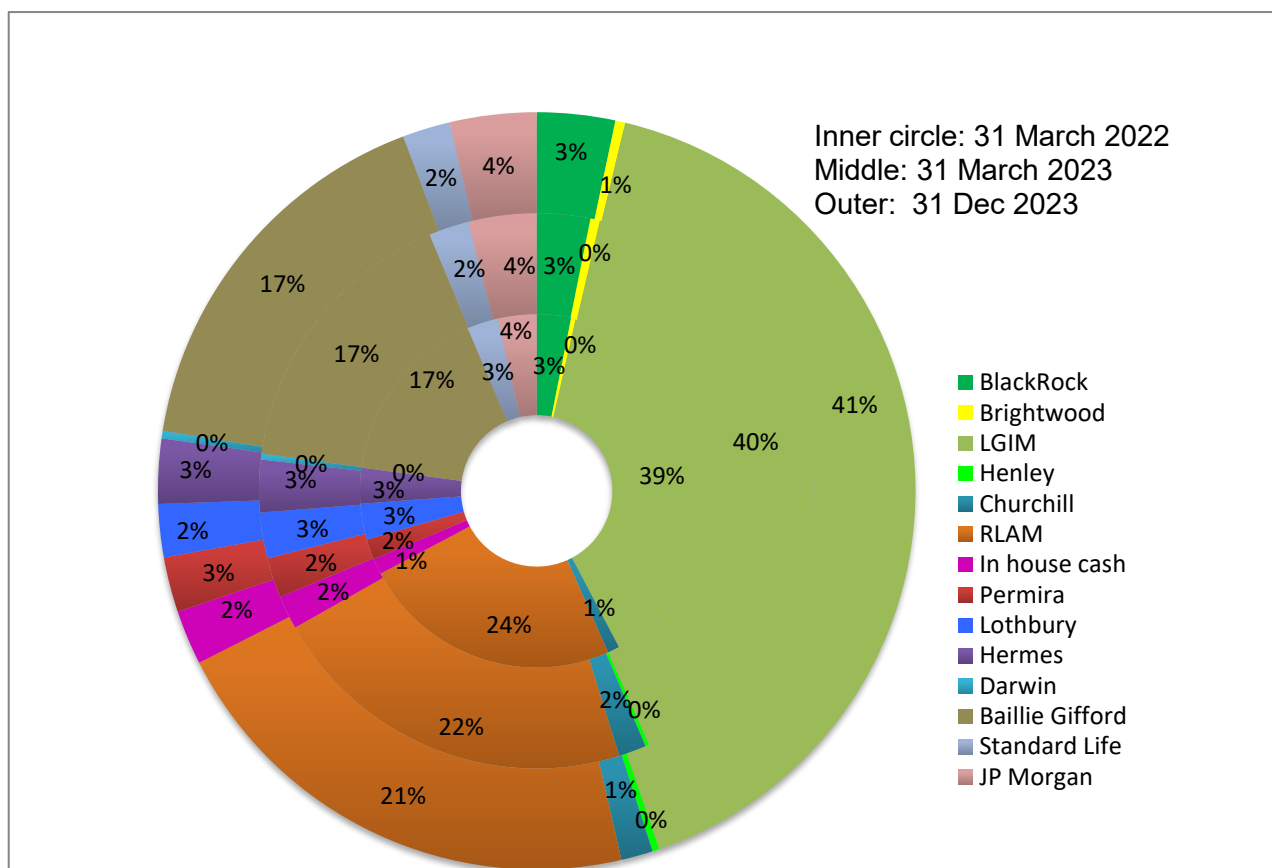
Table 4. Fund Value

FUND MANAGER	Market Values at 30 September 2023 (£m)	Market Values at 31 December 2023 (£m)
RLAM – UK Corporate Bond	310.9	332.1
Baillie Gifford – Global Equity	241.5	263.5
LGIM – Global Equity	607.5	645.5
BlackRock – Global Equity	49.1	52.6
Lothbury – Property	37.9	35.6
Standard Life – Property	33.3	32.0
Hermes – Property	44.5	43.6
Henley – Supported Housing	4.7	4.6
Brightwood – Private Debt	7.5	6.6
Churchill – Private Debt	23.5	21.3
Permira – Private Debt	36.9	37.1
JP Morgan – Infrastructure	58.0	58.2
Darwin – Bereavement Fund	5.1	5.1
Total externally managed	1,460.4	1,537.9
Cash held internally	27.7	36.6
Total Fund*	1,488.1	1,574.5

* Numbers may not add up due to rounding

5.11 The chart below shows how the percentage split of the Fund has changed each year.

Chart 1. Percentage of Holding Movement – year to date



The Fund’s 16 largest holdings as at 31 December 2023

5.12 **Appendix A** shows the Fund’s 16 largest holdings as at 31 December 2023 which represents 22.0% of the total holdings. The top holdings include pooled funds in and outside of the LCIV as well as the Fund’s inhouse cash.

Voting lists

5.13 **Appendix B** is the Voting List for LCIV on behalf of the Fund.

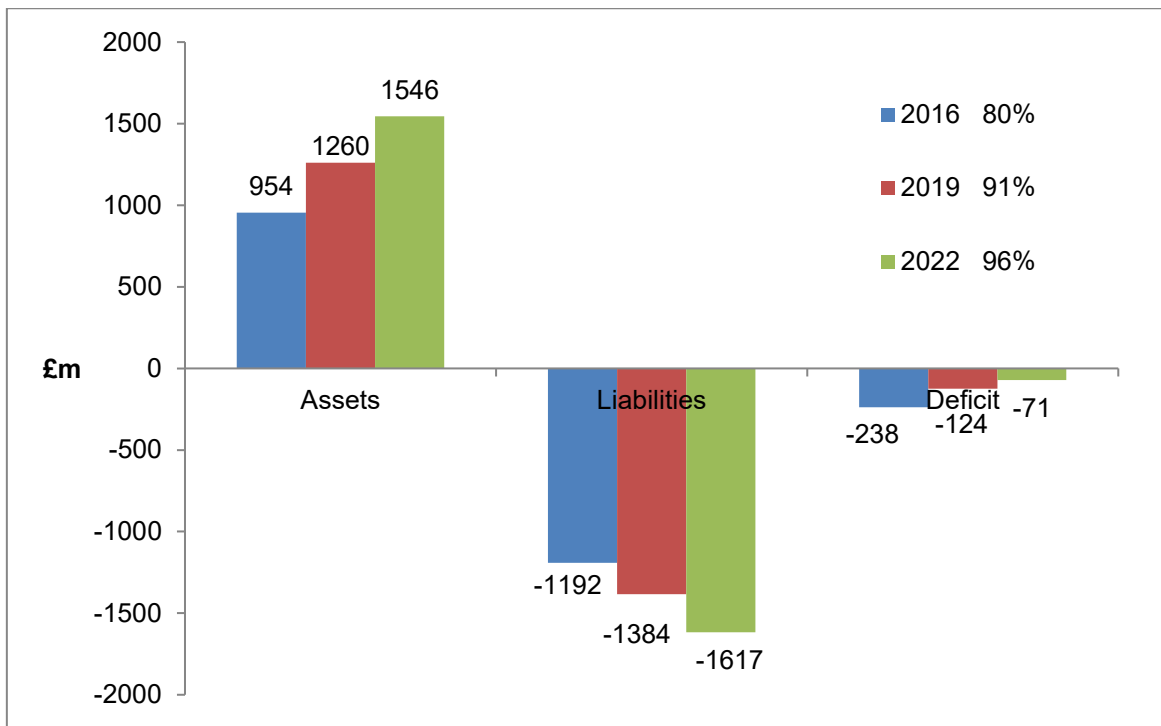
6 Funding Update

6.1 The funding position of the Fund is formally assessed every three years by the Fund’s Actuary, Mercer. The 2022 valuation showed the Fund to be 96% funded (compared to 91% as at 31st March 2019).

6.2 The Funding Strategy Statement (FSS) was agreed by the PFP at the March 2023 meeting considering all responses received from employers as part of the consultation process, and with delegation granted to the Strategic Director Resources by the PFP to finalise the FSS as necessary. Subsequent to this, the final contribution outcomes from the 2022 valuation were certified by the Actuary in March 2023, and took effect from 1 April 2023.

6.3 The graph below shows the movement in the Fund’s assets and liabilities since the 2016 valuation.

Graph 2: Fund Assets and Liabilities



6.4 The results of the 31 March 2022 actuarial valuation showed that the Fund is 96% funded. This represents a deficit of £72m and is being recovered by secondary rate contributions (where appropriate) payable by employers. At the whole Fund level, the primary rate emerging from the 2022 valuation was 18.5% of pay. Individual employer positions were varied as these are dependent on their own membership profile, experience since 2019, and also their starting point relative to the whole Fund as at 31 March 2019.

6.5 An updated funding position based as at 31 December 2023 is attached at appendix D.

7 Class Action Filings

7.1 Class Action is a procedural means used in litigation to determine the rights and remedies, if any, for large numbers of people whose case includes common themes of law and /or fact. This procedure can be useful for shareholders where a company has been found guilty of giving false or misleading information to investors, who then act on it and suffer financial loss. As a result, substantial sums may be recovered through class actions. Most of the class action reclaims flow from the global equity portfolio and the mandate has transferred to the LCIV. There are currently no class actions.

8 Cash Management

- 8.1 Cash is held by managers at their discretion in accordance with limits set in their investment guidelines, and internally to meet working capital requirements. Transfers can also be made to fund managers to top up or rebalance the Fund.
- 8.2 When held internally, the Fund's in-house cash is invested in accordance with the Council's Treasury Management Strategy agreed by Full Council in March 2023, which is delegated to the Strategic Director Resources to manage on a day-to-day basis within set parameters. The Treasury Management Strategy is reviewed monthly at the Treasury Risk and Investment Board (TRIB) meeting, chaired by the Strategic Director Resources.
- 8.3 As at 31 December 2023, the Pension Fund cash balance was £36.6m. The cash held at the custodian bank account is swept every night into a money market fund operated by Goldman Sachs. The cash held at Lloyds is for the day to day running of the Fund's activities. The Fund also holds a money market fund (MMF) with Federated as an instant access account.
- 8.4 The internal cash retained in the custodian cash account is to aid transparency, segregation of accounting and performance measurement management.
- 8.5 The bulk of the cash balance is expected to be deployed to the alternative managers and rebalancing the Fund. The table details where balances were held:

Table 6. Cash Balances

Counterparty	Fitch Long Term Rating	Limit £m	31 December 2023 £m
Lloyds Bank Plc	A+	30.0	0.2
Federated MMF	AAA	30.0	4.5
BNY Mellon Goldman Sachs MMF	AAA		31.9
Total Cash Balance			36.6

- 8.6 The PFP will continue to be updated on inhouse cash investment strategy. Security of the Fund's cash remains the overriding priority, ahead of yield.

9 Procurement and National LGPS Framework Update

- 9.1 In procuring services for the Fund, the PFP must have regard to the Council's Contract Procedure Rules and the Public Procurement Regulations 2015 as applicable and must tender and award contracts in accordance with these procedures. Where the Council is investing via the LCIV no formal procurement procedures are required.
- 9.2 At the meeting on 25 November 2021, the PFP approved that the Fund collaborate with other LGPS Funds in the search to identify more strategies that can be funded from the impact bucket. The collaborative search led by London Borough of Merton concluded.

9.3 The National LGPS framework team collect management information from suppliers to monitor both the volumes of work and to ensure the quality of services provided. The review will also establish any rebate due to the Council where the collective level of service provided across the LGPS is over a specified threshold.

10 **LGPS and Ealing Scheme Topical Issues Update**

Government's Vision for LGPS Investments: Comprehensive Overview

10.1 In October the LGPS community and other stakeholders responded to the pooling consultation issued by DLUHC which addressed three issues, asset pooling, levelling up and private equity. The government has now announced its vision in response to the consultation.

10.2 **Pooling:** The government is moving forward with plans to consolidate pools, aiming for fewer pools with at least £50bn and a potential £200bn in assets by 2040. The requirement to pool listed assets by 31 March 2025 will follow a "comply or explain" approach. Guidance will emphasise delegation in manager selection and strategy implementation, and despite feedback, the government supports pools providing investment advice. Instead of mandating a single pooling model, guidance will focus on "characteristics and outcomes." Passive assets fall under the "comply or explain" requirement, with reporting and oversight specified.

