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Havering
LONDON BOROUGH

PENSIONS COMMITTEE AGENDA

7.30 pm	Tuesday 16 March 2021	Town Hall, Main Road, Romford

Members 7: Quorum 3

COUNCILLORS:

Conservative Group (3)	Residents' Group (1)	Upminster & Cranham Residents Group(1)'	Labour Group (1)
John Crowder (Chairman) Osman Dervish Jason Frost	Stephanie Nunn	Ron Ower	Keith Darvill

North Havering Residents' Group(1)

Martin Goode (Vice-Chair)

Trade Union Observers

(No Voting Rights) (2)

Andy Hampshire, GMB

Admitted/Scheduled Bodies Representative

(Voting Rights) (1)

For information about the meeting please contact:
Luke Phimister 01708 434619
luke.phimister@onesource.co.uk

Protocol for members of the public wishing to report on meetings of the London Borough of Havering

Members of the public are entitled to report on meetings of Council, Committees and Cabinet, except in circumstances where the public have been excluded as permitted by law.

Reporting means:-

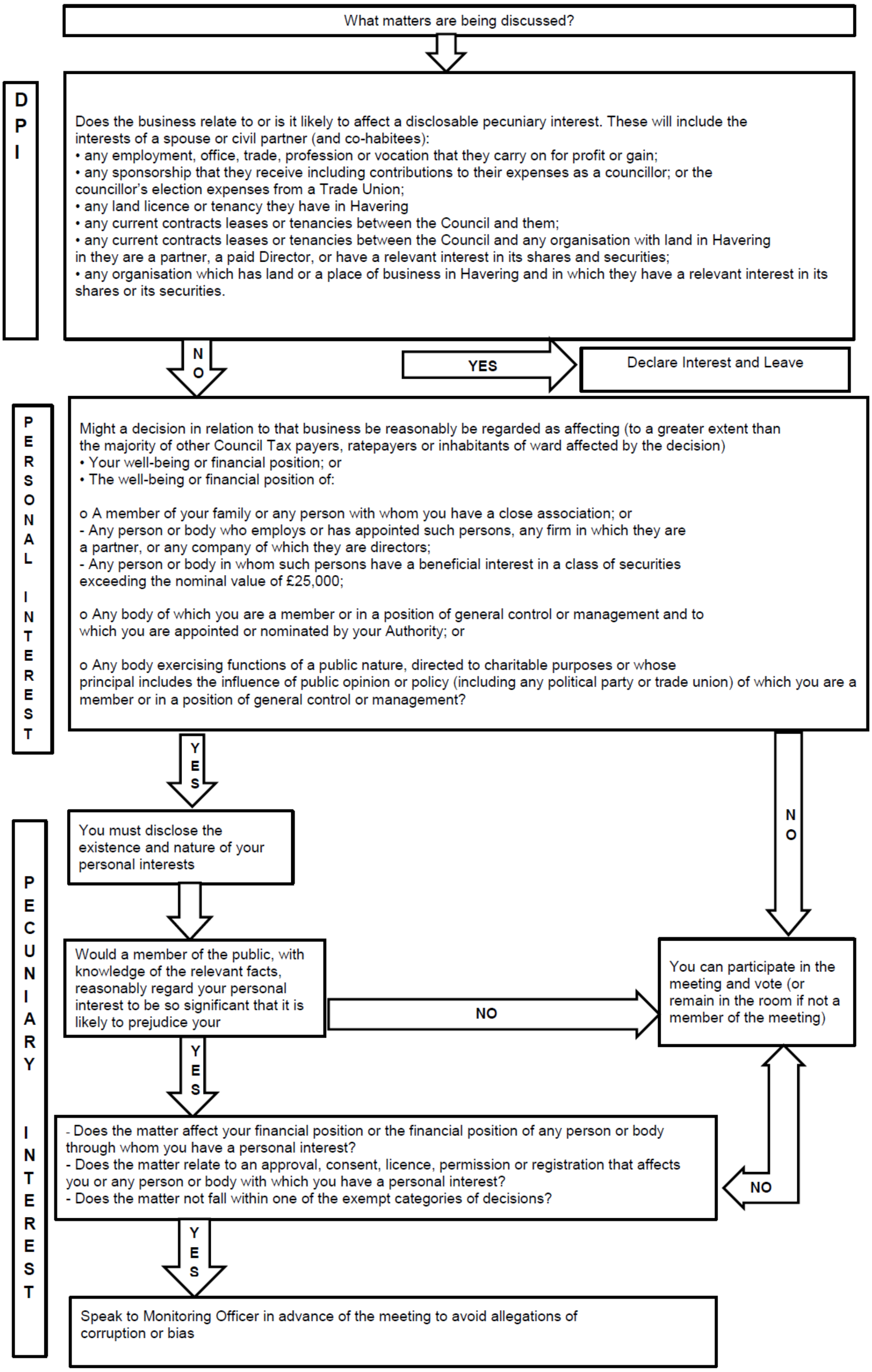
- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing, so that the report or commentary is available as the meeting takes place or later if the person is not present.

