



London Borough of Hounslow Pension Fund Annual Report 2023-24

For the year ended 31 March 2024



**London Borough
of Hounslow**

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1. Overview and Introduction

a. Report from Chair of the Pension Fund Panel

WELCOME TO THE ANNUAL REPORT OF THE LONDON BOROUGH OF HOUNSLOW PENSION FUND

I am pleased to present the Annual Report of the London Borough of Hounslow Pension Fund, on behalf of the Pension Fund Panel. This report covers the period from 1 April 2023 to 31 March 2024.

The London Borough of Hounslow Pension Fund is part of the national Local Government Pension Scheme (LGPS) and is administered by London Borough of Hounslow to provide pension benefits for its members.

Highlights

Last year I had mentioned that the Fund had seen a decrease in value of 3% due to global and domestic headwinds that affected most funds alike. I am pleased to say that this year the fund has bounced back with an increase in the value of the assets from £1,212m at 31 March 2023, to £1,332m at 31 March 2024. This is an increase of c10% on the previous year and marks one of the highest points that the Fund's investments have achieved. This was largely because of more favourable economic and market conditions toward the end of the fiscal year and the perception that the favourable conditions would continue resulting in lower inflation and a more stable economic environment. Diversification has also protected the fund from some volatility while benefitting from opportunities, resulting in a positive return.

The Fund continues to focus on delivering value for money to our members. As part of this commitment, the fund reviewed its Strategic Asset Allocation during the year to better align investments with the returns required to keep the funding level above 100% following the triennial valuation in 2022. More information of this review can be found in the report.

This year also saw pensioners receive an increase in pension payments by 10.1% in April 2023, and 6.7% in April 2024 in line with the inflation protection. This increase is based on the Consumer Price Index (CPI) on 30 September in the previous year and is determined by the government's Pensions Increase (Review) order.

An increasing number of members have signed up to use the online 'MyPension' portal, from 6,148 registered members in March 2023, to 6,729 in March 2024. Members are able to update their personal details as well as view and download pension fund documents like their annual benefit statement. We are also working with the administrators of our fund (West Yorkshire Pension Fund) to ensure that the required technology and systems are in place to make the pensions dashboard programme a success by our "connect by" date of 31 May 2025. Updates will follow in due course.

The financial statements show the financial position of the fund on a particular day (31 March 2024) and the money which has gone in and out of the scheme between the 1 April 2023 and 31 March 2024. The financial accounts can be found in more detail in this report.

Hounslow Pension Fund has a long-standing commitment to being a responsible investor, as such we take a strong interest in how companies are run and exercise our voting rights at the AGMs and EGMs of companies that we are shareholders of.

The Pension Fund Panel worked collaboratively with the Local Pension Board, Fund Officers, and its partners to ensure the robust delivery and oversight of the fund's activities and decisions, and we look forward to their continued input in this area.

Looking Forward

There are significant deliverables on the horizon for the year ahead and beyond.

The next triennial valuation will be carried out at end of March 2025. Pre-valuation meetings with the Fund's Actuary are set to commence in early October 2024. There is also the ongoing expectation of the Government to transfer all listed assets into a pool by the end of March 2025.

Assessing the Fund's compliance with the Pension Regulator's (tPR) General Code of Practice (GCOP), is also a sizeable task that involves a detailed assessment of all aspects of the Fund.

Continued preparation for connection to the new Pensions Dashboard Programme will be a major administration focus along with the ongoing implementation of the McCloud remedy.

I would like to thank fellow Panel members, the Pension Board, Officers and all those involved in the running of the Fund for their ongoing support and commitment to the London Borough of Hounslow Pension Fund.



Cllr Jagdish Sharma

Chair of the Pension Fund Panel

b. Introduction

The London Borough of Hounslow Pension Fund (“The Fund”) is part of the national Local Government Pension Scheme (LGPS), administered by London Borough of Hounslow. It is a contributory defined benefit pension scheme established under statute, which provides for the payment of benefits to employees and former employees of the London Borough of Hounslow and the admitted and scheduled bodies in the Fund.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies, and returns from the Fund’s investments. Contribution rates for employers are set by the Fund’s actuary at the actuarial valuation which is carried out every three years. The most recent revaluation, carried out as at 31 March 2022, was used to set contribution rates with effect from 1 April 2023 through to 31 March 2026.

A new LGPS scheme was introduced with effect from 1 April 2014. One of the main changes was that a scheme member’s pension is no longer based on their final salary but on their earnings throughout their career. This is known as a Career Average Revalued Earnings (CARE) scheme. Everything built up in the Scheme before 1 April 2014 is protected so benefits up to that date will be based on the scheme member’s final year’s pay.

Benefits payable from the Fund are set out in the Local Government Pension Scheme Regulations 2013, as amended, and in summary consist of:

- A pension based on career average earnings (revalued in line with the Consumer Price Index).
- Pensionable pay to include non-contractual overtime and additional hours.
- Flexibility for member to pay 50% contributions for 50% of the pension benefit.
- Normal pension age to equal the individual member’s State Pension Age.
- Option to trade £1 of pension for a £12 tax-free lump sum at retirement.
- Death in service lump sum of three times pensionable pay and survivor benefits.
- Early payment of pensions in the event of ill health.

The Fund is governed by the Public Service Pensions Act 2013 and the LGPS Regulations 2013 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2016. The content and format of this annual report is prescribed by the LGPS Regulations 2013.

Publication of this report gives the Council the opportunity to demonstrate the high standard of governance and financial management applied to the Fund. It brings together several separate reporting strands into one comprehensive document that enables both the public and employees to see how the Fund is managed and how well it is performing.

It is in the interest of both employees and the public that the Fund is well managed and continues to provide high returns and excellent value for money.

Detailed guidance on the accounting and disclosure requirements for LGPS financial statements and annual report is published by CIPFA annually and can be found online. This guidance includes a Code disclosure checklist, listed by must, should and may, which the London Borough of Hounslow has applied in the preparation of the annual report and accounts.

Must	Compliance is strongly expected. Any non-compliance should be clearly identified in the annual report and an explanation provided.
Should	Compliance is anticipated but is discretionary. Where non-compliance may be significant or material for the readers the non-compliance should be identified and explained.
May	Compliance is recommended but is discretionary.

As stated in the Annual Report Guidance for Local Government Pension Scheme Funds (Updated April 2024) for annual reports covering 2023/24, funds should use their best endeavours to comply fully with the guidance, but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost. This report has been prepared on a best endeavours basis.

This annual report comprises the following sections:

- **Fund management and financial performance** which explains the governance and management arrangements for the Fund, as well as summarising the financial position and the approach to risk management.
- **Investments and funding** detailing the Fund's investment strategy, arrangements and performance, along with an update on the asset allocation and move towards pooling.
- **Scheme administration** which sets out how the scheme's benefits and membership are administered, and also includes the regulatory policy statement of the Fund.
- **Actuarial report on the fund** which includes the funding position of the Fund with a statement from the Fund's actuary.
- **The fund's annual accounts** for the year ended 31 March 2024.
- **Additional information** which includes:
 - A statement of compliance with the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.
 - Internal audit assurance of the Fund.
 - A summary of Freedom of Information requests.
 - List of contacts for the Fund.
 - A glossary of commonly used pension fund terms.

2. Fund Management and Financial Performance

a. Governance and Training

Pension Fund Panel

London Borough of Hounslow has delegated responsibility for pension matters to the Pension Fund Panel ("The Panel"). The Panel have responsibility for the management of the investments of the pension fund. Their responsibilities include:

- To consider, on the advice of the S151 Officer and as necessary from the Fund's appointed actuary, advisors and investment managers, the Council's general policy with regard to pension fund investments.
- To make arrangements for the management of the Fund in line with the investment strategy.
- To monitor the performance of the Fund and its managers.
- To exercise the Council's voting rights at AGMs and EGMs of companies in which the Fund has holdings, after considering the advice of the S151 Officer and appropriate manager(s).
- To overview and agree pension administration matters.

Terms of Reference for the Pension Fund Panel are set out as part of the Governance Compliance Statement (see section 4b – Regulatory Policy Statements).

The Panel is made up of eight elected Members of the Council, and three co-opted non-voting members, representing employer and scheme member interests, who meet at least four times a year. Only elected members have full voting rights, this is subject to completion of the introductory mandatory three-day training delivered by Local Government Employers.

The Pension Fund Panel membership during 2023/24 was as follows:

- Councillor Aqsa Ahmed
- Councillor Rasheed Bhatti (From October 2023)
- Councillor Sukhbir Dhaliwal
- Councillor Shivraj Grewal
- Councillor Junue Meah
- Councillor Shantanu Rajawat
- Councillor Jagdish Sharma (Chair)
- Councillor Aftab Siddiqui (To October 2023)
- Councillor John Todd

Details of the current Pension Fund Panel can be found here:

<https://democraticservices.hounslow.gov.uk/mgCommitteeDetails.aspx?ID=264>

Non-elected, non-voting members included:

- Riaz Haq – Staff Side Representative
- John Wiffen – Employer's Representative
- Vacant – Pensioner's Representative

Attendance at Pension Fund Panel Meetings in 2023/24:

	June 2023	September 2023	December 2023	February 2024	%
Councillor Aqsa Ahmed		X	X	X	75
Councillor Rasheed Bhatti	N/A	N/A	X	X	100
Councillor Sukhbir Dhaliwal	X	X	X	X	100
Councillor Shivraj Grewal	X	X	X	Apologies	75
Councillor Junue Meah	X	X	X	X	100
Councillor Shantanu Rajawat	X	X	X	Apologies	75
Councillor Jagdish Sharma (Chair)	X	X	X	X	100
Councillor Aftab Siddiqui	Apologies	Apologies	N/A	N/A	0
Councillor John Todd	X	X	X	X	100
Riaz Haq (non-voting member)					0
John Wiffen (non-voting member)	X		X	X	75

Pension Fund Panel Training Log:

Member	Fidelity International Limited (Multi-Asset Income) Presentation	Strategic Asset Review- Redington Investment Consultants Presentation	Threadneedle Asset Management Limited (Property) Presentation	CBRE Investment Management (Property) Presentation
	21 June 2023	21 June 2023	4 September 2023	4 September 2023
CLlr Aqsa Ahmed			X	X
CLlr Sukhbir Dhaliwal	X	X	X	X
CLlr Shivraj Grewal	X	X	X	X
CLlr Junue Meah	X	X	X	X
CLlr Shantanu Rajawat	X	X	X	X
CLlr Jagdish Sharma (Chair)	X	X	X	X
CLlr John Todd	X	X	X	X
John Wiffen (non-voting member)	X	X		
	LCIV (Buy & Maintain Asset) Presentation	LCIV (Affordable Housing and Buy & Maintain Asset Classes) Presentation		
	19 October 2023	18 December 2023		
CLlr Aqsa Ahmed	X	X		
CLlr Rasheed Bhatti		X		
CLlr Sukhbir Dhaliwal	X	X		
CLlr Shivraj Grewal	X	X		
CLlr Junue Meah	X	X		
CLlr Shantanu Rajawat	X	X		
CLlr Jagdish Sharma (Chair)	X	X		
CLlr John Todd	X	X		
John Wiffen (non-voting member)		X		

Local Pension Board

In March 2015, as part of the national public sector pension reform, the Pension Fund Panel established a local Pension Board in compliance with the requirements of the Public Service Pensions Act 2013. The intention of Pension Boards is to ensure that pension funds are well managed at a local level.

The Pension Board is responsible for assisting the administering authority to:

- Secure compliance with the Local Government Pension Scheme Regulations and any requirements imposed by the Pension Regulator.
- To ensure the effective governance and administration of the Scheme.

The Pension Board is an oversight body. It does not replace existing governance arrangements or the role of our Pension Fund Panel. The Board produces an annual report which is presented at the Pension Fund Panel and the Borough Cabinet meetings.

Terms of Reference for the Local Pension Board are set out as part of the Governance Compliance Statement (see section 4b – Regulatory Policy Statements).

The Board comprises of four employer representatives, one of which should be the London Borough Hounslow, the largest employer and four scheme member representatives. Member representatives in this context refer to members of the Pension Scheme i.e., active members, deferred members, or pensioner members. Appointments to the Board are to be made by an appointments panel rather than Council. The Board also has an Independent Chair.

The Board meet at least four times a year, and the Chair may call additional meetings in exceptional circumstances.

All Pension Board members except the Independent Chair will have individual voting rights but it is expected the Pension Board will as far as possible reach a consensus.

The Board membership during 2023/24 was as follows:

- Daniel Austin – Employer Representative (From May 2023)
- David Carlin – Employer Representative
- William Cassell – Member Representative
- Councillor Ranjit Gill – Employer Representative (From October 2023)
- Neil Mason – Acting Independent Chair
- Ben Tomlinson – Member Representative
- Vacant – Employer Representative
- Vacant – Member Representative
- Vacant – Member Representative

Details of the current Pension Board can be found here:

<https://democraticservices.hounslow.gov.uk/mgCommitteeDetails.aspx?ID=630>

Attendance at Pension Board Meetings in 2023/24:

	April 2023*	July 2023	October 2023**	January 2024	%
Daniel Austin	N/A	X	Apologies	X	66
David Carlin	Apologies	X	Apologies	X	50
William Cassell	Apologies	X	X	X	75
Councillor Ranjit Gill	N/A	N/A	N/A	X	100
Neil Mason	X	X	X	X	100
Ben Tomlinson	X	X	X	X	100

* April 2023 meeting was not quorate

** October 2023 meeting was not quorate

Pension Fund Board Training Log:

Member	Fidelity International Limited (Multi-Asset Income) Presentation	Strategic Asset Review- Redington Investment Consultants Presentation	Threadneedle Asset Management Limited (Property) Presentation	CBRE Investment Management (Property) Presentation	LCIV (Affordable Housing and Buy & Maintain Asset Classes) Presentation
	21 June 2023	21 June 2023	4 September 2023	4 September 2023	18 December 2023
Daniel Austin					
David Carlin					
William Cassell					
ClIr Ranjit Gill					
Neil Mason					X
Ben Tomlinson	X	X	X	X	

Officer Training Log:

Name of Officers	LCIV (Buy & Maintain Asset) Presentation	Pension Dashboard Programme Webinar	Hymans Robertson – McCloud Webinar	LCIV – Natural Capital Webinar
	19 October 2023	1 November 2023	2 November 2023	21 November 2023
Robert Meldrum	X			
Yvonne Thompson	X	X		X
Mike Docherty		X		X
Hitesh Sharma				
Joan Coelho				
Marian Orrah			X	
	Pension Dashboard Programme Webinar	LCIV (Affordable Housing Asset) Presentation	Barnett Waddingham Systems Presentation	LCIV (Buy & Maintain Asset) Presentation
	13 December 2023	18 December 2023	12 January 2024	24 January 2024
Robert Meldrum		X		X
Yvonne Thompson	X	X	X	X
Mike Docherty	X	X	X	X
Hitesh Sharma		X	X	
Joan Coelho				
Marian Orrah			X	
	tPR New General Code of Practice Webinar	Barnett Waddingham Annual Conference	Barnett Waddingham Systems Presentation	CIPFA – Pension Fund Closing of Accounts Training
	29 January 2024	1 February 2024	5 February 2024	26 February 2024
Robert Meldrum				
Yvonne Thompson	X		X	
Mike Docherty	X	X	X	X
Hitesh Sharma	X	X	X	
Joan Coelho			X	X
Marian Orrah			X	
	LGPS Live – General Code of Practice	BW Webinar on General Code of Practice		
	6 March 2024	19 March 2024		
Robert Meldrum				
Yvonne Thompson	X	X		
Mike Docherty	X	X		
Hitesh Sharma		X		
Joan Coelho				
Marian Orrah	X	X		

Conflicts of Interest

The Pension Fund is governed by elected members acting as trustees and the Code of Conduct for elected members sets out how any conflicts of interests should be addressed. A copy is available from Democratic Services at: Hounslow House, 7 Bath Road, Hounslow, TW3 3EB, or here:

London Borough of Hounslow Constitution – Section 5A: Members Code of Conduct:

<https://www.hounslow.gov.uk/downloads/download/848/constitution>

The Code includes general provisions on ethics and standards of behaviour which require elected members to treat others with respect and not to bully, intimidate or do anything to compromise the impartiality of those who work for or on behalf of the Council. The Code also contains rules about “disclosable pecuniary interests” and sets out the action an elected member must take when they have such an interest in Council business.