10.3 **Investing in Other Pools:** The government will provide guidelines on circumstances for investing through one's pool in another pool's product, aiming to prevent direct competition between pools.

10.4 **Levelling Up:** The broad definition of Levelling Up investments remains, offering flexibility. The government encourages pool involvement in due diligence and conflict management. The "up to 5%" ambition is not a strict limit, and funds can invest less if opportunities are lacking. The government asserts that these requirements align with fiduciary duty, treating Levelling Up projects like any other investment.

10.5 **Private Equity:** Despite negative feedback, the government persists in encouraging funds to invest 10% in private equity. This won't be enforced, but funds will be set an allocation ambition. Funds have the flexibility to choose investment locations and asset classes. Collaboration with the British Business Bank is encouraged for venture and growth capital opportunities.

10.6 **Other Issues:** Committee training and increased reporting requirements for funds are introduced. Formal training policies and transparent reporting on fund asset allocation will be published. The use of single standardised benchmarks for asset classes has been dropped. Funds must provide an annual update on pooling progress in their reports. Investment strategy statements should include plans for up to 5% investment in Levelling Up projects.

10.7 **Summary:** On the 22 November 2023, the government issued its on response. The 31 March 2025 pooling deadline for Local Government Pension Scheme (LGPS) funds remains following the consultation, but it will be on a "comply or explain" basis. Certain assets can be retained outside of pools if justified for value for money or if a pool doesn't offer a suitable solution.

- 10.8 The Government maintains ambitions of 5% in levelling-up and 10% in private equity for LGPS funds, but these targets are optional, with funds deciding based on fiduciary duty.
- 10.9 The adoption of a 'comply or explain' approach by the Government is seen as balanced and pragmatic, allowing funds to justify their decisions. The Government envisions long-term benefits for the LGPS, aiming for economies of scale through consolidation and supporting investment in the UK economy.
- 10.10 The impact of these directions on members and employers is subject to ongoing debate. Open dialogue with the Government will continue, with a focus on supporting LGPS funds in navigating upcoming changes.

DLUC Taskforce on Climate-related Financial Disclosures (TCFD) consultation Pooling Investment Guidance

- 10.11 The PFP has previously been informed that, under the powers granted by the Pension Schemes Bill, the Department for Work and Pensions (DWP) conducted a consultation on draft regulations that would require occupational pension schemes to meet climate governance requirements, publish a TCFD report, and include a link to the report in their annual report and accounts.
- 10.12 Although the regulations will not apply to the LGPS, it was anticipated that the DLUHC will introduce similar proposals mandating TCFD disclosures within the LGPS. The Fund's pooling partner, LCIV actively supports the TCFD and has recently published its second TCFD report in alignment with the recommendations. This report covers the approach to climate change across the thematic areas of Governance, Strategy, Risk Management, and Metrics and Targets. It showcases the progress and developments made in these key areas.
- 10.13 The LCIV will provide support to partner funds in anticipation of any mandatory reporting requirements, offering training and assistance with reporting. The LCIV has engaged in discussions to understand the carbon reporting requirements for assets, including those currently not held within the pool.

Task Force on Nature-related Financial Disclosures (TNFD)

- 10.14 The Task Force on Nature-related Financial Disclosures (TNFD) strives to establish a uniform disclosure framework concerning nature-related risks and opportunities for businesses and financial institutions. This international, market-driven initiative is financially supported by government and philanthropic partners, with endorsement from G7 and G20 political leaders. Following a consultation period in 2022/23, the TNFD published its final recommendations in September 2023.
- 10.15 Aligned with the TCFD framework, the TNFD disclosure pillars encompass governance, strategy, risk, impact management, and metrics/targets. The framework acknowledges that nature and biodiversity considerations are increasingly likely to have financial implications for asset valuations. This underscores the growing recognition of the need for comprehensive disclosure mechanisms to address nature-related risks and opportunities in the business and financial sectors.

10.16 The LGPS is still awaiting comprehensive guidance on the practical implementation of TCFD and TNFD within the sector. This underscores the need for clear directives and frameworks to facilitate the incorporation of climate-related and nature-related financial considerations into the investment strategies and decision-making processes of the LGPS. It is expected that the TCFD will come into force on the 1 April 2024 with first reports due by 31 March 2025.

The Pensions Regulator (TPR) General Code

10.17 On January 10, 2024, the TPR released its anticipated new general code of practice, set to come into force on March 27, 2024, after being presented to Parliament. The code, largely unchanged from its previous draft version, underwent clarifications based on feedback.

10.18 Notably, it confirms the definition of "Governing Body" for public service pension schemes and is structured into five sections: Governing Body, Funding and Investment, Administration, Communications and Disclosure, and Reporting to TPR.

10.19 While some modules are deemed "good practice" rather than mandatory for all pension schemes, LGPS funds are expected to comply with the code's principles. Although there's no formal mandate for public service pension schemes to establish an effective system of governance or undertake an own risk assessment, LGPS funds are encouraged to align with the code's recommendations and prepare for future requirements, such as those from the SAB Good Governance initiative.

10.20 Funds can proactively address these changes by understanding applicable code areas, conducting gap analyses of current policies and procedures, and assessing training needs for committee/board members and officers.

11 London Collective Investment Vehicle (LCIV)

11.1 At the Summer Budget 2015 it was announced that the government will work with LGPS administering authorities to reform how LGPS investments are managed. The Government wanted the 91 LGPS pension funds to pool their assets into around six investment pools in an effort to drive down investment costs and boost infrastructure investment.

11.2 Ealing is one of 32 London pension fund administering authorities and have been active participants in the Collective Investment Vehicle (CIV) programme, the regional pool for London. The CIV has been constructed as a FCA regulated UK Authorised Contractual Scheme (ACS). The ACS is composed of two parts: the Operator and the Fund. Hence, a limited liability company (London LGPS CIV Ltd) was established, with each participating borough holding a share. The London CIV (LCIV) received its ACS authorisation in November 2015. Each London Borough contributed £75,000 towards setting up and receiving FCA authorisation for LCIV. Additionally, participating boroughs subscribed for non-voting redeemable shares, and there is an agreed annual running cost charge of £25,000 per financial year for LCIV.

- 11.3 Each mandate at the CIV is a separate, ring-fenced, sub-fund within the overall ACS fund.
- 11.4 As of 31 December 2023, total assets deemed pooled by the LCIV client funds were valued at over £29.4 billion of which, £15.9 billion are in funds managed by London CIV.
- 11.5 In Update to January 2024:

Business Update

- 11.6 Aoifinn Devitt has commenced as the new CIO at LCIV, bringing extensive experience from various roles in wealth management and pension funds. Devitt plans to engage with partner funds, focusing on existing and new funds, particularly in Housing, Renewable Infrastructure, Nature Based Solutions, and Private Credit.

Fund Monitoring and Performance

- 11.7 Currently, there are zero funds on the watchlist, four on enhanced monitoring, and others on normal monitoring.

Fund Launches and Pipeline

- 11.8 Discussions were held with clients interested in allocating commitments to a new private debt II fund, set to launch in the second half of the year. The Fund is looking to see if an allocation of its private debt will be to the LCIV when they launch their Fund.
- 11.9 Training sessions on nature-based solutions investment were conducted, and due diligence for potential managers is nearing completion.
- 11.10 Plans are underway to provide a solution for partner funds with indirect property exposure to improve cost efficiency and performance.

Operational Activities

- 11.11 Fee modifications have been implemented for various LCIV funds, with a portion of fee savings retained by LCIV.
- 11.12 Ensuring good governance of the LCIV by the PFP is a necessity, specifically in terms of assets under management, cost savings, responsible investment and overall value for money.

12 Responsible Investments Update

- 12.1 The PFP accelerated its Responsible Investment journey following a special session to reaffirm its investment beliefs following a significant change in the composition of the PFP.
- 12.2 A net zero pledge of 2045 was approved at the meeting on the 25 November 2021. In pursuit of its responsible investment drive a number of initiatives outlined below were approved. Another report within this agenda outlines the Fund's activity in the area in more detail.

Climate Change

- 12.3 Exceptional weather events around the world have been attributed to climate change. And the obvious risks to pensions schemes is the physical or natural environment which will dominate in the longer term. However, a shorter to medium term risk is transition risk, which involves the risks and opportunities that will arise from the global transition to a low carbon economy.
- 12.4 Officers continue to evaluate strategies to accelerate the Funds responsible investment approach as part of the implementation of the revised SAA and progress towards the 2045 Net Zero objective.

13 Training and Other External Presentations

- 13.1 Receive a presentation from executives of the HSBC Senior UK Direct Lending Fund II. Hymans Private and confidential Suitability Review is attached in summary
- The HSBC Senior UK Direct Lending Fund II aims to deliver attractive risk-adjusted returns by investing in a diversified portfolio of senior secured loans to middle-market UK businesses, predominantly owned by private equity sponsors.
 - Fund structure: Luxembourg RAIF SA, with a target fund size of £1bn.
 - Key characteristics include an 8-year legal term with two possible 1-year extensions, quarterly distributions, and a performance objective of 9-11% per annum.
 - The fund focuses on senior secured loans, with a maximum 10% allocation to second lien/subordinated loans.
 - Flexibility within the Offering Memorandum permits up to £50m in 'Excess Amount' beyond the 7.5% concentration limit.
 - The fund expects to invest in 30-40 loans, primarily in the UK, Isle of Man, and the Channel Islands, with potential to support the UK's levelling up agenda.
 - Despite market challenges, the fund's target return has been revised upwards to a gross IRR target of 9-11% per annum.
 - The investment team consists of 13 professionals with stable metrics in terms of leverage and opening EBITDA.
 - While the focus is on the lower mid-market in the UK, the fund aims for a diversified regional exposure, with approximately 70% of the portfolio invested outside of London.
- 13.2 Overall, the fund's investment strategy and profile are deemed sound, with noted considerations regarding fundraising challenges and regional risk exposure.
- 1.11 Members are requested to acknowledge and approve the commitment of an undetermined amount to the HSBC Senior UK Direct Lending Fund II, aimed at diversifying the Fund's private debt mix under delegated authority. This responsibility is delegated to the Strategic Director Resources for execution in collaboration with the Fund's advisors, and following consultation with the chair, vice-chair, and opposition spokesperson.

13.3 Standard Life will give an update on performance and outlook across the property market.

14 Legal

14.1 In discharging their functions under the Public Service Pensions Act 2013 and associated Regulations, the PFP must have regard to:

- (i) The need for diversification of investments of Fund money.
- (ii) The suitability of investments which they propose to make; and
- (iii) Proper advice obtained at reasonable intervals.

14.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force on 1 November 2016. An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State. The authority must invest, in accordance with its investment strategy, any invest money that is not needed immediately to make payments from the Fund.

15 Value for Money

15.1 This report helps in addressing value for money through benchmarking the Council's performance against its customised benchmark.

15.2 By using the National Local Government Pension Scheme framework when procuring custodian and advisory services, it is expected that efficiencies on current contract prices can be found, enhancing the value for money delivered to the Fund and the framework rules.

15.3 The aim of the Fund is to maximise the returns from investments within reasonable risk parameters. Generally, the higher the potential return expected, the higher the associated risk.

15.4 Managing a pension fund is a complex activity that exposes the Council as employer to risks such as increased contribution rate due to poor asset performance or not adequately managing the funding strategy, stakeholder disaffection due to poor communication, higher costs and legal challenges due to poor management of third-party contracts, financial loss due to poor in house cash management.

15.5 The aim of the Fund is to maximise returns within a minimum risk tolerance by setting Fund managers benchmarks, which are monitored both quarterly and in the long term. This monitoring and review of investment strategy ensures the link to the strategic objective of managing resources effectively.

16 Community Safety

None

17 Links to the 3 Priorities for the Borough

17.1 Creating new jobs

Though not directly creating new jobs, all Council employees can join the Council run LGPS scheme and designated bodies within the borough can also be admitted into the scheme.

17.2 Tackling the climate crisis

The PFP are taking proactive steps to have more sustainable investments and are working towards a net zero target of 2045, effectively taking the Fund to a carbon neutral position by that time.

Members of the PFP commissioned a carbon risk report to establish the carbon intensity of the portfolio. The results indicate that the Fund is doing better than its benchmark on all metrics e.g., that the Fund is less carbon intense than its benchmark, Furthermore, back testing the portfolio (as of November 2021) demonstrated that the carbon intensity of the Fund has been reducing for the past 5 years. This shows that steps taken a few years ago to move the bulk of the Fund's equity portfolio to low carbon and sustainable company indices have been positive.