Anyone present at a meeting as it takes place is not permitted to carry out an oral commentary or report. This is to prevent the business of the meeting being disrupted.

Anyone attending a meeting is asked to advise Democratic Services staff on 01708 433076 that they wish to report on the meeting and how they wish to do so. This is to enable employees to guide anyone choosing to report on proceedings to an appropriate place from which to be able to report effectively.

Members of the public are asked to remain seated throughout the meeting as standing up and walking around could distract from the business in hand.

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF



AGENDA ITEMS

1 CHAIRMAN'S ANNOUNCEMENTS

The Chairman will announce details of the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

2 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

(if any) - receive

3 DISCLOSURE OF INTERESTS

Members are invited to disclose any interest in any of the items on the agenda at this point of the meeting.

Members may still disclose any interest in any item at any time prior to the consideration of the matter.

4 MINUTES OF THE MEETING (Pages 1 - 4)

To approve as correct the minutes of the meeting held on 12 January 2021 and authorise the Chairman to sign them.

5 ADMISSION OF MAY HARRIS INTO THE PENSION FUND (Pages 5 - 10)

Report attached

6 ADMISSION OF OLIVE DINING LTD TO THE PENSION FUND (Pages 11 - 16)

Report attached

7 VOLUNTARY PAYS POLICY (Pages 17 - 26)

Report and appendix attached

8 FUNDING UPDATE AS AT SEPTEMBER 2020 (Pages 27 - 32)

Report and appendix attached

9 PENSION FUND DISCRETIONS POLICY (Pages 33 - 78)

Report and appendices attached

10 EXCLUSION OF THE PUBLIC

To consider whether the public should now be excluded from the remainder of the meeting on the grounds that it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public were present during those items there would be disclosure to them of exempt information within the meaning of paragraph 1 of Schedule 12A to the Local Government Act 1972; and, if it is decided to exclude the public on those grounds, the Committee to resolve accordingly on the motion of the Chairman.

11 PENSIONS ADMIN REVIEW (Pages 79 - 108)

Report and exempt appendix attached

12 INVESTMENT STRATEGY UPDATE (Pages 109 - 132)

Report and appendix attached

13 PENSION FUND PERFORMANCE (Pages 133 - 198)

Report and appendices attached (2 exempt)

Andrew Beesley
Head of Democratic Services

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**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Virtual Meeting
12 January 2021 (7.00 - 9.00 pm)**

Present:

COUNCILLORS

Conservative Group	John Crowder (Chairman), Osman Dervish and Jason Frost
Residents' Group	Stephanie Nunn
Labour Group	Keith Darvill
North Havering Residents' Group	Martin Goode
Upminster & Cranham Residents' Group	Ron Ower

All decisions were taken with no votes against.

The Chairman reminded Members of the action to be taken in an emergency.

179 **APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS**

There were no apologies for absence.

180 **DISCLOSURE OF INTERESTS**

There were no disclosures of interests.

181 **PROTOCOL FOR VIRTUAL MEETING**

The protocol was noted by the Committee.

182 **MINUTES OF THE MEETING**

Cllr Ower stated that he was not shown at present in the previous minutes and asked for this to be corrected.