The Code also requires elected members to register disclosable pecuniary interests.

There is an additional Conflicts of Interest Policy specific to the Pension Fund available here:

<https://www.wypf.org.uk/media/jx2lyqox/lbh-conflict-of-interest-policy.pdf>

Governance Compliance Statement

The LGPS Regulations 2013 require Pension Funds to prepare, publish and maintain a governance compliance statement; and to measure the governance arrangements in place against a set of best practice principles. This measurement should result in a statement of full, partial or non-compliance with a further explanation provided for any partial or non-compliance.

Issues covered by the best practice principles are:

- Formal Pension Fund Panel structure
- Panel membership and representation
- Voting rights
- Training, facility time and expenses
- Meetings (frequency/quorum)
- Access
- Scope
- Publicity

The Fund’s Governance Compliance statement was updated in June 2023 and can be found in section 4b (Regulatory Policy Statements).

b. Scheme Management and Advisors

Administering Authority	London Borough of Hounslow
Trustees	Pension Fund Panel of the London Borough of Hounslow
Pension Fund Officers	
Chief Financial Officer (To May 2023)	Clive Palfreyman
Acting Chief Financial Officer (May 2023 to February 2024)	Rupaben Raghvani
Chief Financial Officer (From February 2024)	Jake Bacchus
Director of Finance – Finance Services	Robert Meldrum
Head of Pensions & Investments (To September 2023)	Patrick Kilgallen
Head of Pensions & Treasury (Interim) (From September 2023)	Yvonne Thompson
Strategic Finance Manager – Pensions & Treasury (From October 2023)	Mike Docherty
Strategic Pensions Manager	Hitesh Sharma
Strategic Pensions & Treasury Accountant	Joan Coelho
Specialist Pension Fund Officer	Marian Orrah
Professional Advisors	
Independent Investment Advisor	Apex Investment Advisers Limited
Independent Investment Consultant (June 2023)	Redington Limited
Fund Actuary	Barnett Waddingham
Fund Bankers	National Westminster Bank Plc
Fund Custodian	The Northern Trust Company
External Auditors	Forvis Mazars LLP
Fund Legal Advisors	HB Public Law
Asset Pool & Fund Managers	
Asset Pool and Operator	London LGPS CIV Limited
Fund Managers	Aberdeen Investments Limited
	BlackRock Investment Management (UK) Limited
	CBRE Investment Management
	CCLA Investment Management Limited
	Threadneedle Asset Management Limited
	Fidelity International Limited
	Insight Investment Management (Global) Limited (via London LGPS CIV)
	Longview Partners (UK) Limited (via London LGPS CIV)
	RBC Global Asset Management (UK) Limited (via London LGPS CIV)
Administration Services	
Pension Administration Services	West Yorkshire Pension Fund
Additional Voluntary Contributions (AVC) Providers	
	Standard Life
	Utmost Life & Pensions

Contact information for the Administering Authority, Trustees, Asset Pool and Provider, and the Fund's Administration Service Provider are set out in section 7d – Contact Information.

c. Risk Management

The Fund's primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay promised benefits to members. This risk is addressed through the Funding Strategy Statement (FSS) that sets out how pension liabilities will be met going forward. The FSS is reviewed at least every three years in line with the triennial valuation of the Fund. This was last reviewed in 2022 and the next review will be in 2025. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Panel.

The London Borough of Hounslow has an established methodology for managing risk that is consistent with that recommended by the tPR to identify, evaluate, and manage risk on an ongoing basis. The risk register also records the current controls in place and the effectiveness of those controls for each risk identified.

The Pension Fund has a separate risk register that identifies and evaluates all the major risks outlined by the tPR and is maintained and reviewed quarterly and is a standing item on the agenda of the Pension Fund Panel. The risk register also records current controls in place and assesses the effectiveness of controls for each risk.

d. Financial Performance

The Fund asset value increased by £119.2m from £1,212.8m as at 31 March 2023 to £1,332.0m as at 31 March 2024. This was largely because of positive performance in global and sustainable equity mandates.

Analytical Review

Fund Account	2021/22 £m	2022/23 £m	2023/24 £m
Dealings with members			
Contributions	49.2	52.2	53.7
Pensions	(50.6)	(55.9)	(57.6)
Net withdrawals from dealings with members	(1.4)	(3.7)	(3.9)
Management expenses	(6.6)	(6.0)	(5.5)
Investment income	25.5	28.4	33.7
Change in market value	47.0	(57.2)	94.9
Net increase/(decrease) in the Fund	64.5	(38.5)	119.2

Over the three-year period, pensions payable has exceeded contributions received by £9.0m. In the same period, net investment returns have increased significantly, by £145.2m.

During 2023/24, the net increase in Fund value was £119.2m, compared to a decrease in value of £38.5m during 2022/23.

Both officers and the Pension Fund Panel monitor investment performance closely and refer to independent investment advisers as necessary to ensure the Fund's investments are being managed effectively.

Net Assets	2021/22 £m	2022/23 £m	2023/24 £m
Investment assets			
Equities	392.8	380.3	268.6
Pooled investment vehicles	838.1	782.2	1,007.6
Private equity	0.8	0.7	0.4
Long term investment	0.2	0.2	0.2
Cash (money market fund)	4.5	8.0	12.7
Other investment balances:			
Investment income due	3.2	3.4	2.7
Amounts receivable for sale of investments	0.4	0.0	0.0
Cash deposits	3.4	28.6	32.0
Total	1,243.4	1,203.4	1,324.2
Investment liabilities			
Amounts payable for purchase of investments	(3.0)	(0.1)	0.0
Net value of investments assets	1,240.4	1,203.3	1,324.2
Long term debtors	0.1	0.2	0.2
Current assets	12.8	10.9	9.9
Current liabilities	(2.0)	(1.6)	(2.3)
Net assets of the Fund available to fund benefits at the period end	1,251.3	1,212.8	1,332.0

The points to note are:

- Investments in BlackRock, Longview and RBC (UK and Global Equity Fund Assets) had significantly strong performance in the period which reflects the strategic choices and rigorous analysis which underpins our portfolio management.
- During the year, the Fund agreed a new Strategic Asset Allocation (SAA) with decisions taken at the Panel meeting in December 2023. Phase 1 and 2 of this transition took place in between January to March 2024. Further information of this transition is detailed under Note 10 in section 6c.
- Cash deposits increased by £3.4m from 31 March 2023 to 31 March 2024, this was due to the sale of Aberdeen UK Equity portfolio as part of the SAA review. Following phase 1 and 2 there was a small balance of additional cash held by the Fund on top of the £28.6m held for investment in the infrastructure asset class.

Analysis of Dealings with Scheme Members

Contributions	2021/22	2022/23	2023/24
	£m	£m	£m
Employee Normal Contributions	10.0	10.8	11.7
Employer Contributions:			
Normal	28.4	30.8	34.3
Deficit Funding	4.4	4.8	0.6
Augmentation	0.4	0.8	0.1
Transfers in	6.0	5.0	7.0
Total Income	49.2	52.2	53.7
Benefits Payable	2021/22	2022/23	2023/24
	£m	£m	£m
Pensions	(37.2)	(38.8)	(42.5)
Commutation of pensions and lump sum retirement benefits	(8.3)	(9.3)	(7.8)
Lump sum death benefits	(1.1)	(1.2)	(1.1)
Payments to and on account of leavers			
Transfers out	(3.9)	(6.3)	(5.9)
Refunds to members leaving service	(0.1)	(0.3)	(0.3)
Total Expenditure	(50.6)	(55.9)	(57.6)
Net Dealing with Members	(1.4)	(3.7)	(3.9)

Overall, the Fund performed similarly in 2023/24 compared to the previous financial year. The key variances were due to the following:

- Employer contributions decreased by £1.4m during 2023/24, this was due to the Council making large deficit recovery contributions during the previous financial year.
- Transfers in increased during the year, reflecting a higher number of new starters joining the scheme and members choosing to transfer in benefits on commencement of employment.
- Transfers out decreased in 2023/24 because less members chose to transfer their benefits to another employer or remove them under the freedom of choice legislation.

Analysis of Operational Expenses

The costs of running the Pension Fund are detailed below:

Fund Expenses	2021/22 £m	2022/23 £m	2023/24 £m
Administration			
WYPF Administration	0.3	0.4	0.4
Employee Salaries	0.8	0.8	0.8
Actuarial	0.0	0.1	0.0
Governance and Oversight*	0.1	0.1	0.3
Investment Management			
Management fees	3.4	3.9	3.6
Performance fees	1.0	0.0	0.0
Transaction costs	1.0	0.7	0.4
Custody fees	0.0	0.0	0.0
Total	6.6	6.0	5.5

*Includes external audit, investment advisory services etc.

Overall, the Fund performed similarly in 2023/24 compared to the previous financial year. The key variances were due to the following:

- Governance and oversight costs increased from £103k in 2022/23 to £287k in 2023/24, this is largely due to higher external audit fees, investment advisory fees, and costs from PIRC (the Fund's proxy voting agent).
- Investment management fees decreased from 2022/23 to 2023/24 due to the downturn in the average Blackrock performance over the last 3 years.

e. Administration Information

The administration of the Fund is managed by London Borough of Hounslow and undertaken by West Yorkshire Pension Fund (WYPF) under a contractual arrangement operational from 1 August 2018. Prior to this, the administration contract was managed by Capita.

Contribution as % of Pensionable Pay

Employee Contributions as a percentage of pensionable pay rates for 2023/24 are banded as follows:

Band	Salary range £	Contribution rate (main section) %	Contribution rate (50/50 section) %
1	0 to 16,500	5.50	2.75
2	16,501 to 25,900	5.80	2.90
3	25,901 to 42,100	6.50	3.25
4	42,101 to 53,300	6.80	3.40
5	53,301 to 74,700	8.50	4.25
6	74,701 to 105,900	9.90	4.95
7	105,901 to 124,800	10.50	5.25
8	124,801 to 187,200	11.40	5.70
9	187,201+	12.50	6.25

Late and Overdue Contributions

All employers are required submit monthly data returns to the pension scheme administrator, WYPF, and make payment of the monthly contributions directly to the London Borough of Hounslow Pension Fund by 19th day of the month following the payroll deduction. Contributions received after this date are classed as late.

The fund actively monitors the timeliness of the receipt of contributions from all employers and follows the current policy which is to issue an informal verbal/email warning for 3 breaches in a rolling 12-month period, a formal written warning for 5 breaches, and a report to the Pensions Regulator for 7 breaches. No interest charges were applied to employers during the year as a result of late payments.

In 2023/24, the fund recorded 28 late payments of contributions on the late payments register. These breaches were quickly rectified by the employer. The table below shows the proportion of the value of contributions received on time or late.

	Total £m	On Time		Late	
		£m	% of Total	£m	% of Total
Contributions	46.7	43.3	92.7	3.4	7.3

Further administration information is detailed in section 4d which is an administration update from West Yorkshire Pension Fund. This includes analysis of pension overpayments, participation in the National Fraud Initiative and information on data quality.

3. Investments and Funding

a. Investment Strategy

How the investment strategy statement has been put into practice

The Investment Strategy Statement outlines the investment objectives of the Fund and the strategies to achieve them. The Pension Fund Panel sets out a broad statement of the principles it has employed in establishing its investment and funding strategy in the Investment Strategy Statement (ISS). The ISS was updated in 2023 following the triennial valuation. This included the approval by the Pension Fund Panel of a new asset allocation. At the end of March 2024, the new SAA was partially implemented with the remainder scheduled for 2024/25. This can be found within section 4b – Regulatory Policy Statements.

The ISS sets out responsibilities relating to the overall investment policy of the Fund including:

- Diversification
- Suitability of Investments
- Risk Management
- Asset Pooling
- Environmental, Social and Corporate Governance (ESG) Policy
- Voting Rights and Policy

The Investment Strategy also explains our approach to responsible investment policies, including our approach to the UK Stewardship Code, and our approach to voting arrangements and other initiatives such as engagement with companies.