Members will set and monitor interim carbon reduction targets to aid the glide path to net zero by 2045.

18 Equalities and Community Cohesion

None

19 Staffing/Workforce and Accommodation implications

20 Representatives of the staff sides of the Joint Consultative Committees attend the PFP meetings and can express their views at any time.

21 Property and Assets

None.

22 Any other implications

Not applicable.

Appendices

Appendix A –The Fund's 16 largest holdings

Appendix B – Exercise of Voting Rights for LCIV

Appendix C – Lothbury Property Trust - Termination Notice

Appendix D – Funding Update

Appendix E – Hymans Suitability Review of HSBC Senior UK Direct Lending Fund II
(Private and Confidential)

Consultation

Name of consultee	Post title	Date sent to consultee	Date response received	Comments appear in report Para:
Councillor Callum Anderson	Chair of the Pension Fund Panel	11/3/2024		
Emily Hill	Strategic Director Resources	11/3/2024		Throughout
Emma Horner	Assistant Director Technical Finance	11/3/2024		
Justin Morley	Head of Legal Services	11/3/2024		
Shahzad Ayub	Senior Lawyer	11/3/2024	12/3/2024	App 3 and E

Decision type: Non-key decision	Urgency item? No
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Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:
Report no.:	Report author and contact for queries:		
	Bridget Uku Finance Manager, Pensions & Treasury Nyce Higiroy Financial Accountant		

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The Fund's 16 Largest Holdings as at 31 December 2023																
Company	Total		Royal London		Baillie Gifford		LGIM		Ealing Cash		JP Morgan		Property		Private Debt	
	Mkt value £000	% of net assets	Mkt value £000	% of net assets	Mkt value £000	% of net assets	Mkt value £000	% of net assets	Market value £000	% of net assets	Market value £000	% of net assets	Mkt value £000	% of net assets	Mkt value £000	% of net assets
1 DESCRIPTION: IIF UK 1LP	58,234	3.8%									58,234	100%				
2 LOTHBURY PROPERTY FUND	35,308	2.3%											35,308	35%		
3 FEDRTD HERMES PRPTY UNT TRST	33,135	2.1%											33,135	33%		
4 PERMIRA CREDIT SOLUTIONS IV SENIOR GBP SCSP	32,969	2.1%												32,969	51%	
5 STANDARD LIFE LONG LEASE PPTY FUN	31,957	2.1%											31,957	32%		
6 GS GBP LIQ RES INST	21,396	1.4%							21,396	100.0%						
7 MICROSOFT CORP COM USD0.00001	16,421	1.1%					16,421	2.5%								
8 APPLE INC COM NPV	16,341	1.1%					16,341	2.5%								
9 APPLE INC COM NPV	15,624	1.0%					15,624	2.4%								
10 CHURCHILL MIDDLE MARKET SENIOR LOAN FUND II	14,946	1.0%												14,946	23%	
11 MICROSOFT CORP COM USD0.00001	14,240	0.9%					14,240	2.2%								
12 ROYAL LON STER EX YL BD-SI	11,649	0.8%	11,649	3.6%												
13 Microsoft	9,714	0.6%			9,714	3.7%										
14 Martin Marietta Materials	9,251	0.6%			9,251	3.5%										
15 ALPHABET INC-CL A	9,120	0.6%					9,120	1.4%								
16 Amazon.com	8,950	0.6%			8,950	3.4%										
VALUE OF TOP 16 HOLDINGS	339,255	22.0%	11,649		27,915		71,746		21,396		58,234		100,400		47,914	

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Account Group Name	Industry Sector	Meeting Date	Proponent	Proposal Subcategory
LCIV - Baillie Gifford	Metals & Mining	01-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Metals & Mining	01-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Metals & Mining	01-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Metals & Mining	01-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Metals & Mining	01-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Metals & Mining	01-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Metals & Mining	01-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Metals & Mining	01-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Metals & Mining	01-Nov-23	Management	Remuneration Policy & Implementation
LCIV - Baillie Gifford	Metals & Mining	01-Nov-23	Management	Equity Compensation Plan
LCIV - Baillie Gifford	Metals & Mining	01-Nov-23	Management	Severance Agreement
LCIV - Baillie Gifford	Professional Services	09-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Professional Services	09-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Professional Services	09-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Professional Services	09-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Professional Services	09-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Professional Services	09-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Professional Services	09-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Professional Services	09-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Professional Services	09-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Professional Services	09-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Professional Services	09-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Professional Services	09-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Professional Services	09-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Professional Services	09-Nov-23	Management	Remuneration Policy & Implementation
LCIV - Baillie Gifford	Professional Services	09-Nov-23	Management	Remuneration Policy & Implementation
LCIV - Baillie Gifford	Professional Services	09-Nov-23	Management	Auditor Related
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Routine Business
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Routine Business
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Routine Business
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Auditor Related
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Directors' Compensation
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Remuneration Policy & Implementation
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Remuneration Policy & Implementation
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Directors' Compensation
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Remuneration Policy & Implementation
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Related-Party Transactions
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Capital Structure - Repurchase
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Capital Structure Related
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Capital Issuance
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Capital Issuance
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Capital Issuance
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Capital Issuance
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Capital Structure - Placement
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Capital Issuance
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Capital Structure Related
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Employee Stock Ownership/Purchase Plan
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Employee Stock Ownership/Purchase Plan
LCIV - Baillie Gifford	Beverages	10-Nov-23	Management	Formalities
LCIV - Baillie Gifford	Personal Care Products	17-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Personal Care Products	17-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Personal Care Products	17-Nov-23	Management	Director Election

LCIV - Baillie Gifford	Personal Care Products	17-Nov-23	Management	Director Election
LCIV - Baillie Gifford	Personal Care Products	17-Nov-23	Management	Auditor Related
LCIV - Baillie Gifford	Personal Care Products	17-Nov-23	Management	Remuneration Policy & Implementation
LCIV - Baillie Gifford	Personal Care Products	17-Nov-23	Management	Remuneration Policy & Implementation
LCIV - Baillie Gifford	Software	07-Dec-23	Management	Director Election
LCIV - Baillie Gifford	Software	07-Dec-23	Management	Director Election
LCIV - Baillie Gifford	Software	07-Dec-23	Management	Director Election
LCIV - Baillie Gifford	Software	07-Dec-23	Management	Director Election
LCIV - Baillie Gifford	Software	07-Dec-23	Management	Director Election
LCIV - Baillie Gifford	Software	07-Dec-23	Management	Director Election
LCIV - Baillie Gifford	Software	07-Dec-23	Management	Director Election
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LCIV - Baillie Gifford	Software	07-Dec-23	Management	Director Election
LCIV - Baillie Gifford	Software	07-Dec-23	Management	Director Election
LCIV - Baillie Gifford	Software	07-Dec-23	Management	Remuneration Policy & Implementation
LCIV - Baillie Gifford	Software	07-Dec-23	Management	Remuneration Policy & Implementation
LCIV - Baillie Gifford	Software	07-Dec-23	Management	Auditor Related
LCIV - Baillie Gifford	Software	07-Dec-23	Shareholder	Counter
LCIV - Baillie Gifford	Software	07-Dec-23	Shareholder	Counter
LCIV - Baillie Gifford	Software	07-Dec-23	Shareholder	Counter
LCIV - Baillie Gifford	Software	07-Dec-23	Shareholder	Weapons
LCIV - Baillie Gifford	Software	07-Dec-23	Shareholder	Climate
LCIV - Baillie Gifford	Software	07-Dec-23	Shareholder	Miscellaneous
LCIV - Baillie Gifford	Software	07-Dec-23	Shareholder	Human Rights
LCIV - Baillie Gifford	Software	07-Dec-23	Shareholder	Political Spending
LCIV - Baillie Gifford	Software	07-Dec-23	Shareholder	Miscellaneous
LCIV - Baillie Gifford	Media	08-Dec-23	Management	Routine Business
LCIV - Baillie Gifford	Media	08-Dec-23	Management	Director Election
LCIV - Baillie Gifford	Media	08-Dec-23	Management	Director Election
LCIV - Baillie Gifford	Media	08-Dec-23	Management	Director Election
LCIV - Baillie Gifford	Media	08-Dec-23	Management	Director Election
LCIV - Baillie Gifford	Media	08-Dec-23	Management	Director Election
LCIV - Baillie Gifford	Media	08-Dec-23	Management	Director Election
LCIV - Baillie Gifford	Media	08-Dec-23	Management	Director Election
LCIV - Baillie Gifford	Media	08-Dec-23	Management	Director Election
LCIV - Baillie Gifford	Media	08-Dec-23	Management	Board Related
LCIV - Baillie Gifford	Media	08-Dec-23	Management	Equity Compensation Plan

Elect Director	Yes
Ratify Auditors	Yes
Advisory Vote to Ratify Named Executive Officers' Compensation	Yes
Advisory Vote on Say on Pay Frequency	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Advisory Vote to Ratify Named Executive Officers' Compensation	Yes
Advisory Vote on Say on Pay Frequency	Yes
Ratify Auditors	Yes
Miscellaneous -- Environmental & Social Counterproposal	Yes
Miscellaneous -- Environmental & Social Counterproposal	Yes
Miscellaneous -- Environmental & Social Counterproposal	Yes
Weapons - Related	Yes
Report on Climate Change	Yes
Miscellaneous Proposal - Social	Yes
Operations in High Risk Countries	Yes
Political Contributions Disclosure	Yes
Miscellaneous Proposal - Social	Yes
Approve Allocation of Income and Dividends	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Director	Yes
Elect Alternate/Deputy Directors	Yes
Approve Restricted Stock Plan	Yes

Proposal Text	Management	Voting Policy
	Recommendation	Recommendation
Elect Xiaoqun Clever as Director	For	For
Elect Ian Cockerill as Director	For	For
Elect Gary Goldberg as Director	For	For
Elect Michelle Hinchliffe as Director	For	For
Elect Ken MacKenzie as Director	For	Against
Elect Christine O'Reilly as Director	For	For
Elect Catherine Tanna as Director	For	For
Elect Dion Weisler as Director	For	For
Approve Remuneration Report	For	Against
Approve Grant of Awards to Mike Henry	For	Against
Approve Renewal of Potential Leaving Entitlements	None	For
Elect Director Leslie A. Brun	For	For
Elect Director Pamela L. Carter	For	For
Elect Director Richard J. Daly	For	For
Elect Director Robert N. Duelks	For	For
Elect Director Melvin L. Flowers	For	For
Elect Director Timothy C. Gokey	For	For
Elect Director Brett A. Keller	For	For
Elect Director Maura A. Markus	For	Against
Elect Director Eileen K. Murray	For	For
Elect Director Annette L. Nazareth	For	For
Elect Director Amit K. Zavery	For	For
Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against
Advisory Vote on Say on Pay Frequency	One Year	One Year
Ratify Deloitte & Touche LLP as Auditors	For	For
Approve Financial Statements and Statutory Reports	For	For
Approve Consolidated Financial Statements and Statutory Reports	For	For
Approve Allocation of Income and Dividends of EUR 4.70 per Share	For	For
Reelect Kory Sorenson as Director	For	For
Reelect Philippe Petitcolin as Director	For	For
Elect Max Koeune as Director	For	For
Renew Appointment of Deloitte & Associates as Auditor	For	For
Approve Remuneration of Directors in the Aggregate Amount of EUR 1,3	For	For
Approve Compensation of Alexandre Ricard, Chairman and CEO	For	Against
Approve Remuneration Policy of Alexandre Ricard, Chairman and CEO	For	Against
Approve Compensation Report of Corporate Officers	For	For
Approve Remuneration Policy of Directors	For	For
Approve Auditors' Special Report on Related-Party Transactions Mentioning the Absence of New Transactions	For	For
Authorize Repurchase of Up to 10 Percent of Issued Share Capital	For	For
Authorize Decrease in Share Capital via Cancellation of Repurchased Sh	For	For
Authorize Issuance of Equity or Equity-Linked Securities with Preemptive Rights up to Aggregate Nominal Amount of EUR 130 Million	For	For
Authorize Issuance of Equity or Equity-Linked Securities without Preemptive Rights up to Aggregate Nominal Amount of EUR 39 Million	For	For
Authorize Board to Increase Capital in the Event of Additional Demand Related to Delegation Submitted to Shareholder Vote Under Items 16, 17 and 19	For	For
Approve Issuance of Equity or Equity-Linked Securities for Private Placements, up to Aggregate Nominal Amount of EUR 39 Million	For	For
Authorize Capital Increase of up to 10 Percent of Issued Capital for Contributions in Kind	For	For
Authorize Capitalization of Reserves of Up to EUR 130 Million for Bonus Issue or Increase in Par Value	For	For
Authorize Capital Issuances for Use in Employee Stock Purchase Plans	For	For
Authorize Capital Issuances for Use in Employee Stock Purchase Plans Reserved for Employees of the Group's Subsidiaries	For	For
Authorize Filing of Required Documents/Other Formalities	For	For
Elect Director Charlene Barshefsky	For	Withhold
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Elect Director Angela Wei Dong	For	For
Elect Director Fabrizio Freda	For	For
Elect Director Gary M. Lauder	For	For