The minutes of the meeting of the Committee held on 12th November 2020 were otherwise agreed as a correct record and, due to COVID-19, will be signed by the Chairman at a later date.

183 PENSION FUND RISK REGISTER - UPDATED

The Committee received the updated Risk Register for the Havering Pension Fund, detailing potential risks the Fund could have been exposed to.

The Committee noted there were 2 areas of risk to be added to the register as recommended by the Local Pension Board. The Committee noted the inclusions within Risk area 3- Failure of investments to perform in line with growth expectations and Risk area 5 – Inability to manage the Pension Fund and associated services.

The Committee:

1. **Noted** the additional risks considered and recommendations by the Local Pension Board summarised in Section 2.6

2. **Agreed** to the updated Risk Register.

184 REVIEW OF VOTING AND ENGAGEMENT ACTIVITY

The Committee received an annual report, produced by Hymans, which summarised the fund managers' voting and engagement activities for the 12 months to June 2020.

The Committee noted that the Fund had investment through 3 managers across seven mandates with equity exposure. Vast majority of votes eligible to be exercised were voted. Members noted 3 focus areas that were being monitored by Hymans, being; Labour Practises, Diversity and Climate Change.

The Committee:

1. **Noted** Hymans summary review of fund manager voting and engagement activity attached as **Appendix A**.
2. **Noted** the recommendations as set out in Appendix A and,
3. **Agreed** to continue to engage with London CIV to progress and investigate the possibility of adopting a combined pool policy and,
4. **Considered** and **agreed** to select diversity, labour practises and climate change be actively monitored.

185 FUNDING STRATEGY STATEMENT - REGULATORY UPDATES

The report put before the Committee outlined to members the updated Funding Strategy Statement.

It was noted that the Statement was last updated in December 2019 and had been updated to reflect regulation changes in regard to permitting the fund to determine amount of exit credits payable to an employer leaving the LGPS and, enables deferment of exit payments in return for a deferred debt agreement, to obtain revised employer rates and the ability for employers to spread exit payments. Members noted the changes went out for consultation and no comments were received.

The Committee:

1. **Agreed** the updated Funding Strategy Statement attached as Appendix A which reflected the changes set out in regulations.

186 **LOCAL PENSION BOARD ANNUAL REPORT - 31 MARCH 2020**

The report presented to the Committee was the annual report from the Local Pension Board.

The Committee noted the Board met 4 times in the year 19-20, all 4 positions were filled and each of the 4 members undertook relevant training. Members noted the compliance checklist was a standing item for the Board and the Board had only spent £1,881 of a budget of £27,900, which included a £10,000 allowance for training that is shared with Committee members.

The Committee:

1. **Noted** the 2019/20 Local Pension Board Annual Report
2. **Agreed** the Local Pension Board Annual Report will be published electronically.

187 **EXCLUSION OF THE PUBLIC**

The Committee agreed to exclude the Public when discussing Appendix B and C and the Chairman asked for the live webcast to be paused when entering into the exempt appendices.

188 **PENSION FUND PERFORMANCE FOR THE QUARTER ENDED SEPTEMBER 2020**

The report presented to the Committee provided members with an overview of the fund investment performance and manager monitoring for the quarter ending 30 September 2020.

Members of the Committee noted that the Fund had grown in value by 2.74%, to £795.83m, with a disinvestment of £40.5million taken into account. The Committee:

1) **Considered** Hymans Market Background and Strategic Overview and Manager Performance Report (Appendix A)
2) **Considered** Hymans Performance Report and views (Appendix B Exempt)
3) **Received** presentation from the London CIV for the Multi Asset, UK Equities funds and Absolute Return fund on the LCIV platform (Appendix C – Exempt)

4) **Considered** the quarterly reports sent electronically, provided by each investment manager.
5) **Noted** the analysis of the cash balances

Chairman

Havering
LONDON BOROUGH

PENSIONS COMMITTEE

Subject Heading:	The admission of May Harris Multi Services Ltd in to the London Borough of Havering Pension Fund for the provision of services to Royal Liberty School and Sanders School (part of the Success for All Educational Trust (SFAET))
SLT Lead:	Jane West
Report Author and contact details:	Caroline Berry 01708 432185 Caroline.berry@havering.gov.uk
Policy context:	Local Government Pension Scheme Regulations 2013. Schedule 2 part 3
Financial summary:	The Pension Fund Actuary has assessed the level of Indemnity and Success for All Educational Trust will act as guarantors. The employer contribution rates have been set at 25.26% in respect of staff transferred from Royal Liberty School and 24.36% in respect of staff transferred from Sanders School.