How the ISS Links to the FSS

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met either by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa. Therefore, both must work together to deliver the desired results for the fund.

b. Asset Allocation

The strategic asset allocation is agreed by the Pension Fund Panel and the Fund's advisers. The allocation effective during the year was updated in June 2023 and was as follows:

Asset Class	Pre-valuation SAA % of Fund	Post-valuation SAA % of Fund
UK Equities	31.0	10.0
Overseas Equities	28.0	40.0
Long Dated Bonds*	10.0	15.0
Index-Linked Gilts	5.0	5.0
Commercial Property	5.0	5.0
Infrastructure*	5.0	10.0
Multi-Asset Credit	0.0	5.0
Affordable Housing	0.0	5.0
Private Credit**	0.0	5.0
Income sleeve***	15.0	0.0
Cash	1.0	0.0
Total	100.0	100.0

* Additional 5% from the disinvestment from Fidelity

** New asset class created from the disinvestment from Fidelity

*** Fidelity income sleeve disinvestment

The progress toward the new asset allocation of the Fund as at 31 March 2024 is shown in the table below. As the Fund is in a transition period from one strategic asset allocation to another, it is normal for asset classes to be under/overweight. As at 31 March 2024, UK Equities were overweight and out with the advisory range, while at the same time the infrastructure investment was underweight which was due to slower drawdowns against the initial £40m committed in 2022/23. All other asset classes that were out with their advisory range was due to a change in the strategic asset allocation and a phased implementation over a 3-year period as agreed at December 2023 Pension Fund Panel.

Asset Class	Target Allocation % of Fund	Actual Allocation % of Fund	(Under)/Over Target Allocation %	Advisory range %
UK Equities	10.0	20.3	10.3	+/-5
Overseas Equities	40.0	41.9	1.9	+/-5
Long Dated Bonds*	15.0	14.6	(0.4)	+/-2
Index-Linked Gilts	5.0	4.6	(0.4)	+/-2
Commercial Property	5.0	3.8	(1.2)	+/-2
Infrastructure*	10.0	1.7	(8.3)	+/-2
Multi-Asset Credit	5.0	0.0	(5.0)	+/-2
Affordable Housing	5.0	0.0	(5.0)	+/-2
Private Credit**	5.0	0.0	(5.0)	
Income sleeve***	0.0	9.5	9.5	N/A
Cash	0.0	3.6	3.6	Max of +5
Total	100.0	100.0	0.0	

* Additional 5% from the disinvestment from Fidelity

** New asset class created from the disinvestment from Fidelity

*** Fidelity income sleeve disinvestment

Investment portfolios are reviewed at each Pension Fund Panel meeting in discussion with the investment adviser and officers, and fund managers are called to a Panel meeting if there are issues that need to be addressed.

Officers meet fund managers regularly and advice is taken from the investment adviser on matters relating to fund manager arrangement and performance.

Fund managers provide a rationale for asset allocation decisions based upon their research resource in an effort to ensure that they are not simply tracking the peer group or relevant benchmark index.

c. Asset Pooling

Background

During 2015 the Department for Levelling Up, Housing and Communities (DLUHC) issued guidance on LGPS asset pooling (LGPS: Investment Reform Criteria and Guidance), which set out how the government expected funds to establish asset pooling arrangements.

In January 2019, DLUHC issued a consultation and draft guidance on asset pooling within the LGPS, setting out changes to the pooling framework. This guidance set out the requirements on administering authorities, replacing previous guidance, and build on previous ministerial communications and guidance on investment strategies.

In July 2023, DLUHC issued a consultation and draft guidance on the next steps on investments within LGPS funds. The consultation, and subsequently Autumn Statement, confirmed Governments agenda to get pension funds to transition all listed assets into a pool by 31 March 2025. This also aligns with the current valuation period.

The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing a pooling solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost.

The pension funds across England and Wales have come together to form eight asset pools. The London Collective Investment Vehicle (LCIV) was established in 2015 by the London Borough LGPS Funds. The pool comprises of the 32 local authorities within London and had c£31.5Bn assets under management as at 31 March 2024.

The Fund has transitioned assets into the London CIV with a value of c£482.7m, or c36.5% of the Fund as at 31 March 2024. The Fund has a further c£287.6m, or c21.7%, of assets "under pool management" which means the pool is responsible for the oversight or discretionary management of the investment, whether or not procured through the pool. Going forward the Fund will look to transition more assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

Governance

There are a number of governance issues to be considered under pooling arrangements such as the relationship between the pension fund and asset pool, governance structure of the pool and the role of administering authorities.

The London CIV Shareholder Committee is responsible for scrutinising the actions of the LCIV Company Board, reporting and transparency, consultation on the strategy, responsible investment and emerging issues. The Committee is comprised of eight elected members, four

Treasurers (s151 officers) nominated by the Society of London Treasurers and usually the officers of the SLT and the Chair of the London CIV Board. There is also a Trade Union Member.

LCIV have a Corporate Governance Policy which details the governance arrangements for approving the London CIV's annual budget, business plan and objectives, governance structures and appointments, shareholder agreement and transparency of information and reporting.

As at November 2023 there were 8 Directors of which 6 were non-executive and two executives. The Board has a duty to act in the best interests of the shareholders and has collective responsibility for; strategy oversight, budgeting, performance review, major decision making, financial reporting and controls, compliance and risk management, key policies and governance.

The London CIV has four Committees, responsible for investment oversight, audit and risk, remuneration and nominations, and day to day operations of the company. These comprise of executive and non-executive members.

External independent oversight and assurance of the pool company is provided by the FCA, depositary, external auditors and DLUHC. The London CIV hosts an AGM on a semi-annual basis, to which all 32 members are invited. This allows members the opportunity to exercise shareholder power, approve the annual budget and hold the Board to account.

Following updates to the Annual Report Guidance for Local Government Pension Scheme Funds in April 2024, Funds now have to report their assets by those which are pooled, under pool management and those not yet pooled. This follows Governments view that pension funds should transition all listed assets into a pool by 31 March 2025.

Asset values, based on the three headers in the updated Annual Report Guidance, as at 31 March 2024 are set out below:

	Pooled	Under Pool Management	Not Pooled	Total
	£m	£m	£m	£m
Equities (inc. convertible shares)	0.0	0.0	268.6	268.6
Bonds	0.0	0.0	0.0	0.0
Property	0.0	0.0	50.8	50.8
Diversified Growth Funds (inc. multi-asset funds)	460.2	287.6	199.4	947.2
Private Debt	0.0	0.0	0.0	0.0
Private Equity	0.0	0.0	0.4	0.4
Infrastructure	22.3	0.0	0.0	22.3
Cash and Net Current Assets	0.0	0.0	0.0	0.0
Other	0.2	0.0	34.7	34.9
Total	482.7	287.6	553.9	1,324.2

	Pooled	Under Pool Management	Not Pooled	Total
	£m	£m	£m	£m
UK Listed Equities	0.0	0.0	268.6	268.6
UK Government Bonds	0.0	0.0	0.0	0.0
UK Infrastructure	22.3	0.0	0.0	22.3
UK Private Equity	0.0	0.0	0.0	0.0
Total	22.3	0.0	268.6	290.9

d. Investment Performance

The Fund's overall performance in 2023/24 outperformed its benchmark for the year by 0.54% gross of fees, as shown below. The minor outperformance was largely as a result of poor performance within the equity, long lease property and fixed income portfolios. The Fund's annualised performance has exceeded the benchmark since inception.

Performance of the Fund is measured against an overall strategic benchmark. Each fund manager is given individual performance targets and their performance against the benchmark is detailed in quarterly reports provided to the Fund by our custodian, Northern Trust. A summary of the Funds' performance, and each fund manager, gross of fees over the past 3 months, 6 months, 1 year, and 3 years is shown below:

	3 months			6 months		
	Return	Benchmark	Excess Return	Return	Benchmark	Excess Return
	%	%	%	%	%	%
LBH Pension Fund	4.18	3.86	0.32	9.88	8.58	1.30
Aberdeen	(0.86)	1.99	(2.85)	4.18	7.20	(3.01)
BlackRock	5.28	4.16	1.12	12.11	9.80	2.31
CBRE	(0.14)	0.51	(0.65)	(1.69)	(1.16)	(0.53)
CCLA	(0.67)	0.51	(1.18)	(1.98)	(1.16)	(0.81)
Threadneedle	0.81	0.51	0.29	(1.23)	(1.16)	(0.07)
Fidelity	1.73	0.99	0.74	7.57	1.98	5.59
Longview	9.11	(9.88)	0.76)	15.85	17.21	(1.34)
RBC	11.01	9.88	1.14	17.11	17.21	(0.10)
	1 year			3 years		
	Return	Benchmark	Excess Return	Return	Benchmark	Excess Return
	%	%	%	%	%	%
LBH Pension Fund	10.46	9.92	0.54	4.57	5.67	(1.10)
Aberdeen	1.15	5.79	(4.64)	(0.50)	2.75	(3.25)
BlackRock	15.35	10.19	5.16	7.15	5.21	1.94
CBRE	(2.76)	(0.70)	(2.06)	1.21	1.50	(0.28)
CCLA	(3.90)	(0.70)	(3.21)	(1.92)	1.50	(3.42)
Threadneedle	0.65	(0.70)	1.35	2.63	1.50	1.13
Fidelity	5.28	4.00	1.28	(1.75)	4.00	(5.75)
Longview	18.01	22.45	(4.44)	12.72	11.84	0.88
RBC	15.83	22.45	(6.63)	5.23	11.84	(6.61)

Investment with Insight Investment Long Duration Buy & Maintain Credit Fund via LCIV does not appear in the table above due to investment in final quarter of the year and no sufficient information was available for benchmarking and performance purposes.

Performance of fund managers is reviewed quarterly by the Pension Fund Panel, which is supported by the Fund's independent investment advisor, Apex Investment Advisers.

e. Corporate Governance

Responsible Investment

The Pension Fund has a paramount fiduciary duty to obtain the best possible financial return on Fund investments without exposing assets to unnecessary risk. It believes that following good practice in terms of environmental, social, and ethical issues is likely to have a favourable effect on the long-term financial performance of a company and will improve investment returns to its shareholders.

The Fund's investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of social, environmental and ethical issues on the performance of a company when undertaking the acquisition, retention or realisation of investments for the Fund.

The Pension Fund recognises that the neglect of corporate social responsibility and poor attention paid to environmental, social and governance (ESG) issues may lead to poor or reduced shareholder returns.

The Fund's policies on environmental, social and governance (ESG) issues and responsible investment can be found within the Investment Strategy Statement (ISS).

Separation of Responsibilities

The Fund employs Northern Trust as its custodian, independent to the investment managers, to be responsible for the safekeeping of all of the Fund's investments. Northern Trust is responsible for the settlement of all investment transactions and the collection of income.

The Fund's bank account is held with National Westminster Bank. Funds not immediately required to pay benefits are held as interest bearing liquidity account with NatWest.

The Fund's actuary, Barnett Waddingham, is responsible for assessing the long-term financial position of the pension fund and issues a Valuation Report following the triennial valuation of the Pension Fund which includes a Rates and Adjustments Certificate. This certificate sets out the minimum contributions which each employer in the Scheme is obliged to pay over the following three years.

Proxy Voting 2023/24

The Fund aims to exercise all votes associated with its segregated equity holdings and operates a custom policy which reflects the Fund's investment objectives. Fund officers are responsible for voting decisions and are supported by specialist proxy research company.

On a general basis, the Fund will support resolutions which are consistent with the UK Governance Code and represent best practice. In overseas markets, the Fund will take account of local best practice principles. Where resolutions or issues fall short of the expected standards, we will either abstain or vote against, depending on the individual circumstances of the company and the issues presented.

4. Scheme Administration

a. Service Delivery

Although the LGPS is a national scheme, it is administered locally. London Borough of Hounslow has a statutory responsibility to administer the pension benefits payable from the Pension Fund on behalf of the participating employers and the past and present members and their dependents.

The Council administers the scheme for 65 employers (a list of employers is provided in section 4d). These employers include not only the Council, but also academy schools within the borough and a number of organisations linked to the Council which have been admitted to the Pension Fund under agreement with the Council.

A contractual arrangement is in place with West Yorkshire Pension Fund (WYPF) for the provision of pension administration services. Performance of this service against targets within the contract is reported in section 4d.

b. Regulatory Policy Statements

The Local Government Pension Scheme Regulations 2013 require Pension Funds to prepare, publish and maintain a:

- Funding Strategy Statement (FSS)
- Investment Strategy Statement (ISS)
- Governance Compliance Statement
- Communications Policy Statement

As per the Guidance for Local Government Pension Scheme Funds (updated April 2024), it is acceptable for pension funds to use a valid hyperlink to provide access to full text versions of these reports where in the past the regulatory policy statements would be included in this Annual Report. The regulatory policy statements can be accessed via West Yorkshire Pension Fund's website or here:

<https://www.wypf.org.uk/london-borough-of-hounslow-pension-fund/lbh-documents-and-boards/>

Additional policy statements on West Yorkshire Pension Fund's website includes:

- Breaches Reporting Policy
- Conflicts of Interest Policy
- Scheme Pays Policy

c. Internal Dispute Resolution Procedure

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved. To facilitate this process, an Internal Disputes Resolution Procedure (IDRP) has been established. While any complaint is progressing, fund members are entitled to contact The Money and Pensions Service (MaPS), who can provide free advice.

IDRP Stage 1 involves making a formal complaint in writing. This would normally be considered by the body that made the decision in question. In the event that the fund member is not satisfied with actions taken at Stage 1 the complaint will progress to Stage 2.

IDRP Stage 2 involves a referral to the administering authority, London Borough of Hounslow, to take an independent view.

IDRP Stage 3 is a referral of the complaint to the Pension Ombudsman.

The full IDRP Process can be found on West Yorkshire Pension Fund's website:

<https://www.wypf.org.uk/media/5poabw3k/idrp-booklet-nov-2020-1.pdf>

Additional Help:

The Money and Pensions Service (MaPS)

At any time if you are having difficulties sorting out your complaint, you may wish to contact MaPS. MaPS can provide free and impartial advice and information to explain your rights and responsibilities. To get information or guidance, you can look at the website on: www.maps.org.uk/en or you can contact MaPS by post, phone or email:

Money and Pensions Service
120 Holborn
London
EC1N 2TD

T: 0800 011 3797

E: contact@maps.org.uk

The Pensions Ombudsman:

At any time if you are having difficulties sorting out your complaint, you may wish to contact The Pensions Ombudsman's early resolution team.

The early resolution team can provide free advice and information to explain your rights and responsibilities. To get information or guidance, you can look at the website on www.pensions-ombudsman.org.uk or you can contact The Pensions Ombudsman by post, phone or email:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
E14 4PU

T: 0800 917 4487

E: helpline@pensions-ombudsman.org.uk

d. Administration Update

From August 2018, the administration of the London Borough of Hounslow pension scheme has been carried out by West Yorkshire Pension Fund (WYPF).