Elect Director Jane Lauder	For	For
Ratify PricewaterhouseCoopers LLP as Auditors	For	For
Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against
Advisory Vote on Say on Pay Frequency	One Year	One Year
Elect Director Reid G. Hoffman	For	For
Elect Director Hugh F. Johnston	For	For
Elect Director Teri L. List	For	For
Elect Director Catherine MacGregor	For	For
Elect Director Mark A. L. Mason	For	For
Elect Director Satya Nadella	For	For
Elect Director Sandra E. Peterson	For	For
Elect Director Penny S. Pritzker	For	For
Elect Director Carlos A. Rodriguez	For	Against
Elect Director Charles W. Scharf	For	For
Elect Director John W. Stanton	For	For
Elect Director Emma N. Walmsley	For	For
Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against
Advisory Vote on Say on Pay Frequency	One Year	One Year
Ratify Deloitte and & Touche as Auditors	For	For
Report on Gender-Based Compensation and Benefits Inequities	Against	Against
Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy	Against	Against
Report on Government Take Down Requests	Against	Against
Report on Risks of Weapons Development	Against	Against
Report on Climate Risk in Retirement Plan Options	Against	Refer
Publish a Tax Transparency Report	Against	Refer
Report on Risks of Operating in Countries with Significant Human Rights Concerns	Against	Refer
Adopt a Policy Requiring Third Party Groups to Report Their Political Expenditures	Against	Against
Report on Risks Related to AI Generated Misinformation and Disinformation	Against	Refer
Approve Allocation of Income, with a Final Dividend of JPY 15	For	For
Elect Director Fujita, Susumu	For	For
Elect Director Hidaka, Yusuke	For	For
Elect Director Nakayama, Go	For	For
Elect Director Nakamura, Koichi	For	Against
Elect Director Takaoka, Koza	For	For
Elect Director and Audit Committee Member Shiotsuki, Toko	For	For
Elect Director and Audit Committee Member Horiuchi, Masao	For	Against
Elect Director and Audit Committee Member Nakamura, Tomomi	For	For
Elect Alternate Director and Audit Committee Member Kanzaki, Takahiro	For	For
Approve Deep Discount Stock Option Plan	For	For

	Yes	No	No
	Yes	No	No
Excessive CEO payNo hedging policyOptions/PSUs vest in less than 30	Yes	Yes	No
Annual vote provides for greater shareholder oversight	Yes	No	No
	Yes	No	No
	Yes	No	No
	Yes	No	No
	Yes	No	No
	Yes	No	No
	Yes	No	No
	Yes	No	No
	Yes	No	No
Concerns about remuneration committee performance	Yes	Yes	No
	Yes	No	No
	Yes	No	No
	Yes	No	No
High variable pay ratioExcessive CEO pay	Yes	Yes	No
Annual vote provides for greater shareholder oversight	Yes	No	No
	Yes	No	No
	Yes	No	No
	Yes	No	No
	Yes	No	No
	Yes	No	No
	Yes	Yes	No
	Yes	Yes	No
	Yes	Yes	No
	Yes	No	No
	Yes	Yes	No
	Yes	No	No
	Yes	No	No
	Yes	No	No
	Yes	No	No
Lack of independence on board	Yes	Yes	No
	Yes	No	No
	Yes	No	No
Concerns related to succession planning	Yes	Yes	No
	Yes	No	No
	Yes	No	No
	Yes	No	No

Lothbury Property Trust

All Investor Presentation

15th February 2024

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Agenda

- Current LPT Position
- Merger Summary
- Disposal Update
- Sales List
- Disposal Considerations
- Disposal Programme
- Heads of Terms Summary
- Merger Costs
- Resource
- Merger Key Terms
- Merger Timeline
- Recommendation
- Q&A

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Current LPT Position

- Current redemptions of £848.5m (Q2 £824.5m and Q3 £24.0m)*
- There are 9 investors (£28.8m) who have not served a formal redemption request*
- Fund NAV of £877.328m as at 31st January
- 31st January Property Portfolio Value £721.7m (-0.7% from December)
- Current Cash Position £153.7m, split between 3 accounts:

Northern Trust Custody	Sumitomo	Barclays 32 day
4.8%	5.2%	5.2%
£50.7m	£51.8m	£51.2m

- Identified contractual development expenditure to end 2024 of £3.5m
- Should the vote to extend the termination not be successful the intention is to repatriate current cash to all investors and thereafter upon asset sales having regard to fund capital requirements

* based on 31 January NAV price

Merger Summary

- The EGM on 14th December extended the termination date from 31st December 2023 to 31st March 2024 received votes from Unitholders representing 80% of the investor base with 99.4% voting for the extension
- Original proposal with UBS was on the basis of £450m of Unitholders redeeming from LPT but this increased to almost £600m by mid January
- Accordingly LIM sought further reassurance from UBS that the £150m of capital from Triton would be forthcoming
- Further time is also needed in order to complete further sales to raise the additional cash required
- Merger discussions continued and Heads of Terms were signed on 8th February
- The detailed due diligence process continued throughout including the production of the Certificates of Title
- UBS anticipate completing due diligence by April 2024
- Second EGM now scheduled to vote upon an additional fund extension from 31st March to 30th June when it is anticipated the merger could complete

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Merger Summary

- Indicative responses from Unitholders since start of the year suggest a higher redemption amount than anticipated

	Number	£m	%
Redeem at point of merger	35	£602,824,747	68.7%
Transfer to Triton	20	£262,839,296	30.0%
No Response	4	£11,664,159	1.3%
Total	59	£877,328,202	100%

- Assuming 50/50 apportionment of 'No Responders' (c. £11.7m)
- Assuming that **all** of the 7 properties currently under offer complete:

Potential Equity Requirement		£609m
Current Cash	£155m	
Properties Exchanged	£41m	
Properties Under Offer	£205m	
UBS Cash	£150m	£551m
Being marketed	£70m	
On sales list	£76m	
Total Potential cash		£697m

Disposal Programme – 2023 & 2024 YTD

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Status	No. of assets	Total	Timing***	+/- Valuation
Completed	7	£324.7m	Completed	+1% (vs March 2023)
Exchanged	2	£41.1m*	Exchanged	-5% (vs September 2023)
Under Offer	7	£204.7m*	Q1 2024	-11% (vs September 2023)
Actively Marketed	3	£70.2m**	Q1/Q2 2024	n/a
Preparing to Market	5	£76.1m**	Q1/Q2 2024	n/a
Total	24	£716.8m		

* Agreed price

** Values at 31st January 2024

*** Anticipated timing for completion; both exchanged assets due to complete in Q1 2024

'Merger-led' Sales List

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Sector	Asset	Town	Value*	Status
Office	35 Soho Square	London	£8.6m**	Exchanged
Supermarket	Sainsbury's, Fallowfield	Manchester	£32.5m**	Exchanged
Office	North Bailey House	Oxford	£21.3m**	Under Offer
Retail	James Street, Covent Garden	London	£77.0m**	Under offer
Office	36 Soho Square	London	£6.8m**	Under Offer
Office	55 St James's Street	London	£63.4m**	Under Offer
Office	Broadland Business Park	Norwich	£10.5m**	Under Offer
Retail Warehouse	Silkbridge Retail Park, Hendon	London	£16.3m**	Under Offer
Industrial	Connex 45	Leeds	£9.6m**	Under Offer
Industrial	Dunlop Aircraft Tyres	Birmingham	£11.8m	Marketed
Leisure	Malmaison hotel	York	£34.0m	Marketed
Retail Warehouse	Southampton Road Retail Park	Salisbury	£24.4m	Marketed
Office	4 Hardman Street	Manchester	£14.4m	Preparing
Office	Tudor House	London	£9.0m	Preparing
Industrial	Broadland Business Park	Norwich	£8.7m***	Preparing
Mixed Use	Clarendon Quarter	Oxford	£32.9m	Preparing
PBSA	2 Powis Place	Aberdeen	£11.3m	Preparing
		Total:	£392.1m	

*Values as at 31st January; **Contracted / agreed prices; ***Excludes part being sold with Broadland BP Offices

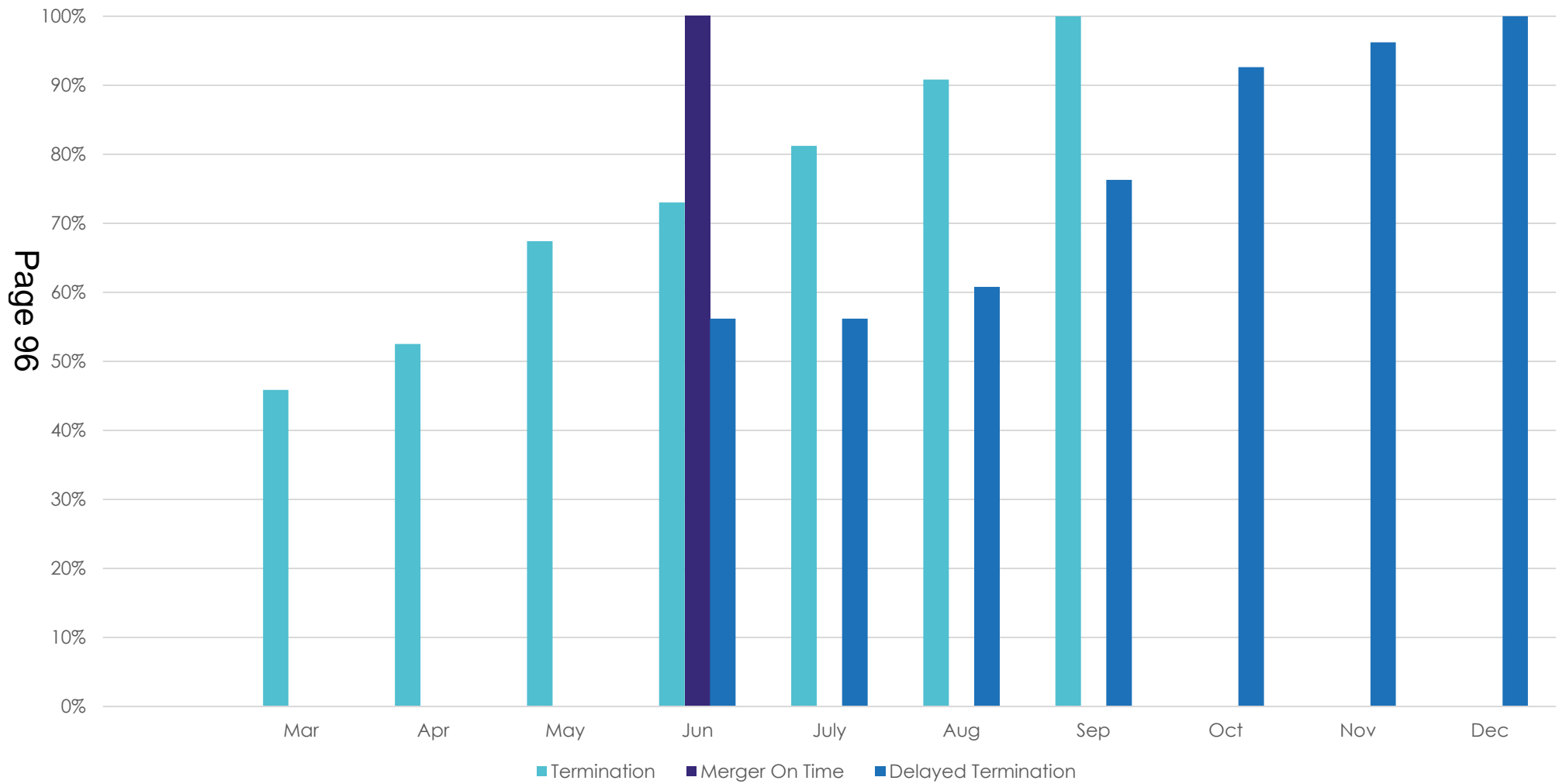
LPT 'Merger-led' Sales – Risk Considerations