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[x]
Places making Havering	[x]
Opportunities making Havering	[x]
Connections making Havering	[x]

SUMMARY

The purpose of this report is to request that the Pensions Committee agree to the proposed closed scheme admission agreement of May Harris Multi Services Ltd into the London Borough of Havering Pension Fund ("The Fund") under the provisions of The Local Government Pension Scheme Regulations (LGPS) 2013, Schedule 2, Part 3 and follows New Fair Deal Guidance. This is due to the TUPE of cleaning staff from Royal Liberty School and Sanders School to May Harris Multi Services Ltd for the provision of cleaning services. Both Schools form part of the Success for All Educational Trust (SFAET)

RECOMMENDATIONS

That the admission of May Harris Multi Services Ltd into the Fund as an admitted body to enable 7 members of staff who transferred from the schools to continue membership of the LGPS be agreed, subject to:

(a) An Admission agreement for each academy being in place with all relevant parties signing up to respective Admission Agreements, and
(b) May Harris Multi Services Ltd securing a Guarantee in an approved form from SFAET to protect the Fund in respect of each academy.

REPORT DETAIL

1. May Harris Multi Services Ltd succeeded in winning the contract to provide cleaning services to Royal Liberty and Sanders Schools. The contract is for a minimum of three years and commenced on 01 January 2020 (Royal Liberty) and 13 January 2020 (Sanders).

2. The contracts of employment of affected staff were transferred when the cleaning services transferred from Royal Liberty and Sanders Schools to May Harris Multi Services Ltd on in January 2020. The Transfer of Undertakings (Protection of Employment) Regulations 2006 as amended by the Collective Redundancies and Transfer of Undertakings (Protection of Employment) Amendment Regulations 2014 ("TUPE") protects the employment terms and conditions of the relevant employees except for pension rights which in this instance are covered under the New Fair Deal guidance 2013. 5 employees of Royal Liberty School and 2 employees of Sanders School were members of the LGPS on the transfer dates.

3. New Fair Deal Guidance is a non-statutory policy setting out how pension issues are to be dealt with when staff are compulsorily transferred from the public sector

to independent providers delivering public services. The guidance is needed to address Pension rights not covered by TUPE.

4. The Pension Regulations require the LGPS Funds to allow an admission to its scheme if the organisation is one that provides or which will provide a service or assets in connection with the exercise of a function of a scheme employer, as a result of the transfer of the service or assets by means of a contract or other arrangement.

5. Following guidance from MHCLG, where a transferee admission body and the scheme employer undertake to meet the relevant requirements of Schedule 2, Part 3, an administering authority cannot decline to admit to the LGPS the eligible employees of the transferee admission body. The terms on which the admission is permitted are noted in the Admission Agreement for the purposes of these Regulations.

6. May Harris Multi Services Ltd falls within the definition contained in Schedule 2, Part 3 of the LGPS Regulations 2013 and as such is eligible to become a transferee admission body. Under Schedule 2, Part 3, the administering authority must admit to the scheme the eligible designated employees of the transferee admission body, provided the transferee admission body and the scheme employer undertakes to meet the relevant requirements of the regulations through an Admission Agreement. Legal engrossment of the admission agreement is subject to the service transfer taking place.

7. There has been a delay in processing the admission of May Harris Multi Services Ltd due to a series of negotiations between SFAET and May Harris Multi Services Ltd to agree terms of a pass-through agreement in respect of each academy. The terms of a pass through arrangement have been agreed and legal documentation is being finalised.The Fund will continue the process of obtaining an admission agreement so that contributions from the transferred staff can be collected by the administrative authority.