The decision to appoint WYPF followed a thorough selection process and was on a shared service arrangement with WYPF who have been administering the Lincolnshire Pension Fund under the same arrangement since 2015. The London Borough of Barnet joined the shared service in 2020.

WYPF are on hand to answer queries, whether you are a contributing member, deferred member or pensioner in the scheme. They process your final pension or deferred benefits when you leave the pension scheme. They will also deal with any transfers to and from the scheme. If you are an active or deferred member, they will provide pension estimates and administer any additional pension contributions or additional voluntary contributions you choose to make. The payment of your pension is made by the London Borough of Hounslow's payroll partner, Liberata.

Pension overpayments from 1 April 2023 to 31 March 2024

Occasionally pensions are paid in error. When this happens, WYPF use the process outlined in the Funds Overpayment Policy to recover any overpayments.

The table below shows a summary of transactions processed during the year:

Analysis of overpayments

Number of cases overpaid	75
Number of cases recovered (in year)	50

Fraud Prevention – National Fraud Initiative

The shared service funds participate twice a year in the National Fraud Initiative (NFI). The data that is submitted includes pensioners, beneficiaries and deferred member information for Local Government Pension Scheme and Fire Services Pension members managed by the Fund.

Results of participation in National Fraud Initiative exercises (records sent, mismatches, overpayments identified etc.) for the whole shared service is detailed below:

Pensioners, beneficiaries, and deferred members	No. of records sent	No. of mismatches		Overpayments identified		Possible Frauds	Mismatches carried forward at 31 March
2023/24	338,572	1,591	0.47%	26	0.01%	2	17
2022/23	329,082	2,379	0.72%	24	0.01%	0	10
2021/22	288,636	1,685	0.58%	15	0.01%	0	22
2020/21	286,429	963	0.34%	4	0.00%	0	1
2019/20	277,293	3,845	1.39%	17	0.01%	2	10
2018/19	260,387	3,339	1.28%	3	0.00%	2	2
2017/18	229,994	518	0.23%	35	0.02%	2	0
2016/17	224,122	1,425	0.64%	5	0.00%	4	5
2015/16	219,313	868	0.40%	61	0.03%	3	10
2014/15	159,928	656	0.41%	25	0.02%	0	5

Value for Money – Cost Per Member

The latest published data (2022/23) for all LGPS funds administration costs shows that London Borough of Hounslow's Pension Fund pensions administration cost per member is £47.38. This ranks the fund's cost per member as 65th out of 87 LGPS funds. The national average is £27.85.

Hounslow Pension Fund has a below average total cost per member (administration, investment, and oversight & governance) at £247.83. The national average for LGPS in 2022/23 is £308.96.

Cost per member 2022/23	Position	Hounslow Pension Fund	LGPS Lowest	LGPS Highest	LGPS Average
		£	£	£	£
Admin cost per member	65th	47.38	7.63	142.11	27.85
Investment cost per member	25th	191.27	4.49	1,276.17	265.89
Oversight & Governance	18th	9.18	0.77	93.37	15.22
Total cost per member	30th	247.83	42.68	1,342.64	308.96

Key activities during the year

Employer Training

Workshops were delivered virtually in bite size webcasts by WYPF's Employer Relations Team throughout the year and were designed to give employers a good understanding of the pension scheme. Feedback from participants on these events has been positive.

The webcasts covered:

- Blocks and Quarantines
- Walkthrough of the online leaver form
- Information needed for HMRC checks
- Understanding the LGPS and conveying its benefits to members
- Pensions terminology and historic issues e.g., rule of 85, McCloud, Goodwin, member protections
- Employer responsibilities
- Understanding McCloud
- Authorised contacts and year-end responsibilities
- Understanding CPP (pay for CARE pension)
- Understanding final pay
- Assumed pensionable pay
- Completing March return: steps to success
- Employer Engagement Forum – operational day to day level

Member Engagement

A series of online education sessions were delivered for members to learn about the basics of the LGPS as well as the options available to members to increase their benefits. The sessions covered:

- Engage with your pension – understanding your Annual Pension Statement
- Engage with your pension – Pre-April 2014 joiners
- Engage with your pension – Post April 2014 joiners
- Engage with your pension – Increasing your benefits

Sessions were recorded and published on WYPF's website to allow members the ability to watch on demand.

During this period WYPF ran a series of webinars in line with the national initiative of Pensions Awareness week which covered:

- Understanding the LGPS
- The Annual Pension Statement
- Contribution flexibility
- Death benefits

WYPF have continued to work with their pre-retirement partner Affinity Connect. Workshops run by Affinity Connect were to support and guide members who are considering what retirement might mean to them, these continue to be well attended. The workshops raise awareness of key issues to consider, and the decisions members need to make as they approach this new stage in their life. 24 courses were delivered to members during this period.

Affinity Connect are also now offering financial wellbeing courses for members of any age. 3 courses were delivered and these covered:

- Understand income and plan spending
- Review and keep track of borrowing
- Plan financial goals and prepare for unexpected costs
- Start to plan for life beyond work, whenever that may be

Pension Increase

Each year, Hounslow Pension Fund pensioners receive an annual increase in accordance with pension increase legislation. The increase is linked to movements in the Consumer Price Index (CPI). Deferred member benefits are also increased by CPI. For the 2023/24 year an increase of 10.1% was applied on 10 April 2023.

Pension administration

As in previous years, the workload of the pension administration section at WYPF continued to increase, member numbers continue to rise, particularly with the addition of new clients. WYPF's service delivery continues to be underpinned by their accreditation to the International Organisation for Standardisation - ISO 9001:2000. WYPF's quality management systems ensures that they are committed to providing the best possible service to customers and will continue to ensure that best value is delivered to all our stakeholders.

WYPF also achieved accreditation for ISO27001 Information Security Management System Certification (ISMS). This accreditation is particularly important and highlights WYPF's continued commitment to information security and provides assurance to customers that WYPF have the ability to protect their data and reputation at all times.

Shared Service

Hounslow Pension Fund, West Yorkshire Pension Fund, Lincolnshire Pension Fund, Barnet Pension Fund and a number of Fire authorities are in a shared service arrangement hosted by West Yorkshire Pension Fund (WYPF). The shared service partnership continues to flourish with the addition of new Fire and Rescue Service clients. The total number of Fire Authorities that administration is provided for is up to twenty-four.

Data Quality

LGPS Funds are required to report on their data quality to the Pensions Regulator as part of the annual scheme returns. The Pensions Regulator has set a target of 100% accuracy for new common data received after June 2010.

Current data quality figures for Hounslow Pension Fund are shown below:

Data Type	%
Forename	100.00
Surname	100.00
Membership status	99.99
Date of birth	100.00
NI number	99.21
Postcode	100.00
Address	95.30

Work continues to be undertaken to improve address data which is lower due to deferred members moving house and not informing the Fund.

Communications

All annual pension benefit statements for active and deferred members were produced by the statutory deadline of 31 August providing members with information on their benefits accrued to 31 March and what their potential benefits will be at retirement age, as well as other useful information. Positive feedback was received from members with the inclusion of information on pensions payable at ages 55, 60, 65, and state pension age, which included any reduction for early payment. Statements were issued electronically through the secure member portal.

Regular newsletters continue to be produced to keep members informed of important pensions news. The shared service also has Facebook and Twitter accounts to encourage members of all ages to engage more with the Fund through social media.

The Fund's Communication Policy Statement was reviewed and approved by the Council's Pension Fund Panel in June 2023.

MyPension

With the shared services 'MyPension' service (accessible on the shared website) members can view their pension record and statements & update personal details. There is also the facility for members to do their own age estimates. Members are being encouraged to sign up to the portal as the service moves to more online communication.

Disaster recovery and risk management monitoring

The shared service partnership systems are hosted by WYPF and uses Bradford Council's pair of geographically separated data centres. Both purpose-built data centres are protected by redundant power (UPS), a backup generator and cooling.

In the event of WYPF office accommodation becoming unavailable, staff will be relocated to other council offices or work remotely, including the remote office in Lincoln. WYPF is covered by Bradford Council's comprehensive disaster recovery plan for all services delivered for the shared service.

Member complaints

During the reporting period WYPF received ten complaints from members for which they all received a written response.

Internal Dispute Resolution Procedure (IDRPs) & Pension Ombudsman cases (completed cases only)

Stage 1

Number of cases	4
Appeals upheld	0
Appeals turned down	4

Stage 2

Number of cases	2
Appeals upheld	0
Appeals turned down	2

Pensions Ombudsman

Number of cases	0
Appeals upheld	0
Appeals turned down	0

Management and Customer Service Key Performance Indicators

The administration service is monitored through a number of performance indicators. These are detailed in the table below, showing performance achieved over the last year against the expected performance. Performance is reported quarterly to the Pension Fund Panel and Pension Fund Board, and regular meetings are held between London Borough of Hounslow officers and WYPF to understand and manage any performance issues. The critical business areas impacting on pensioners and their family take priority, this is due to requiring immediate payment for retirements, redundancies, dependants' pensions and death grants.

1 April 2023 to 31 March 2024

Work Type	Total Cases	Target Days for Each Case	Target Met Cases	Minimum Target %	Target Met %
AVC In-house (General)	47	20	47	85.00	100.00
Beneficiary To Update non payroll	36	5	31	85.00	86.11
Change of Address	281	20	279	85.00	99.29
Death Grant to Set Up	52	10	48	85.00	92.31
Death In Retirement	261	10	220	85.00	85.00
Death In Service	6	10	6	85.00	100.00
Death on Deferred	18	10	14	85.00	77.78
Deferred Benefits into Payment Actual	308	10	288	90.00	93.51
Deferred Benefits into Payment Quote	297	35	259	85.00	87.21
Deferred Benefits Set Up on Leaving	765	20	493	85.00	64.44
Divorce Quote	28	40	26	85.00	92.86
Divorce Settlement Pension Sharing Order Implemented	2	80	2	100.00	100.00
DWP request for Information	5	20	5	85.00	100.00
Estimates for Deferred Benefits into Payment	3	10	3	90.00	100.00
Initial letter Death in Retirement	261	10	245	85.00	93.87
Initial Letter Death in Service	6	10	6	85.00	100.00
Initial letter Death on Deferred	18	10	18	85.00	100.00
Interfund Linking in Actual	177	35	40	85.00	22.60
Interfund Linking in Quote	109	35	103	85.00	94.50
Interfund Out Actual	167	35	106	85.00	63.47
Interfund Out Quote	116	35	88	85.00	75.86
Life Certificate	189	10	142	85.00	75.13
Monthly Posting	763	10	723	95.00	95.00
NI adjustment to Pension at State Pension Age	15	20	14	85.00	93.33
Pension Estimate	60	10	51	90.00	85.00
Pension Saving Statement	2	20	2	100.00	100.00
Phone Call Received	1384	3	1319	95.00	95.30
Refund Actual	254	10	251	90.00	98.82
Refund Quote	321	35	314	85.00	97.82
Retirement Actual	166	10	163	90.00	98.19
Retirement Quote	86	10	80	85.00	93.02
Transfer In Actual	20	35	12	85.00	60.00
Transfer In Quote	39	35	34	85.00	87.18
Transfer Out Payment	10	35	10	85.00	100.00
Transfer Out Quote	118	35	98	85.00	83.05
Update Member Details	301	20	290	100.00	96.35

Industry standard performance indicators

The administration service is monitored against industry standards. These are not directly comparable to the figures above as they are measured at different points but do provide a useful indicator of the overall level of service for comparison to other Funds.

Industry Standard Performance Indicators	Target days	Achieved %
Letter detailing transfer in quote	10	99.90
Letter detailing transfer out quote	10	88.30
Process and pay refund	5	98.60
Letter notifying estimate of retirement benefits	10	77.30
Letter notifying actual retirement benefits	3	97.80
Process and pay lump sum retirement grant	5	95.90
Letter acknowledging death of a member	5	76.10
Letter notifying amount of dependant's benefit	5	99.30
Calculate and notify deferred benefits	10	68.80

Membership

Membership numbers as at 31 March 2024 for each category are:

Membership Category	Number
Active Members	6,899
Pensioners	7,568
Beneficiaries	974
Deferred Pensioners	7,775
Undecided Leavers	74
Frozen Refunds	1,351
Total	24,641

Participating employers

As of 31 March 2024, there were 65 different employers in the pension fund:

Scheme Employers – Schedule Bodies	Scheme Employers – Admitted Bodies
Bedfont School	Atlas Cleaning Ltd (WIM Market Orderlies)
Berkeley Academy	Atlas Cleaning Services (Heston School)
Bolder Academy	Caterlink Ltd
Brentford School For Girls Academy	Chartwells Hounslow (Feeding Futures) Ltd
Chiswick Community School	Coalo (The Cedars)
Cranford Community College	Coalo Limited
Cranford Primary School (LEA)	Coalo Limited (ADP)
Edison Primary School	Cucina (Lampton School)
Gumley Academy	David Henry Waring Home
Gunnersbury Catholic School	Energy Kidz Ltd
Heston School	Hounslow Action For Youth (HAY)
Isleworth Academy	Lampton Greenspace 360
Kingsley Academy	Lampton Leisure
Lampton School	Lampton Recycle 360
Lionel Road Primary School (LEA)	Liberata
Logic Studio School	Marston Holdings Ltd
London Borough of Hounslow	Nourish Contract Catering Ltd (St Pauls)
Nishkam Schools Multi Academy Trust	Octaga Security Services Ltd
Norwood Green Junior School	PS Catering Management Ltd (Sparrow Farm Primary School)
Oakhill Academy West London	Purgo Supply Services Ltd (Isleworth Town Primary School)
Oriel Primary School	Ringway
Reach Academy	Spectra C I C
Reach Foundation	Stir Food Ltd (The Blue School)
Rivers Academy West London	Taylor Shaw Ltd
Space Studio West London	The Music Service
Spring Grove Primary School	The Pantry (Bedfont School)
Springwest Academy	Wilson Jones - Wellington
St Marks Academy	Wilson Jones - Westbrook
St Marys Primary	Wilson Jones (Marlborough School)
St Richard's School	Wilson Jones (Orchard Primary)
The Green School Trust	Wilson Jones Catering Ltd (Berkeley Academy)
The Rise School	
West Thames College	
Westbrook Primary School	

All employers are required submit monthly data returns to the pension scheme administrator, WYPF, and make payment of the monthly contributions directly to the London Borough of Hounslow Pension Fund by 19th day of the month following the payroll deduction. During 2023/24 the following employers made payments after this date and have been recorded on the fund's breach register:

Employer	No. of times late in financial year
Coalo Limited	5
Nourish Contract Catering Ltd (St Pauls)	3
May Harris	2
PS Catering	2
Rivers Academy	2
Stir Food Ltd	3
The Pantry	2
Edison	1
Edwards & Ward	1
Energy Kidz Ltd	1
Lampton Greenspace 360	1
Lampton Leisure	1
London Borough of Hounslow	1
Norwood Green	1
The Green School	1
West Thames College	1

5. Actuarial Report

Introduction

The last full triennial valuation of the London Borough of Hounslow Pension Fund was carried out as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 28 March 2023.