- Whilst LIM has delivered good results on sales in a highly challenging market to date, general market and transactional risk prevails and the likelihood of achieving completion of all intended sales (including the recently-sanctioned sales) before the end of June is optimistic
- Other, more liquid assets within LPT which have a higher probability of being sold over Q1 have been 'locked up' under the terms of the merger, rendering them effectively illiquid for c. 8 months by the end of Q2
- Purchasers' attitudes towards LPT assets being sold between now with a known hard deadline could materially impact on prices achieved; a Termination scenario would mitigate this and allow LPT to control the narrative to ensure best value is captured
- Rumours of the merger are widely circulating in the Real Estate market which may now begin to manifest in pricing renegotiations on current and future sales
- The sales programme requires certain assets to be put to the market that are not fully prepared for sale, therefore the prices achieved may be compromised versus a measured sale under a Termination scenario
- There are signs of optimism in the market that may suggest continued valuation decline is less likely in 2024

Disposal Programme Forecast (Termination)

- Upon termination proceeds from sales can be repatriated on a regular basis following completion of individual sales, net of transaction costs and fund capital requirements (c. £150m immediately)
- Measured programme of sales to target full liquidation by end Q3 2024, ensuring optimal liquidity at asset level and avoid discounts through 'flooding' the market, or within the strict time constraints of the merger timeline
- Highly liquid Industrial and PBSA assets that are currently 'frozen' - for the benefit of UBS Triton / the merger - can be released to market and realised sooner than in the merger scenario
- Complex assets or those requiring specific sales preparation (e.g. technical surveys) to ensure optimal liquidity can be brought to market when fully ready, to achieve best price
- These principles apply if Termination is deferred until after an aborted merger scenario, albeit with a time delay (see graph overleaf)

Disposal Programme - Scenarios



Heads of Terms Summary

- It should be noted that the Heads of Terms agreed are the best which we believe could have been achieved within the timescale allowed. They are not necessarily those which were anticipated at the outset due to the scale of investors wanting to redeem, nor those which we believe are the best that could have been agreed
- Part of the reason for recommending UBS initially was the availability of cash waiting to enter the fund of £150m-200m (IAC meeting 2nd November). There is no guarantee to how much of this can be brought forward
- Regardless, LIM have entered into the HoTs in good faith and will use its best efforts to sell the assets on the Sales List as required
- There remain further remaining risks relating to the confirmed number of redeemers (this could increase or decrease) and additionally that UBS do not wish to take an asset following their due diligence process
- As such it must be recognised that there remains a great deal of uncertainty in the proposal and that a merger is not a guaranteed outcome

Merger Costs

- Current Costs involved with the merger:
 - Travers Smith £450,000 (of which £168,000 currently incurred)
 - BCLP Certificate of Title production estimated to complete at £525,000 (of which £444,000 currently incurred) to be split 75:25 with UBS
 - Simmons & Simmons £100,000 (of which £24,500 currently incurred)
 - Carey Olsen £50,000
 - Construction legals £30,000 (estimate)
 - **Total: £1,155,000** (of which £636,500 currently incurred)
- Of the above fees it is estimated that c.£925,000 are merger related fees and potentially abortive
- A premium for the Warranty and Indemnity Insurance is awaited from UBS (to be split 50:50 with UBS)
- All other legal work and technical surveys would be incurred were the assets to be sold in Termination

Resource

There have been queries regarding adequate resource at LIM needed to undertake the merger or a termination. LIM is supplying all due diligence responses promptly to both UBS and asset purchasers and as such is absolutely confident that no sales have been lost due to lack of resource. In particular:

- As reported previously LIM has the full support of Nomura to properly manage the process and has been the recipient of additional funds to retain staff
- One resignation has been received by LIM in 2024 from a junior admin assistant
- Jo Bond has resigned 4 weeks early from her one day a week Senior Adviser role and will be leaving at the beginning of March
- LIM has secured the services of a previous Director on a 3 day a week role for a period of 3 months
- LIM has resisted the provision of information in UBS/Purchaser's preferred formats where the information has already been provided

Merger Proposal – Key Terms

- Triton Property Fund (which consists of Triton Property Fund LP and two feeder unit trusts) to acquire LPT units in return for Triton units
- All investors wishing to exit LPT and not take units in Triton will be fully paid out at the point of merger
- Intention to structure the transaction so as not to trigger unnecessary stamp duty
- Consideration for LPT to be collapsed and assets transferred directly to Triton
- Proposal is conditional on the deferral of LPT's termination date to 30th June and full due diligence being satisfactory to Triton in terms of LPT being a CIS
- Investors totalling £280m assumed to be rolled into Triton and £600m redeeming
- Redeeming investors to be paid out from LPT cash at the completion date (being current cash of £155m plus additional sales funds (Tranche 1)) and commitments to subscribe to Triton and/or debt funding to Triton up to £150m (Tranche 2)
- Tranche 2 will be used to acquire LPT units from all Redeeming investors pro rata to the shortfall of cash

Merger Proposal – Key Terms

- If exiting investors total more than £600m or that less than £300m of assets can be sold by the Completion Date good faith discussions will be held
- There is a Sales List of properties to be sold and a Merger List of properties to be transferred into Triton which are not to be proactively marketed. Should a request for information and credible offer be received on a Merger Property, UBS are to be notified and given a right of first refusal
- LIM to target selling all assets on the Sales List regardless of anticipated level of redemptions
- Certificates of Title of LPT's top 10 assets by value will be provided with full DD being required on any other assets outside of the Top10 or which cannot be sold prior to the Completion Date. CoT costs to be met 75% Triton/25% LPT
- LIM to be responsible for notification to CBI & Jersey regulators and UBS to be responsible for FCA and JFSC
- Expectation from LFM that there will be no further extension of the termination date if the Implementation Agreement has not been entered into by end May and that there is a reality that required funds will be receivable in a visible timescale

Merger Proposal – Key Terms

- Pricing of the Transaction will be calculated by reference to the latest prevailing NAV per unit of LPT and the prevailing NAV per unit of Triton prior to completion of the merger
- The two funds' respective valuers, CBRE and Knight Frank, are to agree valuation of the LPT assets. Should there be differences of >2% then an independent valuer will be appointed
- Each fund to apply the merger costs to its own NAV prior to the merger
- Eligibility of LPT investors to be established
- LPT costs to be borne equally by all LPT investors with regards to transaction costs and asset disposal costs as calculated in fund NAV
- LIM will receive a fee share (to be agreed) of the Triton fee applicable to the unitholdings of the legacy LPT investors for a period of 18 months

Merger Timeline

- Ongoing: LIM continue to sell assets on the Sales List to raise capital
- 14th December: EGM vote to defer the termination of LPT from 31st December 2023 to 31st March 2024.
- Ongoing: LIM to follow up with all investors to obtain indications of interest for merger
- Heads of terms agreed 8th February
- Ongoing: UBS to continue due diligence to its satisfaction on a timely basis in order to proceed with the Transaction
- 12th February LIM to have provided responses to Phase 2 due diligence enquiries
- w/c 22nd April UBS to have completed Phase 2 Due Diligence

Merger Timeline

- Preferably by end April and no later than 28th May: detailed terms of the transaction will be agreed in a binding conditional Implementation Agreement between LPT, Triton and their trustees and managers
- From late April and not later than 28th May pre agreed notices for LPT Unitholder Election (confirmation of transfer or exit) and Transaction Approval (requiring an EGM) sent to investors for return within 3 calendar weeks. Other supporting and required documentation to be issued with these notices
- Not later than 20th June: Deadline for receipt of LPT Unitholder Elections and proxy votes for the EGM considering Transaction Approval. Any LPT investors not returning their LPT Unitholder Election will be deemed to be an exiting investor
- Not later than 24th June: LPT unitholder EGM at which Transaction Approval is considered
- Not later than 28th June 2024: Assuming that the Transaction Approval is passed, the Transaction becomes effective, redeeming investors are paid out and transferring unitholders receive new interests in Triton
- If Transaction Approval is not granted, the Fund automatically enters into Termination as at 1st July 2024

AIFM Recommendation to the Fund Manager

- UBS Triton is a highly-regarded, strong-performing fund with an emphasis on ESG, and therefore is deemed to be a good option for LPT unitholders wishing to retain a UK real estate allocation in a managed, balanced fund
- LIM continues with the sales process and with the preparation of all assets on the Sales List to bring to the market
- LIM and UBS continue to cooperate in terms of the due diligence process to ensure no time is lost whilst an extension to the merger timetable is sought
- If the outcome of the EGM for an extension of the merger is negative, then it is recommended that a Termination is called with immediate effect
- If the outcome is positive then both parties move to a merger in line with the heads of terms in as short time frame as possible whilst achieving best results on asset sales
- Regular dialogue is maintained between LIM and UBS on the sales programme and the UBS subscription raise
- If at the end of May insufficient cash has been generated or is likely to be generated on a contracted basis then the termination is brought forward

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31 December 2023 Funding Update

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London Borough of Ealing Pension Fund
March 2024



Michelle Doman FIA
Fund Actuary

31 December 2023 Update – Key Considerations

Returns outlook

Gilt yields have risen materially over the last 12 months, which has led to many stochastic models pointing to a significant increase in expected future investment returns, and therefore the valuation discount rate. If such higher discount rates are applied mechanically without adjustment, this results in potentially material funding improvements being recognised at the current time - despite high inflation increasing pension costs and low asset returns. Such funding improvements for LGPS Funds are being widely reported in the press.

However current conditions are volatile, creating more uncertainty and more “model parameter risk”. This would suggest an increase in prudence margin/likelihood of success is needed when setting discount rates using these models, at least until the outlook begins to look more stable.

In line with the objective for prudence and cost stability, and as previously agreed with the Fund, we have carried out the funding update allowing for some but not all of the upward movement in yields. We have allowed for around 25% of the Fund’s assets to be correlated with gilt yield movements, which takes into account the broad asset strategy adopted. In addition, we’ve taken into account other factors that have led to changes in expected returns separately from yield movements (such as changes in credit spreads). However, the current financial conditions provide much more flexibility in where to position the discount rate, and so we have also shown a sensitivity of a further 0.5% p.a. increase on past service investment returns.

The position will be considered in detail as part of the funding strategy work in the lead in to the 2025 valuation, taking into account views on economic outlook, contribution affordability and sustainability for employers at that time. We have not sought to pre-empt this work at this stage in the valuation cycle.

Life Expectancy

In June 2023, CMI released outcomes of their 2022 investigation. Relative to the funding assumptions underlying the 2022 valuation calculations, a small reduction in liabilities and future service rate is expected as a result. Whilst it is early days, indications for the CMI 2023 analysis are for a further fall in projected life expectancy and further details will be known once this is released in the next few months.



31 December Update – Whole Fund

	31 March 2022 Valuation	31 December 2023 Update (Like for Like)	31 December 2023 Update (Updated Discount Rate / Mortality)	31 December 2023 Update (+0.5% Discount Rate Sensitivity)
Assets	£1,546m	£1,570m	£1,570m	£1,570m
Liabilities	£1,617m	£1,857m	£1,708m	£1,572m
Funding Level	96%	85%	92%	100%
Surplus / Deficit	£71m	£287m	£138m	£2m
Primary Contribution Rate	18.6%	18.6%	16.8%	16.8%
Real Discount Rate - Past Service	CPI+1.35%	CPI+1.35%	CPI+1.75%	CPI+2.25%
Real Discount Rate - Future Service	CPI+2.00%	CPI+2.00%	CPI+2.25%	CPI+2.25%
Life Expectancy Assumption	2022 val baseline CMI 2021 1.75%	2022 val baseline CMI 2021 1.75%	2022 val baseline CMI 2022 1.75%	2022 val baseline CMI 2022 1.75%

Comment

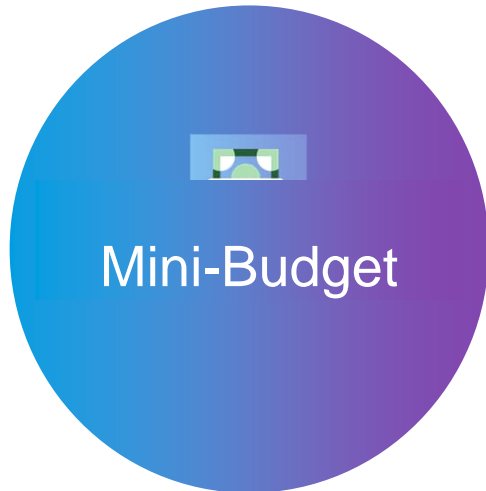
- The 31 December 2023 liability figures allow for changes in known inflation to December 2023 (which drive the April 2024 increase).
- The 31 December 2023 figures are estimated taking into account a combination of actual investment returns (as provided by the Fund) and actual contribution and benefit cashflows to 31 March 2023 and then estimated thereafter to 31 December 2023.