8. The London Borough of Havering will seek to sign appropriate transferee Admission Agreements to allow May Harris Multi Services Ltd to be admitted to the London Borough of Havering Pension Fund. When the Admission Agreements are formed May Harris Multi Services Ltd will be required to pay contribution rates as determined by the Fund Actuary. This has been set at 25.26% (Royal Liberty) and 24.36% (Sanders) of pensionable pay.

IMPLICATIONS AND RISKS

Financial implications and risks:

Continued membership in the LGPS means there is no loss to contributions into the Fund. As noted in the report, employer contributions to be paid by admitted bodies are determined by the Fund's Actuary. May Harris Multi Services Ltd's employer contribution rate has been set at 25.26% (Royal Liberty) and 24.36% (Sanders). May Harris Multi Services Ltd have been allocated a share of assets to ensure the closed scheme is fully funded at the transfer date.

The Fund's actuary has assessed the level of risk arising in relation to premature termination of the provision of service or assets provided by May Harris Multi Services Limited by reason of insolvency, winding up or liquidation and May Harris Multi Services Ltd has sought to opt for a guarantor which will be provided by SFAET

The risk of non-payment of contributions, which would have a cash flow impact, is actively managed by the administrative authority on a monthly basis with appropriate escalation for non-compliance. Cash flow performance is reported in the Pension Fund Annual Report

The LPP have carried out a risk assessment for May Harris Multi Services Ltd which highlighted no concerns. Annual risk profiling checks will be carried out by the Fund's actuary.

There are no immediate financial implications to the Fund arising from the Fair Deal arrangements

Legal implications and risks:

Academies are scheme employers for the purposes of the local government pension scheme. Where they let contracts for the provision of services (non teaching), their contractors are eligible to become admission bodies, subject to the completion of an admission body agreement and the provision of a bond or indemnity, if required, to cover the risks to the pension fund arising from premature termination of the provision of service by reason of insolvency, winding up or liquidation of the admission body.

Academies are public sector bodies required to have regard to the Government's policy guidance "Fair Deal for staff pensions: staff transfer from central Government" (published with immediate effect on the 4 October 2013) when outsourcing services. Where staff are compulsorily transferred (TUPE) to an independent provider of public services (May Harris Multi Services Ltd) those staff will generally have a right of continued access to the relevant public service pension arrangements (Havering LGPS) where they are classified as non-teaching staff

In the case of the Royal Liberty and Sanders Schools employees transferring to their new cleaning contractor, Fair Deal obligations can be achieved by means of an admission body agreement, between the administering authority (Havering) and the letting authority (Royal Liberty and Sanders Schools) and the employing/admission body (May Harris Multi Services Ltd) allowing the transferring employees to remain a member of the Local Government Pension Scheme. The Academies and the contractor have applied for admission on a closed basis and actuarial assessments have been undertaken on that basis in order to assess contributions and the bond value.

The admittance of May Harris Multi Services Ltd into the Havering Pension Fund will ensure that the current employees enjoy their current pension protection when transferring to their new employer and negate against any complaints to the Pension Regulator and Pensions Ombudsman resulting from a failure to ensure Fair Deal pension protection for its employee on transfer.

The recommendations in this report are in keeping with the constitutional delegation.

Human Resources implications and risks:

The recommendations in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

Admitted body status will allow the former Royal Liberty and Sanders Schools staff (who transferred to the new provider in January 2020) continued membership eligibility of the LGPS.

Equalities implications and risks:

The proposed admission of May Harris Multi Services Ltd into the London Borough of Havering Pension Fund will not only ensure that New Fair Deal guidance has been followed but will also enable the Royal Liberty and Sanders Schools staff who will be compulsorily transferred to May Harris Multi Services Ltd to continue to enjoy pension protection when transferred to their new employer

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

(i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
(ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
(iii) foster good relations between those who have protected characteristics and those who do not.

Note: ‘Protected characteristics’ are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants. We will ensure that disabled people with sensory impairments are able to access the strategy.