2022 Valuation Results

The 2022 valuation certified an average primary contribution rate of 19.3% of pensionable pay to be paid by each employing body participating in the London Borough of Hounslow Pension Fund. In addition to this, each employing body has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Rates and Adjustment Certificate in the triennial valuation report.

Contribution Rates

The contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due; plus
- An amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

Asset Value and Funding Level

The smoothed market value of the Fund's assets as at 31 March 2022 for valuation purposes was £1,225m which represented 104% of the Fund's accrued liabilities at that date, allowing for future increases in pay and pensions in payment.

Assumptions

The key assumptions used to value the benefits at 31 March 2022 are summarised below:

Assumption	31 March 2022
Discount rate	4.7% p.a.
Pension increases (CPI)	2.9% p.a.
Salary increases	3.9% p.a.
Pension increases on GMP	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.
Mortality	The post-retirement mortality assumptions adopted are the S3PA tables with a multiplier of 110% for males and females, making allowance for CMI 2021 projected improvements and a long-term rate of improvement of 1.25% p.a. with an initial rate of improvement of 0% p.a. and smoothing parameter of 7.0. A 2020/21 weighting parameter of 5% was used.
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced
Commutation	Members will convert 50% of the maximum possible amount of pension into cash

Updated Position Since the 2022 Valuation

Assets

Investment returns on the Scheme's assets over the year to 31 March 2024 have been strong, estimated at 10% p.a. The Fund has a slight negative cashflow, but due to the investment returns over the two-year period, the market value of assets at 31 March 2024 has increased since the formal valuation.

Despite this, the investment returns have not been as high as the discount rate assumption at the previous valuation, so this has led to an overall decrease in the surplus.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. The real discount rate at 31 March 2024 has increased compared with the previous valuation date due to a significant increase in yield on bonds and other fixed income assets, and a reduction to the implied long-term rate of inflation.

However, actual inflation experience since the previous valuation date has placed a higher value on the liabilities. The 2023 and 2024 pension increase awards of 10.1% and 6.7% were higher than the long-term average assumed at the 2022 valuation. The increase associated with this, has been partly offset by a reduction in the long-term inflation assumption. This short-term high inflation and lower longer-term inflation is broadly consistent with what was assumed at the 2022 formal valuation but has contributed to an overall higher liability value.

The value of liabilities has also increased due to the accrual of new benefits net of benefits paid.

Overall Position

We estimate that the funding position has slightly declined since 31 March 2022 allowing for the above factors.

Allowance for inflation experience and slightly worse than expected cumulative asset performance in the two years to 31 March 2024 will have placed a higher value on the liabilities and a lower-than-expected value on the assets, therefore reducing the value of the Fund's surplus at the previous actuarial valuation. This has been partially offset by an improvement in the net discount rate which has placed a lower value on the Fund's pension liabilities.

The next formal valuation will be carried out as at 31 March 2025 with new contribution rates set from 1 April 2026.



Liam Drysdale FFA
Associate
Barnett Waddingham LLP

6. Pension Fund Accounts

a. Statement of Responsibilities

Responsibility for the Financial Statements, which form part of this Annual Report, is set out in the following declaration.

The Council's Responsibilities:

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs, in line with statute this is the Section 151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Section 151 Officer's Responsibilities:

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts and of its Pension Fund Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), are required respectively to present fairly the financial position of the Council and of the Pension Fund at the accounting date and the income and expenditure for the year then ended.

In preparing these Statements of Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently except where policy changes have been noted in these accounts.
- Made judgments and estimates that were reasonable and prudent.
- Complied with the Code.

The Section 151 Officer has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

This Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2023.

(INSERT SIGNATURE ON AUDIT COMPLETION)

Jake Bacchus

Executive Director of Finance and Resources (S151 Officer)

Approval of Statement of Accounts:

I confirm that these accounts were approved at a meeting of the Audit and Governance Committee on XX-XXX-XXXX.

(INSERT SIGNATURE ON AUDIT COMPLETION)

Councillor Unsa Chaudri

Chair of the Audit and Governance Committee

b. Independent Auditors Report

(INSERT WHEN PROVIDED FROM FORVIS MAZARS LLP ON AUDIT COMPLETION)

c. Pension Fund Accounts and Explanatory Notes

The London Borough of Hounslow Pension Fund (“the Fund”) provides for the payment of pensions and other benefits to former employees of the Authority and certain admitted and scheduled bodies. A separate annual report is published and is available via <https://www.wypf.org.uk/publications/report-accounts/hounslow-pension-fund-report-and-accounts/> to all including pensioners, members with deferred benefits and employees of the Authority who are members of the pension scheme. The annual report sets out the Fund’s Statement of Investment Principles.

Responsibility for the overall direction of the Fund’s investment policy rests with the Authority’s Pension Fund Panel taking account of the advice of the Executive Director of Finance and Resources. These accounts will be approved at the Panel’s meeting in September 2024. The accounts summarise the transactions and net assets of the scheme.

In implementing the Fund’s investment policy, the Authority has appointed the following external investment managers; Aberdeen Standard Investments, BlackRock Investment Management Ltd, CBRE Global Investments Ltd, CCLA Investment Management Ltd, Columbia Threadneedle Investments Ltd and Fidelity International Ltd.

Additionally, the Authority has placed assets under management with the London Collective Investment Vehicle (LCIV), the organisation set up to run pooled LGPS investments in London. The Fund holds investments in the LCIV Global Equity Focus Fund (underlying manager is Longview Partners (Guernsey) Ltd), the LCIV Sustainable Equity Fund (underlying manager is RBC Global Asset Management (UK) Ltd), LCIV Long Duration Buy and Maintain Credit Fund (underlying manager is Insight Investment Management Ltd) and the LCIV Renewable Infrastructure Fund (underlying managers are Blackrock Financial Management, Inc, Foresight Group, Macquarie Asset Management, Quinbrook Infrastructure Partners and Stonepeak Global Renewables Associated (Lux) and Blackrock Investment Management (UK) Ltd).

FUND ACCOUNT FOR THE YEAR ENDED 31 March 2024

2022/23		2023/24	Notes
£m		£m	
	Dealings with members, employers and others directly involved in the Fund		
	Contributions		
36.4	From employers	35.0	6
10.8	From employees	11.7	6
5.0	Individual transfers in from other pension funds	7.0	
52.2	Total	53.7	
	Benefits		
(38.8)	Pensions	(42.5)	7
(10.5)	Commutation, lump sum retirement and death benefits	(8.9)	7
	Payments to and on account of leavers		
(6.3)	Individual transfers out to other pension funds	(5.9)	
(0.3)	Refunds to members leaving service	(0.3)	
(55.9)	Total	(57.6)	
(3.7)	Net withdrawals from dealings with members	(3.9)	
(6.0)	Management expenses	(5.5)	8
(9.7)	Net withdrawals including fund management expenses	(9.4)	
	Returns on investments		
28.4	Investment income	33.7	9
(57.2)	Profit and loss on disposal of investments and change in the market value of investments	94.9	14
(28.8)	Net returns on investments	128.6	
(38.5)	Net increase/(decrease) in the net assets available for benefits during the year	119.2	
1,251.3	Opening net assets of the Fund	1,212.8	
1,212.8	Closing net assets of the Fund	1,332.0	

NET ASSETS STATEMENT AS AT 31 March 2024

31 March 2023		31 March 2024	Notes
£m		£m	
	Investment assets		
380.3	Equities	268.6	11
782.2	Pooled investment vehicles	1,007.6	12
0.7	Private equity	0.4	13
0.2	Long term investment	0.2	14
8.0	Cash (money market fund)	12.7	14
	Other investment balances:		
3.4	Investment income due	2.7	14
28.6	Cash deposits	32.0	14
1,203.4	Total	1,324.2	
	Investment liabilities		
(0.1)	Amounts payable for purchase of investments	-	14
1,203.3	Net value of investments assets	1,324.2	
0.2	Long term debtors	0.2	19
10.9	Current assets	9.9	20
(1.6)	Current liabilities	(2.3)	21
1,212.8	Net assets of the Fund available to fund benefits at the period end	1,332.0	

Note: the Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2024. The actuarial present value of promised retirement benefits is disclosed at note 18.

NOTES TO THE FUND ACCOUNTS 2023/24

NOTE 1 – DESCRIPTION OF THE LONDON BOROUGH OF HOUNSLOW PENSION FUND

a) General

The Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Hounslow. The Fund is a contributory defined benefit scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the London Borough of Hounslow and the admitted and scheduled bodies in the Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1 April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation; the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended), the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended), and the LGPS (Management and Investment of Funds) Regulations 2016 (as amended).

b) Governance

The Pension Fund Panel has delegated responsibility from the Council to decide the most appropriate policy for pension fund investments, taking account of the advice of the Executive

Director of Finance and Resources. The Pension Fund Panel also agrees pension fund policies including administration. The Pension Board was set up in 2015 in line with Section 5 of the Public Service Pensions Act 2013, to oversee the governance arrangements of the Pension Fund and to assist the Council in complying with LGPS and other regulations relating to the Fund. The Executive Director of Finance and Resources is responsible for the preparation of the Pension Fund Statement of Accounts.

Further details on the governance arrangements of the Pension Fund can be found in the London Borough of Hounslow Pension Fund Annual Report which is published by 1 December each year: <https://www.wypf.org.uk/publications/report-accounts/hounslow-pension-fund-report-and-accounts/>.

c) Membership

Although Scheme employers are required to auto enrol employees into the LGPS, membership of the LGPS is voluntary and employees are free to choose whether to remain in the scheme or to “opt out” and make their own personal arrangements outside the scheme. There are 65 employers within the Fund. Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies, or private contractors undertaking a local authority function following outsourcing to the private sector.

More information is available on the LGPS scheme on <https://www.wypf.org.uk>. This site is managed by West Yorkshire Pension Fund who are the Fund’s pension benefits administrator.

The following table summarises the membership of the Fund as at 31 March 2024:

31 March 2023		31 March 2024	
No.		No.	
69	Number of employers	65	
Number of employees in scheme			
4,797	Council	4,773	
2,200	Other employers	2,126	
6,997	Total	6,899	
Pensioners			
6,718	Council	6,910	
1,538	Other employers	1,632	
8,256	Total	8,542	
Deferred pensioners			
6,049	Council	6,114	
1,564	Other employers	1,661	
7,613	Total	7,775	
22,866	Total number of members in scheme	23,216	

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average revalued earnings (CARE) scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index. There are a range of other benefits provided under the scheme including early retirement, disability pensions, and death benefits. This is summarised in the following table:

	Service: Pre-1 April 2008	Service: 1 April 2008 to 31 March 2014	Service: Post 1 April 2014
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.	Each year worked is accrued at 1/49 of pensionable pay for the year.
Lump sum	Automatic lump sum of 3 x pension. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	

London Borough of Hounslow Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the pension fund. The Fund has appointed Standard Life as its active AVC providers. Utmost Life and Pensions (formerly Equitable Life) was the previous AVC provider but is now closed to new members. AVCs are paid to the providers by employers and specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

e) Funding

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from interest and dividends on the Fund's investments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employers also pay contributions into the Fund based on triennial funding valuations. The 31 March 2022 valuation covers the three financial years to 31 March 2026.

f) Investment Principles

The LGPS (Management and Investment of Funds) Regulations 2016 require administering authorities to prepare and review, from time to time, a written statement recording the investment policy of the Fund. The Pension Fund Panel approved an Investment Strategy Statement in June 2023, and this is available at the link below. The Statement shows the Fund's compliance with the Myners principles of investment management.

www.wypf.org.uk/media/3532/investment-strategy-statement-june-2023.pdf

The Pension Fund Panel has delegated the management of the Fund's investments to external investment managers (see Note 10) appointed in accordance with regulations, and whose

activities are specified in detailed investment management agreements and monitored on a quarterly basis.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Statement of Accounts summarise the Fund's transactions for the financial year 2023/24 and its position as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The Pension Fund Accounts have been prepared on a going concern basis and an accruals basis apart from individual transfer values which have been accounted for on a cash basis.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the notes to the accounts, or by appending an actuarial report prepared for this purpose. The Authority has opted to disclose this information in Note 18.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

Employer's augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment Income

Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Investment income arising from the underlying investments of the Pooled Investment Vehicles is either reinvested within the Pooled Investment Vehicles and reflected in the unit price or taken as a cash dividend to support the Fund's outgoing cash flow requirements.

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is recognised as a current financial asset in the net asset statement.

Where the amount of an income distribution has not been received from an investment manager by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used.

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits and losses during the year.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. Investment income is reported gross of withholding tax.

Fund Account – Expense Items

d) Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The Fund is an exempt approved fund under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management Expenses

The Code does not require breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Council discloses its Pension Fund management expenses in accordance with the CIPFA guidance: Accounting for Local Government Pension Scheme Management Expenses (2016 Edition). The profit and loss on disposal of investments and changes in the market value of investments also takes account of the fees which have been deducted at source.

Administrative Expenses	All administrative expenses are accounted for on an accruals basis.
Oversight and Governance	Oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged to the Fund. Associated management, accommodation, and other

	overheads are apportioned to this activity and charged as expenses to the Fund. The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.
Investment Management Expenses	All investment management expenses are accounted for on an accruals basis. The Pension Fund Panel has appointed external investment managers to manage the investments of the Fund. Fees of the investment managers and custodian are agreed in the respective mandates governing their appointments. Managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance. Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account. The costs of the Council's in-house management team are charged directly to the Fund and a proportion of the Council's costs representing management time spent by officers on investment management is also charged to the Fund.

Net Assets Statement

g) Financial Assets

Financial assets are included in the net assets statement on a fair value or amortised cost basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the value of the asset are recognised in the Fund account.