Future investment returns

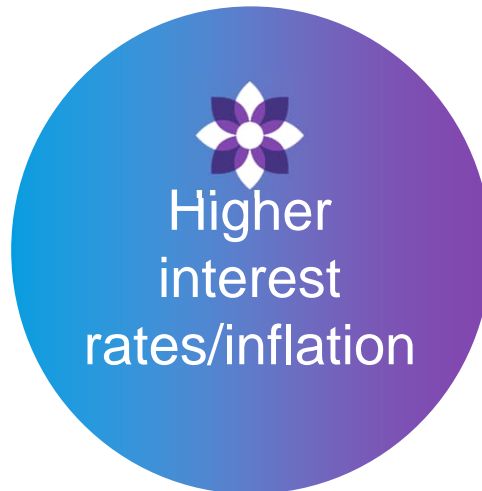
- Under the agreed mechanistic approach for updating the discount rate, the reported funding level has fallen to 92%. However, as referenced on previous slide whilst there is a need to balance model parameter risk, the current financial conditions do provide much more flexibility on where to position the discount rate.
- The rise in gilt and bond yields since 31 March 2022 also means that the Fund may be able to deliver the long-term investment return required for the funding strategy with lower investment risk and this is an area to discuss with the Fund's investment adviser if not already covered.
- The full stochastic model for future returns will be used for the purpose of setting contribution outcomes for the next valuation. This will show the likelihood alongside the return assumption so that the Fund can consider this in conjunction with the funding position when determining the contribution strategy.
- **Further consideration will be given to discount rates (and the impact of investment strategy changes), inflation, life expectancy as part of an interim review exercise to be undertaken in the Autumn, as part of planning for the 2025 actuarial valuation.**

What's happened since 31 March 2022 - summary

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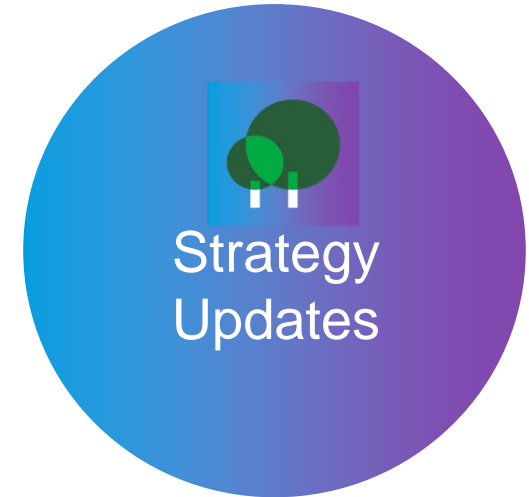


The challenging economic environment since the valuation date has impacted asset returns. The Fund's assets are estimated to have returned c2.5% since 31 March 2022. This compares to the long-term required return from the funding strategy of c8% over the period.



Allowance for a higher 2023 Pension Increase was built into 2022 valuation outcomes, but high inflationary environment has continued. The 2024 Pension Increase will be c6.7% and this is built into the numbers in this presentation.

The higher interest rate environment reduces the cost of investing in low risk assets. More generally across the LGPS this has led to an interest in early termination/de-risking from some employers.



The Fund has carried out a review of its investment strategy.

The impact of the investment strategy changes will be modelled as part of the 2025 discount rate analysis. In the absence of the final strategy changes being confirmed, the impact of these changes have not been incorporated into this funding update.

31 December 2023 Update – What next?

Contribution affordability/sustainability

- Based on current market conditions and financial models, there is a greater likelihood of achieving the discount rate set at the valuation date which provides some flexibility for the 2025 valuation. However contribution outcomes will ultimately depend also on the asset experience and whether returns continue to pick up over the next 12 months (as they did over the quarter to 31 December 2023). Biggest driver of total contributions will continue to be future service rate contributions.
- As part of the preparation for the 2025 valuation, a more detailed review of funding will be undertaken later this year.

Page 111 Surplus management

- Surplus buffer (10%) introduced at 2022 valuation. Surplus management likely to be important for some employers for the 2025 valuation, potentially for the Council too depending on how the position emerges.
- Across the LGPS, major employers are asking Funds to “lock in” their improved funding position, with investment de-risking/partial termination.
- Funds may also start seeing requests for interim rate reviews, especially given financial stability of some Councils – although this is not currently an option in the Ealing Fund.

Climate Risks

- It remains uncertain when regulations governing climate change reporting in LGPS will be effective. The Fund carried out climate scenario analysis as part of the 2022 Actuarial Valuation to better understand the nature of their exposure to climate risk (extract from this is set out in the Appendix).
- Looking ahead, it will be important to ensure that work undertaken in this area, in terms of strategy (and scenario analysis to help formulate this), continues to be joined up with the funding strategy, including linking to potential demographic impacts, contribution outcomes and potential affordability.

In other news – McCloud / General Code

McCloud

- Regulations became effective from 1 October 2023. Initial prioritisation guidance released by DLUHC on 13 October 2023 and Initial implementation guide from LGA issued in November 2023 (first of 3).
- Further statutory guidance awaited on approach Funds should take to implementing the remedy – to be consulted on. GAD guidance has now been issued in relation to certain calculation processes (early/late retirement etc.).
- Software systems are being updated in relation to BAU tasks going forwards for new cases – if complete data available.

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General Code / Good Governance

- Final Code published in January 2024 and will become effective from March 2024. Certain areas clarified from draft Code but questions for LGPS remain.
- 51 modules included in the Code but not all will apply to the LGPS although in some areas, there will be an expectation to follow the Code even if no formal requirement i.e. “good practice”.
- Our message is “**Don’t panic**” but work will be needed to understand the implications of the Code and to assess what work will be needed (and when) to ensure compliance. We recommend a gap analysis is carried out as a first step
- Expected recommendations from LGPS Good Governance project will also align with many areas of the requirements under the General Code – consultation also expected in 2024 on final recommendations.

In other news – Other Current Issues

Other Regulatory Change

- Abolition of Lifetime Allowance from April 2024. Follows on from increases to Annual Allowance and removal of LTA charges in 2023 Spring Budget which have emerged in 2023/24. Beneficial to members but does pose some administrative challenges and guidance awaited – further change ahead also after the election?
- Further guidance awaited following Government response to “Pooling” consultation – further updates on TCFD reporting requirements also expected.
- Consultations currently expected in 2024 in relation to other regulatory change – historic survivor benefits, forfeiture, refunds etc

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Cyber Security

- TPR Guidance updated in December 2023 building on principles set out back in 2018 – align with the “good practice” requirements set out in the General Code module. Greater emphasis on Funds to assess/manage risks than previously – more of a “when” rather than “if” view taken.
- We recommend the Fund officers/committee undertake training and a gap analysis to identify areas for development – consideration of host authority policies and procedures will be important – are these sufficient for the Fund?.

Other

- Dashboards - Whilst final staging date for Pension Dashboards pushed back to 31 October 2026, preparatory work continues and connection dates for some Funds may still emerge earlier than 2026.
- AVCs – Norfolk Framework in relation to AVC providers / consulting will go live in 2024.
- Local Authority – Many of the issues facing the Fund will be similar to those of the Council e.g. climate risk, financial resilience etc. Can any synergies be explored further?

Appendix

2022 Valuation Recap

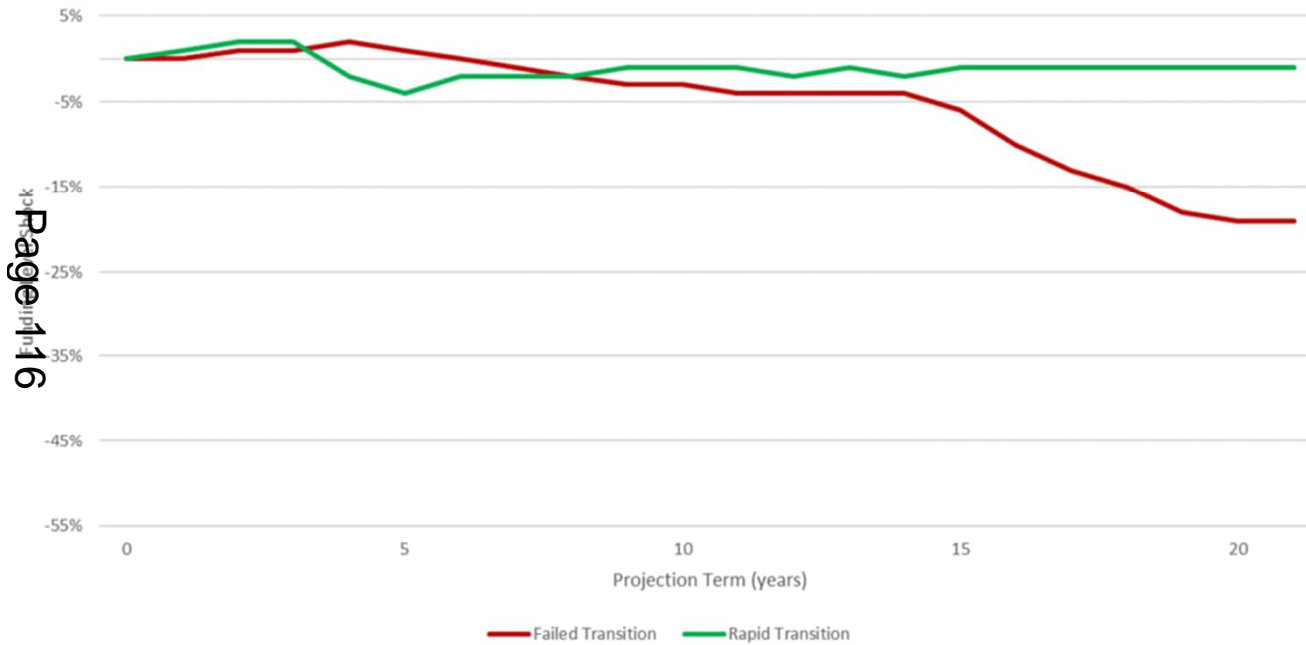
Key results	Whole Fund
Assets	£1,546m
Liabilities	£1,617m
Funding level	96%
Surplus/(deficit)	-£71m
Primary Contribution Rate	18.6%
Recovery Period	11 years (average)
Secondary Contributions	
- 2023/24	£7.0m
- 2024/25	£6.8m
- 2025/26	£7.1m
Real discount rate – past service	1.35% p.a.
Probability of attaining discount rate	70%
Real discount rate – future service	2.00% p.a.
Probability of attaining discount rate	61%
Life Expectancy Assumption	2022 Valuation Baseline – CMI 2021 1.75% LT

Comment

- The secondary contributions certified reflect any prepayment decisions by employers for the period 2023/26 and also reflect any pooling arrangements in place for the purpose of setting contributions e.g. certain academies with the Council.

Extract of climate change analysis from the 2022 valuation

Funding Level Projection – Relative impact



Key points at different time frames :

Over the short term, transition risk dominates. The Rapid Transition is the most impactful scenario. Under this scenario there is a shock which reduces the funding level by about 5% relative to baseline. The Failed Transition funding level is marginally higher than the baseline in the short term due to transition costs not materialising.

As longer term physical damages begin to be priced in, the Failed Transition becomes the most impactful scenario. Extending the projection period out further would provide greater insight into these impacts.

This is an extract from Mercer's more detailed report entitled "Actuarial valuation – climate change scenario analysis" dated March 2023. The analysis relies on a number of assumptions, further detail of the modelling and assumptions used is included in our report and this chart should be considered in conjunction with that report including the notes set out therein.