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Agenda Item 6

PENSIONS COMMITTEE

Subject Heading:	The admission of Olive Dining Ltd to the London Borough of Havering Pension Fund for the provision of services to Drapers Academy (part of the Drapers Multi Academy Trust)
SLT Lead:	Jane West
Report Author and contact details:	Caroline Berry 01708 432185 Caroline.berry@havering.gov.uk
Policy context:	Local Government Pension Scheme Regulations 2013. Schedule 2 part 3
Financial summary:	The Pension Fund Actuary has assessed the level of Indemnity required as £102,000 and the employer contribution rate has been set at 41.0%.

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[x]
Places making Havering	[x]
Opportunities making Havering	[x]
Connections making Havering	[x]

SUMMARY

The purpose of this report is to request the London Borough of Havering Pension Committee agree to the proposed closed scheme agreement for admission of Olive Dining Ltd into the London Borough of Havering Pension Fund under the provisions of The Local Government Pension Scheme Regulations 2013, Schedule 2, Part 3 and follows New Fair Deal Guidance. This is due to the TUPE of catering staff from Drapers Academy to Olive Dining Ltd for the provision of catering services.

RECOMMENDATIONS

That the admission of Olive Dining Ltd into the London Borough of Havering Pension Fund as an admitted body to enable 6 members of staff who transferred from Drapers Academy to continue membership of the Local Government Pension Scheme (LGPS) be agreed, subject to:

(a) All parties signing up to an Admission Agreement, and
(b) Olive Dining Ltd securing a bond of £102,000 to protect the pension fund.

REPORT DETAIL

1. Olive Dining Ltd succeeded in winning the contract to provide catering services to Drapers Academy. The contract with Drapers Academy is for a minimum of three years and commenced on 01 November 2020.

2. The contracts of employment of affected staff transferred when the catering services transferred from Drapers Academy to Olive Dining Ltd on 1 November 2020. The Transfer of Undertakings (Protection of Employment) Regulations 2006 as amended by the Collective Redundancies and Transfer of Undertakings (Protection of Employment) Amendment Regulations 2014 (“TUPE”) protects the employment terms and conditions of the relevant employees except for pension rights which in this instance are covered under the New Fair Deal guidance 2013. 6 employees were a member of the LGPS on the transfer date.

3. New Fair Deal Guidance is a non-statutory policy setting out how pension issues are to be dealt with when staff are compulsorily transferred from the public sector to independent providers delivering public services. The guidance is needed to address Pension rights not covered by TUPE.

4. The Pension Regulations require the Local Government Pension Scheme (LGPS) Pension Funds to allow an admission to its scheme if the organisation is one that

provides or which will provide a service or assets in connection with the exercise of a function of a scheme employer, as a result of the transfer of the service or assets by means of a contract or other arrangement.

5. Following guidance from MHCLG, where a transferee admission body and the scheme employer undertake to meet the relevant requirements of Schedule 2, Part 3, an administering authority cannot decline to admit to the LGPS the eligible employees of the transferee admission body. The terms on which the admission is permitted are noted in the Admission Agreement for the purposes of these Regulations.

6. Olive Dining Ltd falls within the definition contained in Schedule 2, Part 3 of the Local Government Pension Scheme Regulations 2013 and as such is eligible to become a transferee admission body. Under Schedule 2, Part 3, the administering authority must admit to the scheme the eligible designated employees of the transferee admission body, provided the transferee admission body and the scheme employer undertakes to meet the relevant requirements of the regulations through an Admission Agreement. Legal engrossment of the admission agreement is subject to the service transfer taking place.

7. The London Borough of Havering will seek to sign appropriate transferee Admission Agreements to allow Olive Dining Ltd to be admitted to the London Borough of Havering Pension Fund. When the Admission Agreement is formed Olive Dining Ltd will be required to pay contribution rates as determined by the Fund Actuary. This has been set initially at 41.0% of pensionable pay.