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 15c). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016). Quoted securities and pooled investment vehicles have been valued at the bid price and fixed interest securities are recorded at net market value based on their current yields at the balance sheet date. Quoted securities are valued by the Fund's custodian and pooled investment vehicles at the published bid prices or those quoted by their managers. Investments in private equity funds are valued based on the Fund's share of the net assets in the private equity fund using the latest financial statements published by the respective fund managers in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2018). All other assets are valued at amortised cost.

h) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End of year spot market

exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Cash and Cash Equivalents

Cash comprises cash in hand and deposits with financial institutions which are repayable on demand without penalty and includes amounts held by the Fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

j) Financial Liabilities

The Fund recognises financial liabilities at fair value or amortised cost as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

k) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits (see Note 18).

l) Additional Voluntary Contributions

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note (Note 22).

m) Contingent Assets, Contingent Liabilities and Contractual Commitments

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the Balance Sheet date to measure the value of the financial obligation reliably.

A contractual commitment is a legally binding obligation arising from a contract under which an entity is obligated to expend money or resources at a future date. This commitment necessitates the future delivery of goods, services, or funds based on the terms agreed upon in the contract.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes (Note 24).

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 3 above, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events. There were no such critical judgements made during 2023/24.

NOTE 5 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends, and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.

Items for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pooled property, infrastructure and private equity funds	The assets held by the Pension Fund include properties and assets managed by Fund Managers on a pooled basis. As the assets are unquoted, values are estimated by Fund Manager using comparable market data, indices and data from third parties, as well as projected revenue streams associated with the assets. The property funds, infrastructure, and private equity funds do not have published prices, are not regularly traded and have many unobservable inputs feeding into their valuations and so will be treated as level 3.	The potential impact of this uncertainty cannot be measure accurately. Total property funds, infrastructure, and private equity funds held by the Pension Fund as at 31 March 2024 are valued at £73.7m (2022/23: £70.1m).

Pension Fund Liability

The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 18. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Employees' contributions are calculated on a sliding scale based on a percentage of their pensionable pay. The Council, scheduled, and admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the Fund. The table below shows a breakdown of the total amount of employers' and employees' contributions.

2022/23		2023/24
£m	By Type of Employer	£m
35.5	Administering Authority	35.4
8.1	Scheduled Bodies	8.4
3.6	Admitted Bodies	2.9
47.2	Total	46.7

2022/23		2023/24
£m	By Category	£m
10.8	Employee Normal Contributions	11.7
	Employer Contributions:	
30.8	Normal	34.3
4.8	Deficit Recovery	0.6
0.8	Augmentation	0.1
47.2	Total	46.7

NOTE 7 – BENEFITS PAYABLE

The table below shows a breakdown of the total amount of benefits payable by category.

2022/23		2023/24
£m	By Type of Employer	£m
44.5	Administering Authority	44.4
2.5	Scheduled Bodies	3.3
2.3	Admitted Bodies	3.7
49.3	Total	51.4

2022/23		2023/24
£m	By Category	£m
38.8	Pensions	42.5
9.3	Commutation and lump sum retirement benefits	7.8
1.2	Lump sum death benefits	1.1
49.3	Total	51.4

NOTE 8 – MANAGEMENT EXPENSES

The table below shows a breakdown of the management expenses incurred during the year.

2022/23		2023/24
£m	By Category	£m
1.3	Administration	1.2
0.1	Oversight and governance	0.3
4.6	Investment management	4.0
6.0	Total	5.5

The investment management expenses are grossed up to include fees netted against the investment value in line with CIPFA guidance: Accounting for Local Government Pension Scheme Management Expenses (2016 Edition). This adjustment has an equal impact on investment management expenses and the change in the market value of investments. There is no impact on the overall net assets of the Fund.

Included in the oversight and governance costs above are external audit fees for the Fund of £76k (2022/23: £16k).

NOTE 8a – INVESTMENT MANAGEMENT EXPENSES

2022/23		2023/24
£'000	By Category	£'000
3,883	Management fees	3,573
705	Transaction costs	400
60	Custody fees	54
4,648	Total	4,027

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment financial asset or liability. An incremental cost is one that would not have been incurred if the Fund had not acquired or disposed of the financial instrument. Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, anti-dilution levies, levies by regulatory agencies and securities exchanges and transfer taxes and duties.

There were no performance related fees for 2023/24 (2022/23: Nil).

NOTE 9 – INVESTMENT INCOME

The table below shows a breakdown of the investment income for the year:

2022/23		2023/24
£m		£m
10.7	Dividends from equities	10.5
17.6	Pooled investments – unit trusts and other managed funds	22.2
0.1	Interest on cash deposits	1.0
28.4	Total	33.7

NOTE 10 – INVESTMENT MANAGEMENT ARRANGEMENTS

As at 31 March 2024, the investment portfolio was managed by:

- Aberdeen Standard Investments
- BlackRock Investment Ltd
- CBRE Global Investors Ltd
- CCLA Investment Management Ltd
- Columbia Threadneedle Investments Ltd
- Fidelity International Ltd
- London LGPS CIV Limited

All managers have discretion to buy and sell investments within the constraints set by the Pension Fund Panel and their respective Investment Management Agreements. Each manager has been appointed with clear strategic benchmarks which place maximum accountability for performance against that benchmark on the investment manager. The Fund became a shareholder in the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2016 and holds £150,000 of regulatory capital in the form of unlisted UK equity shares.

Northern Trust acts as the Fund's global custodian (with effect from February 2007). The custodian is responsible for safe custody and settlement of all investment transactions and collection of income. The bank account for the Fund is held with National Westminster Bank Plc.

The market value and proportion of investments managed by each fund manager at 31 March 2024 was as follows:

31 March 2023 Market Value		Fund Manager	Mandate	31 March 2023 Market Value	
£m	%			£m	%
Managed by LCIV regional asset pool:					
-	-	Insight Investment Management Ltd	Fixed Income**	193.2	14.6
131.0	10.9	Longview	Global Equities	154.5	11.7
97.1	8.1	RBC	Sustainable Equities	112.5	8.5
17.7	1.5	Various	Renewable Infrastructure*	22.3	1.7
245.8	20.5			482.5	36.5
Managed outside LCIV regional asset pool:					
516.8	43.0	BlackRock	Global Balanced**	601.0	45.4
234.9	19.4	Aberdeen	Global Balanced**	49.3	3.7
126.6	10.5	Fidelity	Income Fund	125.9	9.5
33.3	2.8	Threadneedle	Property	33.6	2.5
17.8	1.5	CBRE	Property	16.8	1.3
0.4	0.0	LAMIT	Property	0.4	0.0
0.7	0.1	Various	Private Equity	0.4	0.0
26.8	2.2	Internal	Cash Deposits**	14.1	1.1
0.2	0.0	Internal	Other	0.2	0.0
957.5	79.5			841.7	63.5
1,203.3	100.0			1,324.2	100.0

*In March 2022, the Fund made a commitment of £40m to the LCIV Renewable Infrastructure Fund. As at 31 March 2024, the outstanding commitment was £20.9m

** Following the triennial valuation in 2022, there was a review of the Strategic Asset Allocation for the Fund. The review resulted in the following movements in 2023/24:

- £83.3m disinvestment from BlackRock bond portfolio.

- £50.1m disinvestment from Aberdeen bond portfolio.
- £148m disinvestment from Aberdeen UK Equities portfolio.
- £190m investment in LCIV Long Duration Buy and Maintain Credit Fund (Insight IM Ltd) funded from BlackRock £83.3m, Aberdeen £90.1m, and £16.6m cash.
- £90m investment in BlackRock ACS World Low Carbon Equity Tracker Fund funded from Aberdeen.
- £18m of cash from the UK Equity disinvestment remained in Aberdeen portfolio as at 31 March 2024.

The following investments represent more than 5% of the net assets of the Fund.

31 March 2023 Market Value			31 March 2024 Market Value	
£m	%	Asset Name	£m	%
137.4	11.3	Blackrock ACS World ex UK Equity Tracker	265.3	19.9
-	-	LCIV – Long Duration Buy & Maintain Credit Fund	193.2	14.5
131.0	10.8	LCIV -Longview Partners Global Equity Fund	154.5	11.6
126.6	10.4	Fidelity Multi Asset Income Fund	125.9	9.5
97.1	8.0	LCIV - RBC Sustainable Equity Fund	112.5	8.4
82.5	6.8	Blackrock All Stocks Corporate Bond Fund	-	-
574.6	47.3		851.4	63.9

NOTE 11 – EQUITIES

31 March 2023		31 March 2024	
£m		£m	
380.3	UK & Overseas Investments (listed)	268.6	
380.3	Total	268.6	

The top 10 equity holdings of the London Borough of Hounslow Pension Fund as at 31 March 2024 were:

Company:	Bid Value	% of Total Fund	% of Equities
	£m	%	%
Relx Plc	26.0	2.0	9.7
Compass Group Plc	25.9	1.9	9.7
Next Plc	25.3	1.9	9.4
Astra Zeneca Plc	25.1	1.9	9.3
3i Group Plc	22.3	1.7	8.3
Standard Chartered Plc	15.9	1.2	5.9
London Stock Exchange Group Plc	15.1	1.1	5.6
Rio Tinto Ltd	14.3	1.1	5.3
Halma Plc	11.3	0.9	4.2
Pearson Plc	11.2	0.8	4.2
	192.4	14.5	71.6

NOTE 12 – POOLED INVESTMENTS

31 March 2023		31 March 2024
£m	Pooled Investments	£m
386.6	Equities	554.5
199.8	Bonds	60.9
51.5	Property	50.8
17.7	Infrastructure fund	22.3
126.6	Other	319.1
782.2	Total	1,007.6

NOTE 13 – PRIVATE EQUITY

31 March 2023		31 March 2024
£m		£m
0.7	Private equity (unlisted)	0.4
0.7	Total	0.4

The table below shows the breakdown of private equity holdings of the Fund as at 31 March 2024:

Fund:	Valuation £m	% of Total Fund %	% of Private Equity %
Schroder Private Equity Fund of Funds	0.0	0.0	7.1
Schroder Private Equity Fund of Funds II	0.1	0.0	12.5
Schroder Private Equity Fund of Funds III	0.0	0.0	10.4
Schroder Private Equity Fund of Funds IV	0.2	0.0	54.4
Environmental Technologies Fund	0.1	0.0	15.6
	0.4	0.0	100.0

All private equity holdings are held within the UK.

NOTE 14 – RECONCILIATION OF MOVEMENT IN INVESTMENTS

Market value as at 31 March 2023 £m		Purchases during the year £m	Sales during the year £m	Change in Market value during the year £m	Market value as at 31 March 2024 £m
380.3	Equities	63.5	(204.3)	29.1	268.6
730.7	Pooled investment vehicles	407.4	(247.9)	66.6	956.8
51.5	Pooled property investments	-	-	(0.7)	50.8
0.7	Private equity	-	(0.2)	(0.1)	0.4
0.2	Long term investment	-	-	-	0.2
8.0	Cash funds	18.3	(13.6)	-	12.7
1,171.4	Total	489.2	(466.0)	94.9	1,289.5
Other investment balances:					
28.6	Cash deposits				32.0
-	Amounts receivable for sales of investments				-
3.4	Investment income due				2.7
(0.1)	Amounts payable for purchases				-
1,203.3	Net investment assets			94.9	1,324.2

Market value as at 31 March 2022 £m		Purchases during the year £m	Sales during the year £m	Change in Market value during the year £m	Market value as at 31 March 2023 £m
392.8	Equities	51.3	(77.6)	13.8	380.3
777.7	Pooled investment vehicles	122.9	(107.7)	(62.2)	730.7
60.4	Pooled property investments	-	-	(8.9)	51.5
0.8	Private equity	-	(0.2)	0.1	0.7
0.2	Long term investment	-	-	-	0.2
4.5	Cash funds	24.7	(21.2)	-	8.0
1,236.4	Total	198.9	(206.7)	(57.2)	1,171.4
Other investment balances:					
3.4	Cash deposits				28.6
0.4	Amounts receivable for sales of investments				-
3.2	Investment income due				3.4
(3.0)	Amounts payable for purchases				(0.1)
1,240.4	Net investment assets			(57.2)	1,203.3

NOTE 15a – CLASSIFICATION OF FINANCIAL INSTRUMENTS

The table below shows the classification of the Fund's financial instruments.

Fair value through profit and loss	31 March 2023			Fair value through profit and loss	31 March 2024		
	Assets at amortised cost	Financial liabilities at amortised cost			Assets at amortised cost	Financial liabilities at amortised cost	
£m	£m	£m		£m	£m	£m	
			Financial assets				
380.3			Equities	268.6			
782.2			Pooled investments	1,007.6			
0.7			Private equity	0.4			
0.2			Long term investment	0.2			
	8.0		Cash (money market fund)		12.7		
	28.6		Short term deposits		32.0		
	3.4		Investment income due		2.7		
	4.2		Debtors		4.2		
	6.9		Cash at bank		5.9		
1,163.4	51.1	-	Total Financial assets	1,276.8	57.5	-	
			Financial liabilities				
		(0.1)	Outstanding settlements				
		(1.6)	Creditors				(2.3)
-	-	(1.7)	Total Financial liabilities	-	-	(2.3)	
1,163.4	51.1	(1.7)	Net Assets	1,276.8	57.5	(2.3)	

NOTE 15b – NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The table below summarises the net gains and losses on financial instruments classified by type of instrument.

2022/23		2023/24
£m	Financial Assets	£m
(57.2)	Fair value through profit and loss	94.9
-	Assets at amortised cost	-
(57.2)	Total Financial Assets	94.9

NOTE 15c – VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

All investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation basis of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values of each instrument with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Level 1 – these are financial instruments where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts). Listed investments are shown at bid prices. The bid value is based on the market quotation of the relevant stock exchange.

Level 2 – these are financial instruments where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are

based significantly on observable market data. This includes NAV based pricing for units held in unquoted pooled funds.

Level 3 – these are financial instruments where at least one input that could have a significant impact on the instrument's valuation is not based on observable market data. Examples of the basis of valuation can include comparable valuations of similar companies or as a multiple of revenue. This would include unquoted private equity investments which are based on partners' share of net assets.