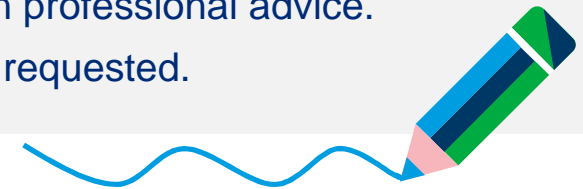
Actuarial Advice

- We have prepared this document for the Administering Authority for the purpose of understanding the development of the funding position of the Fund and factors that have influenced this, for information purposes.
- “Technical Actuarial Standard 100: Principles for Technical Actuarial Work” (v2) issued by the Financial Reporting Council applies to this presentation and the associated work, and we confirm compliance with this standard. This presentation should be read in conjunction with our report on the actuarial valuation of the Fund as at 31 March 2022.

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Unless otherwise stated, we have relied on the information and 2022 member data plus other data supplied to us in preparing the information, without independent verification. We will not be responsible for any inaccuracy in the advice that is a result of any incorrect information provided to us.

- Mercer does not accept any liability or responsibility to any third party in respect of this report.
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A business of Marsh McLennan

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

Document is Restricted

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Report for:
ACTION

Item Number:

Contains Confidential or Exempt Information	Yes - Appendix 3 contains exempt information by virtue of para 3 in part 1 of schedule 12A to the Local Govt. Act 1972
Title	Pension Fund Budgetary Estimate and Work Plan for 2023/24
Responsible Officer(s)	Emily Hill, Strategic Director Resources (Section 151 officer)
Authors	Bridget Uku, Finance Manager Pensions & Treasury Ext 5981 Email: ukub@ealing.gov.uk
Portfolio	Cllr Anderson - Inclusive Economy
For Consideration By	Pension Fund Panel
Date to be Considered	21 March 2024
Implementation Date if Not Called In	N/a
Affected Wards	N/a
Area Committees	N/a
Keywords/Index	Pension Fund Budgetary Estimate, Work Plan

Purpose of Report

This report outlines the work plan for the Council's functions as Administering Authority for the London Borough of Ealing's Pension Fund and details the 2024/25 Pension Fund revenue budgetary estimates. After allowing for investment income, the revenue account is forecast to remain cash positive with income exceeding expenditure by an estimated £33.065m in 2023/24 and £34.069m in 2024/25.

1. Recommendations

The Panel are asked to:

- 1.1. Agree the outline Work Plan detailed in Appendix 1
- 1.2. Note the forecast Pension Fund revenue account outturn for 2022/23 (as shown in table 2, para 4.1)
- 1.3. Note the projected cash forecast for 2023/24 and budgetary estimate for 2024/25 (as shown in Appendix 2)
- 1.4. Agree the Pension Fund revenue account budgetary estimate for 2024/25 (as shown in table 2, para 4.1)

2. Reason for Decision and Options Considered

- 2.1. Under the Local Government Pension Scheme (LGPS) Regulations the Council is an administering authority, and, as such required to maintain a pension fund. It is responsible for managing and administering the LGPS for a range of scheme members, as defined in the LGPS Regulations. The London Borough of Ealing (LBE) is itself a "Scheme Employer" as defined in the Regulations. It is also the appropriate administering authority or scheme manager in relation to other scheme employers. The administering authority can admit other bodies prescribed in the regulations. Where it does so, that other body will also be a scheme employer for which the LBE is the administering authority, and those of its employees who are eligible to do so (in accordance with the LGPS Regulations) may become members of the LGPS. The LBE administers (and is Scheme Manager for) the LBE Pension Fund (the Fund), which currently has 39 admitted and scheduled bodies.
- 2.2. The Work Plan deals with the Council's functions as administering authority, but does not cover the membership, administration and benefits aspect that are carried out by the London Pension Partnership Administration (LPPA). The Pension Fund Administration team have oversight for this function under a shared service agreement with Lancashire County Council.
- 2.3. The budgetary estimate outlined in this report will aid the monitoring of the Fund's income and expenditure in accordance with its requirement to manage resources effectively. The report provides details of the comparative outturn figures for 2022/23, forecast outturn figures for 2023/24 and revenue budgetary estimates for 2024/25 in respect of income and expenditure elements of the Pension Fund, excluding market value changes and profit/loss on sale of investments.

3. Work Plan 2024/25

- 3.1 In 2024/25, the Council's priorities as administering authority are as follows:
 - To ensure the Fund is properly managed with sound governance arrangements that strive to achieve continuous improvement through the achievement of value for money and compliance with regulatory and best

practice requirements. Regulatory arrangements were put in place to improve governance processes with the creation of the Pension Board (the Board) from 1 April 2016. The Board has been effectively scrutinising various activities and helping to improve transparency and processes. It will continue to play a role in the scrutiny of the governance of the Pension Panel.

- High on the priority of the Pension Board is to ensure the Fund invests sustainably doing all that it can to reduce the impact of climate change on the planet. To this end the Members of the Pension Fund Panel approved a net zero target of 2045 two years ago. The Board will continue to review progress of the outline targets to achieve this objective e.g., through measuring and monitoring the Fund's carbon footprint, as well as evaluating the Fund's position across the 12 Stewardship Code principles before the Fund mounts an application to become a signatory of the stewardship code
- The Fund will in turn look to put in place the processes to allow the mounting of successful application to the Financial Reporting Council to become signatories of the Stewardship Code.
- To maximise returns to the Fund within acceptable risk parameters and stabilise the level of contributions required to be paid into the Fund by the Council in respect of past and future service liabilities.
- To ensure that the contributions set following the 2022 triennial valuation continue to be collected from scheme employers in a timely manner.
- To continue to work closely with the London Collective Investment Vehicle (CIV) to put forward Ealing views and secure the best interests for the Council and the LGPS at large.
- To devise a plan for implementation of the Fund's recently approved revised Strategic Investment Strategy and commence implementation of the .
- To ensure sound administration and reporting of the Fund's financial affairs.
- To ensure that key emerging issues are reported and communicated to interested parties and stakeholders.
- To manage, maintain, and monitor the operation of the Standalone Pension Fund Entity accounting.
- To forge ahead with the Fund's sustainable investment goal and to ensure that ongoing training sessions are carried out to enable members, officers and other key participants fulfil their stewardship roles and stay on course to achieve the Funds net zero goal by 2045.
- To ensure arrangements are put in place to prepare the Fund to comply with the Taskforce on Climate-related Financial Risks (TCFD) requirements and pooling guidance when consultation is finalised.

3.2 An outline action plan to assist with the achievement of these goals is detailed below.

Table 1 - Key Activities and Aims for 2024/25

ACTIVITY	PURPOSE
1 Governance & Staffing	
Pension Fund Panel and Pension Board Member training on specific and general issues.	To provide training on specific issues ahead of decisions. To provide ongoing training to members to enable them to challenge the advice received and equip them with the tools to enter into constructive dialogue with advisers and officers before reaching a decision. Training sessions will remain a standing item on meeting agendas but may not take place if there is a very busy agenda. External collaborative training or attendance at industry events will be recommended and encouraged.
Review and refresh the key policy documents - Investment Strategy Statement, Funding Strategy Statement, Governance & Communications Policy Statement as necessary (i.e. where significant changes are made).	Seek member approval and formally publish any updated documents. Revised documents to meet proposed LGPS investment regulatory changes.
Continue to develop a high performing team through appropriate training and development of corporate finance staff supporting the work of the Pension Fund Panel. Review the staffing arrangements of the teams to ensure that the highest service delivery is attained at a commensurate cost.	Achieve a highly motivated team with the skills to provide an excellent service for the Fund.
Minimum of four PFP and Pension Board meetings to be held during the financial year 2024/25.	To ensure that members are kept up to date on key developments both at national level and with the Fund and to ensure that approval or relevant delegation is achieved on key tasks.
Invite Fund managers (on a rolling basis to attend the PFP meeting during	To oversee fund manager activities and monitor performance to ensure that they are achieving target

ACTIVITY	PURPOSE
the year 2024/25 as is deemed necessary.	performance within the confines of the risk parameters set. Officers to continue to meet, manage and review fund managers on a regular basis in between their attendance at the PFP.
Ensure high level support is available to monitor, review and manage the risks taken by the Fund.	High level support is available via the Treasury Risk and Investment Board (TRIB) which oversees the implementation of the PFP's decisions as well as discussing new ideas for consideration. Advisers are consulted where complex decisions need to be taken by the Fund.
2 Investment & Accounting	
Audited Annual Accounts approved by the Strategic Director Resources (Section 151 Officer) in July 2023.	To ensure that the Council meets the statutory timetable and fulfils its stewardship role.
Standalone Pension Fund Annual Report to be published on or before the statutory deadline of 1 December 2024.	Ensure that the Council fulfils its statutory obligation and keeps members abreast of the Pension Fund activities in a transparent and accessible way.
Implement the Fund's investment strategy, following the Fund's review of the Strategic Asset Allocation to determine the future asset mix.	Establish a timeline for execution of the revised strategy with a comprehensive plan for the transition. Integrate a monitoring and oversight framework into the process. Incorporate contingency planning and risk reporting throughout the implementation process.
3 Communication and Customer Liaison	
Run members' full AGM in quarter 4 2024/25, which will be after the Fund holds 1 to 1 meetings.	To improve communication and engagement with Fund members and promote best practice within the London Borough of Ealing.
4 Funding and Actuarial Matters	
Continue to carry out interim high-level valuations of the Fund on a quarterly basis and review of the 2022 valuation outcomes.	Continue to monitor and ensure that all scheme employers are paying using the correct employer contribution rates. Provide accurate fund asset valuation to the scheme actuary to enable them to

ACTIVITY	PURPOSE
	carry out the quarterly valuations. Provide clean data to the Fund's Actuary (Mercer) at year end to enable the IAS19 valuation for the year end accounts.
5 Sustainability and Other	
Consider and respond to any government announcements around pooling or other relevant development concerning the LGPS.	Work closely with the LCIV to develop a proposal. Maintain an active participation and representation within relevant working groups so that the Council is able to influence decisions and secure the Fund's interest.
To continue to promote the Fund's strong standards of financial stewardship and to improve the Fund's sustainable investment objective whilst ensuring that the Fund's returns are not impacted. Implement additional measures to reduce the Fund's carbon footprint, striving towards achieving the net-zero objective by 2045.	This effort can aid in mitigating climate change while working towards its long-term objective of achieving carbon neutrality by 2045.

3.3 Appendix 1 schedules the work plan for the Pension Fund Panel in 2024/25. Interim Pension Fund Panel meetings may need to be convened if key projects or priorities have to be discussed.

4. Pension Fund Revenue Account

4.1. Members are requested to note the Fund's Revenue Account forecast outturn position for 2023/24 and approve the proposed budgetary estimate for 2024/25 as set out in Table 2 below:

Table 2 – Revenue Account Forecast Outturn 2023/24 and Proposed Budgetary Estimate 2024/25

ITEM	Actual	Original Budget	Forecast	Proposed Budget
	2022-23	2023-24	2023-24	2024-25
	£m	£m	£m	£m
INCOME				
Employers' Contributions	(32.490)	(40.547)	(46.805)	(48.565)
Employees' Contributions	(14.143)	(14.514)	(14.711)	(15.359)
Transfer Values received	(9.133)	(3.183)	(4.741)	(4.742)
Compensation for Early Retirement	(0.506)	(0.475)	(0.672)	(0.673)
Other Income (interest)	(0.303)	(0.102)	(1.368)	(1.436)
TOTAL INCOME	(56.575)	(58.819)	(68.297)	(70.775)
EXPENDITURE				
Pensions	44.486	48.723	49.439	53.641
Retirement Grants	6.795	6.811	8.308	8.309
Death Grants	0.867	0.762	0.884	0.829
Transfer Values Paid	5.416	3.581	3.580	3.581
Fund Management	3.578	4.534	4.338	4.564
Administration	1.978	1.784	1.677	1.868
Refunds	0.494	0.151	0.107	0.108
TOTAL EXPENDITURE	63.614	66.346	68.334	72.900
NET (INCOME)/EXPENDITURE	7.039	7.527	0.037	2.124
Investment Income	(25.685)	(28.147)	(33.102)	(36.193)
Total Income (inclusive of income held with Fund Managers)	(18.646)	(20.620)	(33.065)	(34.069)

- 4.2. In-house income is forecast to be £68.297m in 2023/24 (£56.575m in 2022/23). This is largely due to changes in contribution rates emerging from the 2022 Valuation, together with larger payrolls. A few employers also opted to prepay their past service deficit contributions for 3 years and this has been accounted for in 2023/24.
- 4.3. Expenditure is expected to increase from £68.334m in 2023/24 to £72.900m in 2024/25. The increase is largely due to pension payment inflationary increase.
- 4.4. Drawdowns can be made from the three main fund managers (London CIV (Baillie Gifford), LGIM and RLAM) throughout the year to rebalance the Fund and meet day to day cash requirements. Internal cash is retained in the custodian cash account to aid transparency, segregation of accounting and performance measurement management. Some cash is retained locally in the Lloyds Pension Fund account for the day to day running of the Fund. Surplus cash is invested in Money Market Funds.
- 4.5. The Fund's cashflow forecast has been adjusted to reflect the additional costs to be incurred for further drawdowns of investments in private debt (Brightwood, Churchill, and Permira) that have gradually been funded since 2018/19, plus additional allocation following the review of private debt. The budget also takes

into account the drawdowns for the remaining impact investments commitments into Henley. In addition, the budget has allowed for possible additional resource requirement to further the Fund's sustainable investment and net zero (by 2045) ambition.