The valuation basis for each category of investment is set out below:

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments - equities	Level 1	The published bid market price on the final day of the accounting period	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Investment debtors and creditors	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Pooled investments – equities and bonds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published	NAV based pricing set on a forward pricing basis. Evaluated price feeds	Not required
Pooled investments – property	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price is published	NAV based pricing. Net assets are based on the fair value of underlying investment properties valued in accordance with Royal Institute of Chartered Surveyors valuation standards	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Pooled investments – infrastructure funds	Level 3	Closing bid price where bid and offer prices are published. Closing single price where	NAV based pricing set on a forward pricing basis	Estimated acquisition and disposal costs

		single price is published		
Private equity funds	Level 3	The Fund's ownership share in private equity funds is applied to the partnership net assets.	The fair value of the partnership net assets is calculated in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018	Valuations of underlying assets could be affected by changes to expected cashflows or by differences between audited and unaudited accounts

The table below provides an analysis of the financial assets and liabilities of the Fund grouped into the level at which fair value is observable:

31 March 2023				31 March 2024			
Quoted Market price	Using observable inputs	With significant unobservable inputs	Total	Quoted Market price	Using observable inputs	With significant unobservable inputs	Total
Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
£m	£m	£m	£m	£m	£m	£m	£m
Financial assets at fair value through profit and loss							
380.3	-	-	380.3	268.6	-	-	268.6
-	713.0	17.7	730.7	-	934.5	22.3	956.8
-	-	51.5	51.5	-	-	50.8	50.8
-	-	0.7	0.7	-	-	0.4	0.4
-	-	0.2	0.2	-	-	0.2	0.2
Financial assets at amortised cost							
8.0	-	-	8.0	12.7	-	-	12.7
32.0	-	-	32.0	34.7	-	-	34.7
420.3	713.0	70.1	1,203.4	316.0	934.5	73.7	1,324.2
Financial liabilities at amortised cost							
(0.1)	-	-	(0.1)	-	-	-	-
(0.1)	-	-	(0.1)	-	-	-	-
420.2	713.0	70.1	1,203.3	316.0	934.5	73.7	1,324.2

NOTE 15d – RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Market value as at 31 March 2023		Purchases during the year	Sales during the year	Unrealised gains/(losses) during the year	Market value as at 31 March 2024
£m		£m	£m	£m	£m
51.5	Pooled property investments	-	-	(0.7)	50.8
17.7	Pooled infrastructure investments	5.4	-	(0.8)	22.3
0.7	Private equity	-	(0.2)	(0.1)	0.4
0.2	Long term investment	-	-	-	0.2
70.1	Total	5.4	(0.2)	(1.6)	73.7

Market value as at 31 March 2022		Purchases during the year	Sales during the year	Unrealised gains/(losses) during the year	Market value as at 31 March 2023
£m		£m	£m	£m	£m
60.4	Pooled property investments	-	-	(8.9)	51.5
-	Pooled infrastructure investments	13.6	-	4.1	17.7
0.8	Private equity	-	(0.2)	0.1	0.7
0.2	Long term investment	-	-	-	0.2
61.4	Total	13.6	(0.2)	(4.7)	70.1

NOTE 16 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market (price, currency and interest rate risks) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for the Fund's risk-management strategy rests with the Pension Fund Panel. Risk management policies are established that aim to identify and analyse the investment risks faced by the Fund and these are regularly reviewed in the light of changing market and other conditions.

Market Risk

Market risk is the risk of loss emanating from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund Panel and its investment advisors undertake regular monitoring of market conditions and benchmark analysis.

Price Risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund's investment managers aim to mitigate price risk through diversification and the selection of securities and other financial instruments. This is regularly monitored by the Fund to ensure it is within the limits specified in the Fund investment strategy.

Following analysis of historical data and expected movement of return on investment during the financial year, the Fund, in consultation with the Fund's performance measurement provider, the PIRC Limited, has determined that the following movements in market price risk are reasonably possible for the 2023/24 reporting period:

Asset type	Value as at 31 March 2024 £m	Percentage Change %	Value on increase £m	Value on decrease £m
UK equities	268.6	10.3	296.2	240.9
Overseas equities	554.5	10.3	611.6	497.4
Total bonds	60.9	9.5	66.7	55.1
Long term investment	0.2	0.0	0.2	0.2
Infrastructure	22.3	4.0	23.2	21.4
Income fund	319.1	9.5	349.4	288.8
Cash and other investment balances	47.4	0.6	47.7	47.1
Property units	50.8	7.1	54.4	47.2
Alternatives	0.4	4.2	0.4	0.4
Total Investment Assets	1,324.2	8.9	1,442.1	1,206.4

Asset type	Value as at 31 March 2023 £m	Percentage Change %	Value on increase £m	Value on decrease £m
UK equities	380.3	12.0	425.9	334.7
Overseas equities	386.6	12.0	433.0	340.2
Total bonds	199.8	10.4	220.6	179.0
Long term investment	0.2	0.0	0.2	0.2
Diversified growth	17.7	3.8	18.4	17.0
Income fund	126.6	8.0	136.7	116.5
Cash and other investment balances	39.9	0.7	40.2	39.6
Property units	51.5	7.2	55.2	47.8
Alternatives	0.7	6.4	0.7	0.7
Total Investment Assets	1,203.3	10.1	1,324.8	1,081.8

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Pension Fund Panel and its investment advisors regularly monitor the Fund's interest rate risk exposure during the year in accordance with the Fund's risk management strategy, this includes an assessment of actual interest rates against relevant benchmarks. Fixed interest securities, cash and cash equivalents are exposed to interest rate risk.

Long term average rates are expected to move less than 100 basis points (1%) from one year to the next. The total value of fixed interest securities and cash investments is £105.7m as at the end of 2023/24 (2022/23: £98.5m). Assuming that all other variables, in particular exchange rates, remain stable a 1% increase in valuation of these assets would increase the value by £1.1m (2022/23: £0.9m) and equally a 1% decrease would reduce the value by £1m (2022/23: £0.9m).

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than Sterling. The Pension Fund Panel recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available

to pay benefits. Currency risk is also regularly monitored during the year in accordance with the Fund's risk management strategy. Following analysis of historical data in consultation with the PIRC Limited, the Fund considers the following as likely volatility associated with foreign exchange rate movements:

	Value as at 31 March 2024	Percentage Change	Value on increase	Value on decrease
Currency exposure - asset type	£m	%	£m	£m
Overseas Equities	176.7	6.4	188.1	165.4
Multi Asset Income	319.0	6.1	338.5	299.6
Alternatives	0.4	4.3	0.3	0.3
Total	496.1		526.9	465.3

	Value as at 31 March 2023	Percentage Change	Value on increase	Value on decrease
Currency exposure - asset type	£m	%	£m	£m
Overseas Equities	386.6	7.2	414.4	358.8
Multi Asset Income	126.6	6.9	135.3	117.9
Alternatives	0.7	5.3	0.7	0.7
Total	513.9		550.4	477.4

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund monitors cash flows and takes steps to ensure that there are adequate cash resources to meet its commitments. The purpose of the Fidelity Multi Asset Income fund mandate is to ensure a monthly income into the current account. As at 31 March 2024, the Fund had £5.9m (2022/23: £6.9m) in its liquidity account with NatWest Bank plc. The Fund also has access to an overdraft facility for short term cash needs.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those which will take longer to convert into cash. As at 31 March 2024 the value of the liquid assets represented 99.8% of the total fund value (99.9% of total fund value in 2022/23).

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high-quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Credit risk may also occur if an employing body, not supported by central government, does not pay contributions promptly or defaults on its obligations. The Pension Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties.

The table below shows the credit rating of the Fund's money market and bank deposit holdings at 31 March 2024:

Fund/Account	Rating*	31 March 2023 £m	31 March 2024 £m
Money Market Funds			
BlackRock ICS Sterling Liquidity Fund	AAA	8.0	12.7
BlackRock ICS Sterling Liquidity Environmentally Aware Fund	AAA	-	-
Custody and Deposit Accounts			
Northern Trust Global Services (custody)	AA-	28.5	32.0
Standard Chartered Bank plc	A+	0.1	0.1
NatWest Bank plc	A+	6.9	5.9
Total		43.5	50.7

*Long-term Fitch Rating

NOTE 17 – FUNDING ARRANGEMENTS

The LGPS Regulations require that a full actuarial valuation of the Fund be carried out every three years. The purpose of this is to establish that the London Borough of Hounslow Pension Fund is able to meet its liabilities to past and present contributors and to review the employer contribution rates.

The latest full triennial valuation of the Fund was carried out by Barnett Waddingham, the Fund's actuary, as at 31 March 2022 in accordance with the Funding Strategy Statement of the Fund and Regulation 62 of the Local Government Pension Scheme (Administration) Regulations 2013. The results were published in the triennial valuation report dated 28 March 2023, with the funding level rising to 104% (2019 valuation funding level: 94%). This report details the fund assumptions and employer contribution rates for the three years from 2023/24. The actuarial valuation report is available at <https://www.wypf.org.uk/publications/valuations/hounslow-pension-fund-valuation/> and the Funding Strategy Statement is available at <https://www.wypf.org.uk/publications/policy-home/hpf-index/>.

In accordance with the 2022 actuarial valuation, the primary contribution rate for the Fund for the 3-year period from 1 April 2023 to 31 March 2026 is 19.3% of payroll. The primary contribution rate is the rate which, in addition to contributions paid by members, is sufficient to meet 100% of the liabilities arising in respect of service after the valuation.

The latest actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions. The main assumptions are detailed below:

Future assumed returns at 2022	2022 Allocation %	Neutral Assumption (p.a.) %
Gilts	5.0	2.0
Corporate bonds	10.0	2.8
Equities	59.0	6.9
Property	5.0	6.4
Infrastructure	6.0	6.4
Cash plus	15.0	5.1
Less expenses		(0.2)
Neutral return		5.7
Less prudence adjustment		(1.0)
Prudent discount rate assumption		4.7

Financial Assumptions	2019	2022
Discount rate	4.7% per annum	4.7% per annum
Consumer Price Inflation (CPI)	2.6% per annum	2.9% per annum
Pension and Deferred Pension increases	2.6% per annum	2.9% per annum
Long - term pay increases	3.6% per annum	3.9% per annum

The actuarial values of the Fund's assets and liabilities are set out in the table below.

	2019	2022
Actuarial value of liabilities	£(1,034)m	£(1,173)m
Actuarial value of assets	£1,101m	£1,226m
(Deficit)/surplus	£(67)m	£53m
Funding Level	94%	104%

NOTE 18 – ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The table below shows the total net liability of the Fund as at 31 March 2024. The figures have been prepared by Barnett Waddingham, the Fund's actuary, only for the purposes of providing the information required by IAS 26 and are provided in addition to the triennial valuation. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation.

In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS 19.

31 March 2023		31 March 2024
£m		£m
(1,292.3)	Present Value of Promised Retirement Benefits	(1,329.0)
1,214.2	Fair Value of Fund Assets (bid value)	1,333.1
(78.1)	Net Liability	(4.1)

Assumptions

To assess the value of the Fund's liabilities as at 31 March 2024, the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2022 have been rolled forward using financial assumptions that comply with IAS 19.

Demographic Assumptions

The demographic assumptions used are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2022. The post-retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 110% for females. These base tables are then projected using the CMI 2022 Model, allowing for a long-term rate of improvement of 1.25% p.a.

Assumed life expectancy from age 65 is:

31 March 2023			31 March 2024
(years)	Life expectancy from age 65		(years)
21.1	Retiring today	Males	20.8
23.5	Retiring today	Females	23.3
22.3	Retiring in 20 years	Males	22.0
25.0	Retiring in 20 years	Females	24.7

Financial Assumptions

The main financial assumptions are:

31 March 2023		31 March 2024
%		%
2.90	CPI increases	2.95
3.90	Salary increases	3.95
2.90	Pension increases	2.95
4.80	Discount rate	4.90

NOTE 19 – LONG TERM DEBTORS

31 March 2023		31 March 2024
£m		£m
0.2	Reimbursement of lifetime tax allowances	0.2
0.2	Total	0.2

NOTE 20 – CURRENT ASSETS

31 March 2023		31 March 2024
£m	Debtors:	£m
0.2	West Yorkshire Pension Fund	-
2.9	Contributions due - employers	2.9
0.9	Contributions due - employees	1.0
-	London Borough of Hounslow	0.1
6.9	Cash balances	5.9
10.9	Total	9.9

NOTE 21 – CURRENT LIABILITIES

31 March 2023		31 March 2024
£m	Creditors:	£m
-	West Yorkshire Pension Fund	0.9
0.3	Management fees	0.4
0.5	PAYE tax due to HMRC	0.6
0.8	Benefits payable	0.4
1.6	Total	2.3

No performance related fees are due for 2023/24 (2022/23: Nil).

NOTE 22 – ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Fund's Additional Voluntary Contributions (AVC) provider is currently Standard Life.

Additional voluntary contributions of £42k were paid directly to Standard Life during the year (2022/23: £29k). Employees contribute and the Fund acts only as an agent, the contract being between the employee and Standard Life. The value of these separately invested additional voluntary contributions at 31 March 2024 was £360k (2022/23: £300k).

The former provider of AVCs to Fund members was Utmost Life and Pensions (formerly Equitable Life). The value of the AVCs with Utmost Life at 31 March 2024 was £93k.

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid, and the assets of these investments are not included in the Fund's Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

NOTE 23 – RELATED PARTY TRANSACTIONS

The Fund is administered by the London Borough of Hounslow and the Council is therefore a related party to the Fund. During 2023/24, some Fund payments and receipts were made through the Council's General Account as a result of the day-to-day administration of the Fund. At the year end, £3.1m was outstanding from the Council in respect of employer and employee contributions for the month of March 2024 (2022/23: £3.0m). These contributions were subsequently received by the Fund on 19 April 2024 (2022/23: 14 April 2023) in accordance with regulations.

The Fund incurred administrative expenses of £0.8m in 2023/24 (2022/23: £0.8m) for general overheads and Council officers' time spent in administering the Fund.

The Pension Fund is a minority shareholder in London LGPS CIV Limited (the organisation set up to run pooled LGPS investments in London) and, included as long-term investments in the net assets statement are shares at cost £150k (2022/23: £150k). Fees invoiced to the Fund by LCIV during the year were £133k (2022/23: £157k).

No other material transactions with related parties of the Fund during 2023/24 were identified.

Governance

The Pension Board Members Benjamin Tomlinson (active), Daniel Austin (active), David Carlin (active) and William Cassell (pensioner) were members of the Local Government Pension Scheme (LGPS) during the year.

Key Management Personnel

The key management personnel of the Fund are the Members of the Pension Fund Panel, the Executive Director of Finance and Resources (EDoFR)/(S151 Officer), the Director of Finance Services, and Head of Pensions & Treasury. During the 2023/24 period there were two (EDoFRs)/(S151) and one acting S151 Officer. All key management personnel were active members of the Local Government Pension Scheme (LGPS) during the year.

The Pension Fund Panel member John Wiffen was an active member of the Local Government Pension Scheme (LGPS) during the year.

NOTE 24 – CONTINGENT ASSETS, CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The Fund has committed £40m to the Renewable Infrastructure Fund with the London CIV. Outstanding capital commitments (investments) at 31 March 2024 were £20.9m (2022/23: £26.4m). The amounts 'called' by the fund are irregular in size and timing starting from the date of each original commitment until the funds are fully subscribed.

There are no contingent assets or liabilities to report.

NOTE 25 – EVENTS AFTER THE REPORTING DATE

The Fund has carried out a review and can confirm that there were no significant events occurring after the reporting date.

7. Additional Information

a. Compliance with Regulations

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires all administering authorities for local government pension schemes to publish a Governance Compliance Statement setting out the Fund's governance arrangements. Information on the extent of the Fund's compliance with guidance issued by the Secretary of State for Communities and Local Government is also a requirement of this regulation.

The terms of reference for the Pension Fund Panel includes compliance with all relevant statutes, regulations, and best practice with both the public and private sectors.

The role of the Pension Board is to assist the administering authority with securing compliance with Local Government Pension Scheme regulations and other legislation relating to the governance and administration of the scheme. The Board does not have a decision-making role in relation to management of the Fund but is able to make recommendations to the Pension Fund Panel.

It is a regulatory requirement that the Fund publishes the extent to which it complies with statutory guidance issued by the Secretary of State for Communities and Local Government.

Decision Making

Regulation 12(3) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires an administering authority to report on its compliance with the six Myners' Principles, in accordance with guidance given by the Secretary of State. The guidance for the Local Government Pension Scheme is set out in the CIPFA publication "Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012",

The Fund aims to comply with all of the Myners' Principles, recognising it is in all parties' interests if the Fund operates to standards of investment decision-making and governance identified as best practice. It is also recognised as important to demonstrate how the Fund meets such principles and best practice.

b. Internal Audit of the Fund

The Council's Internal Audit function carries out a range of audits each year, based on a three-year rolling programme that ensures appropriate coverage. The Risk Register is considered in the preparation of the audit programme. Pension Fund audit reports are made available to the Panel and Board.

The Council's Internal Audit function provides a level of assurance over the Pension Fund's activities, including investment records, financial and performance reporting, pensions administration, systems and controls, and organisational and management requirements. The most recent internal audit of the Pension Fund administration process took place during July 2023 with the final report issued during August 2023. The report provided a reasonable assurance rating as there were no significant concerns around the design and operating effectiveness of the Council's controls in this area, although some areas for improvement had been identified.

c. Summary of Freedom of Information Requests

Legislation

The Freedom of Information Act 2000 gives people the right to request information held by English, Welsh and Northern Irish "public authorities".

Anyone has the right to ask for information – people living abroad, non-UK citizens, journalists, political parties, lobby groups and commercial organisations.

Public authorities are required to comply with requests within 20 working days of receipt, although there are circumstances when this time limit can be extended. A request must be complied with, unless one or more of the exemptions in the Act are relevant. Most of the exemptions are subject to a public interest test.

Freedom of Information Requests to London Borough of Hounslow Pension Fund

The Fund promotes a strong sense of accountability and transparency, especially with its beneficiaries. Operating under public sector regulations dictates that the Pension Fund must regularly respond to Freedom of Information (FOI) requests, which requires the Fund to act fairly and be held accountable for key decision making. A summary of the FOIs received, and responded to, throughout the reporting period are detailed below:

FOI Reference:	Date when FOI Received:	Date of FOI Response:	Nature of FOI:
FIR009748	21/08/2023	11/09/2023	Request about investments held
FIR009809	30/08/2023	18/09/2023	Request about investments held
FIR010157	30/10/2023	24/11/2023	Request about investments held
FIR010183	03/11/2023	01/12/2023	Request about investments held
FIR010275	22/11/2023	19/12/2023	Request about investments held
FIR010298	28/11/2023	20/12/2023	Request about investments held
FIR010335	04/12/2023	20/12/2023	Request about investments held
FIR010453	08/01/2024	10/01/2024	Request about investments held
FIR010506	16/01/2024	13/02/2024	Request about investments held
FIR010740	20/02/2024	18/03/2024	Request about investments held
FIR010830	06/03/2024	08/04/2024	Request about investments held
FIR010949	28/03/2024	03/05/2024	Pension Costs

d. Contact Information

For further details please contact:

The Pensions Team
Hounslow House
London Borough of Hounslow
7 Bath Road
Hounslow
TW3 3EB

E: PFInvestments@hounslow.gov.uk
W: <https://www.hounslow.gov.uk>

Councillors may be contacted at:

c/o Members Services
Hounslow House
7 Bath Road
Hounslow
TW3 3EB

Contact details for the Pension Fund's Asset Pool and Provider are as follows:

London CIV
4th Floor
22 Lavington Street
London
SE1 0NZ

T: 0208 036 9000
E: info@londonciv.org.uk
W: <https://londonciv.org.uk>

Contact details for the Pension Fund's Administration Service Provider are as follows:

West Yorkshire Pension Fund (WYPF)

Postal Enquiries Only:
WYPF
PO Box 67
Bradford
BD1 1UP

Office Address: (booking required – in person only)
Aldermanbury House
4 Godwin Street
Bradford.
BD1 2ST

T: 01274 434999
E: pensions@wypf.org.uk
W: <https://www.wypf.org.uk>

e. Glossary of Terms

Term	Meaning
Accounting Policies	The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.
Accruals	Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.
Active Management	Active management or active fund management is where the fund manager makes specific investments with the aim of outperforming an investment benchmark.
Active Member	Current employee who is contributing to a pension scheme.
Actuarial Gains and Losses	These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.
Actuarial Valuation	An investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the Administering Authority to fund the cost of new benefits and make good any existing deficits as set out in the FSS. The asset value is based on market values at the valuation date.
Actuary	An independent professional who advises the Council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.
Additional Voluntary Contributions (AVC)	An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.
Administering Authority	The council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.
Admitted Body	An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.
Asset Allocation	The apportionment of a Fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.
Benchmark	A measure against which the investment policy or performance of an investment manager can be compared.

Benefits	The benefits provided by the Fund are specified in the governing legislation contained in the Regulations referred to within the FSS. Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure for members. The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings ("CARE") benefits earned thereafter. There is also a "50:50 Scheme Option," where members can elect to accrue 50% of the full scheme benefits in relation to the member only and pay 50% of the normal member contribution.
Best Estimate Assumption	An assumption where the outcome has a 50/50 chance of being achieved.
Bonds	Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date, but which can be traded on a recognised stock exchange in the meantime.
Career Averaged Revalued Earnings ("CARE")	With effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (traditionally, in line with the annual change in the Consumer Price Index) over the period to retirement.
Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code.
Consumer Price Index (CPI)	CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI, and the method of calculation is different. The CPI is expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are traditionally linked to the annual change in CPI.
Contingent Assets	Assets held by employers in the Fund that can be called upon by the Fund in the event of the employer not being able to cover the debt due upon termination. The terms will be set out in a separate agreement between the Fund and employer.
Continuous Mortality Investigation (CMI)	The 'Continuous Mortality Investigation' carries out research in relation to mortality and morbidity experience which can then be used by actuaries to

	assess the funding required by pension funds and other bodies.
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.
Creditors	Amounts owed by the Council for goods and services received but not paid for as at 31 March.
Debtors	Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.
Deferred Debt Agreement (DDA)	A written agreement between the Administering Authority and an exiting Fund employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the assessed secondary rate until the termination of the DDA.
Deferred Employer	An employer that has entered into a DDA with the Fund.
Deferred Members	Scheme members, who have left employment or ceased to be active members of the scheme whilst remaining in employment but retain an entitlement to a pension from the scheme.
Deficit	The extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).
Deficit Recover Period	The target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.
Defined Benefit Scheme	A type of pension scheme, where the pension that will ultimately be paid to the employee is fixed in advance, and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.
Derivative	A derivative is a financial instrument which derives its value from the change in price (e.g., foreign exchange rate, commodity price or interest rate) of an underlying investment (e.g., equities, bonds, commodities, interest rates, exchange rates and stock market indices), which no net initial investment or minimal initial investment and is settled at a future date.

Discount Rate	The rate of interest used to convert a cash amount e.g., future benefit payments occurring in the future to a present value i.e., the liabilities. A higher discount rate means lower liabilities and vice versa.
Early Retirement Strain	The additional cost incurred by a scheme employer as a result of allowing a Scheme Member aged 55 or over to retire before Normal Retirement Age and to receive a full pension based on accrued service at the date of retirement without full actuarial reduction.
Employer Contribution Rates	The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.
Employer's Future Service Contribution Rate ("Primary Rate")	The contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses. It is normally the same as an employer's Primary Contribution Rate under the Regulations.
Equities	Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.
Equity Protection	An insurance contract which provides protection against falls in equity markets. Depending on the pricing structure, this may be financed by giving up some of the upside potential in equity market gains.
Exchange Traded	This describes a financial contract which is traded on a recognised exchange such as the London Stock Exchange or the London International Financial Futures Exchange.
Exit Credit	The amount payable from the Fund to an exiting employer where the exiting employer is determined to be in surplus at the point of cessation based on a termination assessment by the Fund Actuary.
Financial Assets	Financial assets are cash, equity instruments within another entity (e.g., shares) or a contractual right to receive cash or another asset from another entity (e.g., debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (e.g., derivatives).
Financial Instruments	Any contract giving rise to a financial asset in one entity and a financial liability or equity in another entity.
Financial Liabilities	Financial assets are contractual obligations to deliver cash or another financial asset (e.g., creditors) or exchange financial assets or financial

	liabilities under potentially unfavourable conditions (e.g., derivatives).
Forward Foreign Exchange Derivative	Forward foreign exchange derivatives are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.
Funding or Solvency Level	The ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.
Funding Strategy Statement (FSS)	This is a key governance document which the Administering Authority is obliged to prepare and publish that outlines how the Administering Authority will manage employer's contributions and risks to the Fund.
Government Actuary's Department (GAD)	The GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.
Guarantee/Guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.
Guarantee of Last Resort	For the purposes of the FSS, a guarantee of last resort refers to the situation where an employer has exhausted all alternative options for payment of an exit debt and so the debt is recovered from another employer in the Fund, however the liabilities are not subsumed in this case.
Index	A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.
Internal Dispute Resolution Procedure	The procedure used to resolve disputes between actual and potential pension scheme beneficiaries (or persons claiming to be actual or potential beneficiaries) and the scheme.
Investment Strategy	The long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.
Investment Strategy Statement (ISS)	A statement describing the high-level principles governing the investment decision-making (including the long-term strategic allocation) and management of the Fund and the policy that has been developed to ensure their implementation.
Local Government Pension Scheme (LGPS)	A public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate those employing bodies which are eligible to participate, members' contribution rates, benefit calculations and certain governance requirements.

Liabilities	The actuarially calculated present value of all benefit entitlements i.e., scheme cashflows of all members of the Fund, accumulated to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different sets of actuarial assumptions depending on the purpose of the valuation.
Long-term Cost Efficiency	This is a measure of the extent to which the Fund's policies properly address the need to balance immediate budgetary pressures with the undesirability of imposing an excessive debt burden on future generations.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
McCloud Judgement	This refers to the linked legal cases of Sargeant and McCloud, and which found that the transitional protections (which were afforded to older members when the public service pension schemes were reformed in 2014/15) constituted unlawful age discrimination.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into active (current employee members), deferred (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired and dependants of deceased ex-employees).
Over the Counter	This describes a financial contract which is potentially unique as they are not usually traded on a recognised exchange.
Passive Management	Passive management is where the investments mirror a market index.
Past Service Liabilities	This is the present value of all the benefits accrued by members up to the valuation date. It is assessed based on a set of assumptions agreed between the Administering Authority and the Actuary.
Pooled Investment Vehicles	Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.
Prepayment	The payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms

	compared to the certified amount to reflect the early payment.
Present Value	The value of projected benefit payments, discounted back to the valuation date.
Primary Rate of the Employers' Contribution	See definition of Employer's Primary Contribution Rate.
Projected Unit Method (Pension Fund Valuation)	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to: • The benefits for pensioners and deferred pensioners (i.e., individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases; and • The accrued benefits for members in service on the valuation date.
Prudent Assumption	An assumption where the outcome has a greater than 50/50 chance of being achieved i.e., the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be sufficiently prudent.
Recovery Plan	If the funding level of an employer is above or below 100% at the valuation date (i.e., the assets of the employer are more or less than the liabilities), a recovery plan needs to be implemented such that the secondary contributions for each employer can be calculated. This recovery plan requires a period over which to recover the deficit or run off any surplus i.e., the recovery period ("the recovery period," as defined in the FSS).
Related Parties	Two or more parties are related parties when at any time during the financial period: • One party has direct or indirect control of the other party; or • The parties are subject to common control from the same source; or • One party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or • The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

	Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the authority and its pension fund.
Related Party Transactions	A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include: • The purchase, sale, lease, rental or hire of assets between related parties. • The provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund. • The provision of services to a related party, including the provision of pension fund administration services. • Transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.
Return	The total gain from holding an investment over a given period, including income and increase or decrease in market value.
Secondary Rate of the Employers' Contribution	An adjustment to the Primary Rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary Rate may be expressed as a percentage adjustment to the Primary Rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls. The Secondary Rate is specified in the Rates and Adjustments Certificate. For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary Rates. Secondary Rates for the whole fund in each of the three years shall also be disclosed. These will be calculated as the weighted average based on the whole fund payroll in respect of percentage rates and as a total amount in respect of cash adjustments.
Scheduled Body	An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.
Solvency/Funding Level	The ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Solvency/Funding Target	An assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e., assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.
Strain Costs	The costs arising when members retire before their normal retirement date and receive their pensions immediately without actuarial reduction. As far as the Fund is concerned, where the retirements are not caused by ill-health, these costs are invoiced directly to the retiring member's employer at the retirement date and treated by the Fund as additional contributions. The costs are calculated by the Actuary.
The Code	The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.
Unrealised Gains/Losses	The increase or decrease in the market value of investments held by the fund since the date of their purchase. NOTE: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

8. Independent Auditors Consistency Report

(INSERT WHEN PROVIDED FROM FORVIS MAZARS LLP ON AUDIT COMPLETION)