2024/25 Proposed Budgetary Estimate

- 4.6. The budgetary estimate for the Pension Fund can be difficult to predict because of the uncertainty surrounding a number of aspects such as transfer values, death grants, and volatility in investment markets. The following paragraphs set out some of the assumptions behind the proposed 2024/25 budgetary estimates:

Income

4.7. **Employers (£48.565m) & Employees Contribution (£15.359m)**

Contributions reflect the rates that emerged from the 2022 valuation, effective from 1 April 2023, and allowed for a 4.4% salary increase. Financial risk of under recovery due to falling staff levels is mitigated by the deficit aspect of the employers' contribution being set as a cash value to be paid rather than a percentage of payroll within the Council's budget, meaning employer contributions are expected to be more stable over the triennial cycle.

- 4.8. 2024/25 Employee contributions have been adjusted for the anticipated 4.4% average salary increase.

Transfer Values Received (£4.742m)

- 4.9. Employees joining the Council's pension scheme can elect to transfer their previous pension benefits held with another scheme into the Fund. Employees have up to one year to elect to do so unless the new employer allows longer. Transfer value receipts are therefore difficult to estimate, the 2024/25 proposed budget is set at the 2023/24 forecast figure, the 2023/24 figure is based on actual transfers into the fund as at 31 January 2024.

4.10. **Investment Income (£36.193m)**

The 2024/25 budgetary estimate has been based on the prudent 2023/24 forecast plus an approximate 5% growth in line with the estimated growing asset base of the Fund and includes an estimate for property and private debt income. There is uncertainty regarding this forecast; however, it is realistic when compared to previous year trends.

Compensation for Early Retirement (£0.673m)

- 4.11. This is the contribution made by Council departments towards the Fund to compensate for the strain on the Fund resulting from early retirements and has been budgeted for based on current information from the Pensions Administration department to January 2024.

Pensions (£53.641m)

- 4.12. Increases in LGPS pension payments from 1 April each year are linked to CPI as at the preceding September. Under the triple lock, pensions are expected to rise by 8.5% in April 2024 in line with earnings, which follows a 10.1% increase in line with Consumer Price Index (CPI) in 2023/24.

Retirement Grants (£8.309m), Death Grants (£0.829m), Transfer Values (£3.581m) and Refunds (£0.108m)

- 4.13. The budgetary estimates for these expenditure items are based on 2023/24 forecast which reflect Council wide staff reorganisations.

Fund Management & Administration (£4.564m & £1.868m)

- 4.14 In accordance with LGPS regulations, costs relating to general administration and investment functions can be charged to the Fund. Estimates for administration and fund management are shown in the confidential Appendix 3. All estimates are based on outturn and or any specific information available. There has been an increase in the third party Fund Administration costs, and this will be discussed in the separate Administration report within this meeting agenda.

5. Financial Implications

- 5.1. The performance of the Fund's investments affects the required level of contributions due from employers.
- 5.2. The employers' contribution rate collected from departments for LBE is currently set at 22.0%, following the 2022 triennial valuation the total implied employers contribution rate (based on current pensionable pay) for the Council in detailed table 3 below. The deficit funding aspect has been defined as cash value so that if establishment numbers fall, the cash lump sum reimbursement needed to be paid to the Fund by the Council remains the same to ensure the level of deficit funding is maintained.
- 5.3. The final rates that emerged from the 2022 triennial valuation for both primary and secondary contributions are effective 1 April 2023 as summarised below.

Table 3 – Employers' Contribution Rates

	2023/24	2024/25
Service Department Contributions	22.0%*	22.0%
Certified Future Service Rate	18.7%	18.7%
Past Service deficit contributions	£5.642m	£5.887m

*The employer contribution paid by departments is now 22% and reflects the full cost of pension.

- 5.4. As outlined in Appendix 2, the Fund's internal cash balances i.e., excluding investment income is projected to increase. This is largely due to contributions from employers. Most of the cash will be drawn down to fund the private commitments as well as rebalance the Fund. The budget assumes that a large proportion of the commitments will be drawn down in the Financial Year 2024/25. There is a requirement to draw down income from the Fund's investment income as internal cash balances are not sufficient to meet cash flow needs.

5.5. LGPS regulations specify that any net sums not immediately required should be invested in accordance with regulations. Since 2011/12 the investment of Pension Fund cash has been kept separate from LBE Council investments but invested in accordance with the Council's Treasury Management Strategy.

6. Legal Implications

6.1. The delegated functions of the Pension Fund Panel include, amongst other things, acting as Scheme Manager for the fund(s) for which London Borough of Ealing is the Administering Authority. As such the Pension Fund Panel is an appropriate body to make the decisions set out in the recommendations section of this report.

6.2. In discharging their functions under the Local Government Pension Regulations, the Pension Fund Panel must have regard to:

- The need for diversification of investments of Fund's money
- The suitability of investments which they propose to make
- Proper advice obtained at reasonable intervals
- Sufficient resources exist to discharge the functions of the scheme

6.3 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force on 1 November 2016. An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State. The authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.

7. Value for Money

7.1. Assessment of value for money is achieved through:

- Monthly and Quarterly performance monitoring
- Benchmarking against other Local Authority Funds and specific fund benchmarks

8. Risk Management Implications

8.1. The aim of the Fund is to maximise the returns from investment within reasonable risk parameters. The Investment Strategy Statement outlines the risk parameters within which the Fund Managers execute their mandates.

8.2. This report addresses the Pension Fund budgetary estimates. Failure to manage the costs of running the various services within the Pension Fund could give rise to significant additional financial costs to the Council, qualification of the accounts, and poor value for money and reputational risks.

8.3. These risks are mitigated by controls in place for budget monitoring, performance fee setting where possible and obtaining financial intelligence on costs from the advisors, consultants, and the pension community at large. Services are regularly market tested and the authority benchmarks its costs against the national procurement framework rates other funds.

9. Community Safety

9.1. None

10. Links to Strategic Objectives

10.1. Sound management and monitoring of the Pension Fund investments and budgetary estimates ensures value for money is obtained for the Council through stable employer contribution rates.

11. Equalities and Community Cohesion

11.1. None

12. Staffing /Workforce and Accommodation Implications

12.1. Representatives of staff side Council & Trade Union Joint Committee attend the meeting and can express their views.

13. Property and Assets

13.1. None

14. Any Other Implications

14.1. None applicable

15. Consultation

15.1. Please see attached consultation below

16. Appendices

Appendix 1 – Work Plan 2024/25

Appendix 2 – Cash Flow forecast

Appendix 3 – Management and Administration Estimates (Private & Confidential)

BACKGROUND INFORMATION

Name of consultee	Post title	Date sent to consultee	Date response Received	Comments appear in report Para:
Emily Hill	Strategic Director Resources (s151)	9/3/2024		throughout
Councillor Callum Anderson	Chair of the Pension Fund Panel	9/3/2024		throughout
Emma Horner	Assistant Director Technical Finance	9/3/2024		throughout
Justin Morley	Head of Legal Services	9/3/2024		throughout
Shahzad Ayub	Senior Lawyer	9/3/2024	12/3/2024	App 3

Decision type: Non-key decision	Urgency item? No
---	----------------------------

Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:
Report no.:	Report author and contact for queries:		
Bridget Uku (Group Manager, Treasury & Investments)			

PENSION FUND PANEL and PENSION BOARD WORKPLAN 2024/25

WORKPLAN		RESPONSIBLE PERSON	MEETING JULY 2024	MEETING SEP 2024	MEETING NOV 2024	MEETING MAR 2025
Quarterly Performance of Fund Managers and any other current topics	PB/PFP	Report from the Strategic Director Resources (s151 officer)	√	√	√	√
Risk Register	PB	Fund Officers		√		√
Pension Fund Administration Update	PB/PFP	Report from the Human Resources Shared Service Centre	√	√	√	√
Presentation from UK Global Equity Investment Managers	PB/PF+P	London CIV	√			
Responsible Investment review and Update	PB/PFP	Officers and or Hymans	√		√	
Presentation from one or more of the Pooled Property Fund Managers if deemed necessary	PFP	Hermes Fund Managers Limited/ Standard Life Investments Limited/ Lothbury Investment Management Limited/ Legal & General London CIV	√			√
Update on implementation of the Funds revised Strategy Asset Allocation		Report from the Strategic Director Resources (s151 officer)	√	√	√	√
Presentation from UK Bond/ Fixed Income Manager	PFP	Royal London Asset Management Limited			√	
Presentation from one of the Fund's Private Debt Manager	PFP	Brightwood/Churchill/Permira		√		√
Presentation from the Fund's Infrastructure and or impact investment Managers	PFP	JP Morgan/Darwin/Henley	√			√
Consideration of Statutory Statements (If necessary)	PFP	Report from the Strategic Director Resources (s151 officer)				√
Presentation on Fund Performance	PB/PFP	Pirc Performance Services		√		
Pension Fund Revenue Budgetary Estimate /Workplan 2024/25	PB/PFP	Report from the Strategic Director Resources (s151 officer)				√
Review of Annual Report 2024/25	PB/PFP	Report from the Strategic Director Resources (s151 officer)	√	√		
Pension Fund Annual General Meeting		Joint Strategic Director Resources/ Director of Human Resources & Organisational Development				√

Appendix 1

Presentation and Training by the fund's Investment advisor if required	PB/PFP	Hymans Robertson	√	√	√	√
Presentation by the funds Actuaries Mercer if required.	PB/PFP	Mercer and Fund Officers		√		√
Training on governance/ Investment products		Various providers	√	√	√	√

APPENDIX 2

LBE Pension Fund Cash Flow Forecast 2023/24 & 2024/25

	£m	£m
1 April 2023 Cash balance		28.354
Projected Outturn 2023/24		
Employee & Employer Contributions	61.516	
Interest & other Income (excl. Fund Manager income)	1.368	
Compensation Capital Transfer for Early Retirement Costs	0.672	
Transfer Values Receivable	4.741	
		68.297
Less: Expenditure for the year 2023/24		(68.334)
Investment in Private Debt - Permira Fund IV and V*		(7.109)
Investment in Private Debt - Churchill Fund II and IV*		(1.488)
Henley (drawdowns)		(1.364)
Dividends withdrawal from Royal London		15.000
Total at 31 March 2024		33.356
Proposed Budget 2024/25		
Employee & Employer Contributions	63.924	
Interest & other Income (excl. Fund Manager income)	1.436	
Capital Transfer for Early Retirement Costs	0.673	
Transfer Values Received	4.742	
Income drawdown from Royal London	15.000	
		85.775
Less: Expenditure for the year 2024/25		(72.900)
Investment in Private Debt - Permira Fund IV and V*		(7.820)
Investment in Private Debt - Churchill Fund II and IV*		(2.680)
Henley (remaining commitment)**		(0.455)
Additional Investment - Brightwood*		(5.000)
Additional Private debt investments (New Managers)***		(20.000)
Estimated cash in hand at 31st March 2025****		10.276

* Private debt 2024/25 forecast is based on the capital drawn down trend in prior years.

** Assumes that investment into Henley will be called in full in 2024/25

*** An indepth review of private is ongoing and the above allocation is an estimate

****The cash balance does not take into account funding of the new strategies

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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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