IMPLICATIONS AND RISKS

Financial implications and risks:

Continued membership in the LGPS means there is no loss to contributions into the Fund. As noted in the report, employer contributions to be paid by admitted bodies are determined by the Fund’s Actuary. Olive Dining Ltd’s employer contribution rate has been set at 41.0%. Olive Dining Ltd are allocated a share of assets to ensure they are fully funded at the transfer date.

The Fund’s actuary has determined a bond or indemnity is required to cover the assessed level of risk arising in relation to premature termination of the provision of service or assets provided by Olive Dining Ltd by reason of insolvency, winding up or liquidation and the level of bond set by the actuary is £102,000.
There are risks to the letting authority (Drapers Academy) if the bond levels are not reviewed in line with employee and legislative changes. This risk will be managed by putting in place a timescale for bond reviews and ensure this is included in the Admission Agreement. Bond renewals are to be carried out by the Fund’s actuary.

The letting authority (Drapers Academy) also faces risk if the admitted body is unable to meet any funding deficits at the end of a contract. This risk will be managed by putting in place regular reviews of Olive Dining Ltd's employer rates.

The risk of non-payment of contributions, which would have a cash flow impact, is actively managed by the Havering pension team on a monthly basis with appropriate escalation for non-compliance. Cash flow performance is reported in the Pension Fund Annual Report.

The LPP have carried out a covenant check for Olive Dining Ltd which highlighted no concerns. Annual employer risk profiling will be carried out in future by the Fund's actuary.

There are no immediate financial implications to the Fund arising from the Fair Deal arrangements

Legal implications and risks:

Academies are scheme employers for the purposes of the local government pension scheme. Where they let contracts for the provision of services, their contractors are eligible to become admission bodies, subject to the completion of an admission body agreement and the provision of a bond or indemnity, if required, to cover the risks to the pension fund arising from premature termination of the provision of service by reason of insolvency, winding up or liquidation of the admission body.

Academies are public sector bodies required to have regard to the Government's policy guidance "Fair Deal for staff pensions: staff transfer from central Government" (published with immediate effect on the 4 October 2013) when outsourcing services. Where staff are compulsorily transferred (TUPE) to an independent provider of public services (Olive Dining Ltd) those staff will generally have a right of continued access to the relevant public service pension arrangements (Havering LGPS) where they are classified as non-teaching staff

In the case of the Drapers Academy employees transferring to their new catering contractor, Fair Deal obligations can be achieved by means of an admission body agreement, between the administering authority (Havering) and the letting authority (Drapers Academy) and the employing/admission body (Olive Dining Ltd) allowing the transferring employee to remain a member of the Local Government Pension Scheme. The Academy and the contractor have applied for admission on a closed basis and actuarial assessments have been undertaken on that basis in order to assess contributions and the bond value.

The admittance of Olive Dining Ltd into the Havering Pension Fund will ensure that the current employees enjoy their current pension protection when transferring to their new employer and negate against any complaints to the Pension Regulator and Pensions Ombudsman resulting from a failure to ensure Fair Deal pension protection for its employee on transfer.

The recommendations in this report are in keeping with the constitutional delegation.

Human Resources implications and risks:

The recommendations in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

Admitted body status will allow the former Drapers Academy staff (who transferred to the new provider on 1 November 2020) continued membership eligibility of the LGPS.

Equalities implications and risks:

The proposed admission of Olive Dining Ltd into the London Borough of Havering Pension Fund will not only ensure that New Fair Deal guidance has been followed but will also enable the Drapers Academy staff who will be compulsorily transferred to Olive Dining Ltd to continue to enjoy pension protection when transferred to their new employer.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

(i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
(ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
(iii) foster good relations between those who have protected characteristics and those who do not.

Note: ‘Protected characteristics’ are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants. We will ensure that disabled people with sensory impairments are able to access the strategy.

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PENSIONS COMMITTEE

Subject Heading:	Havering Pension Fund Voluntary Scheme Pays Policy
SLT Lead:	Jane West
Report Author and contact details:	Caroline Berry 01708 432185 Caroline.berry@onesource.co.uk
Policy context:	Local Government Pension Scheme Regulations 2013
Financial summary:	The introduction of the Voluntary Scheme Pays policy is cost neutral to the Pension Fund

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[x]
Places making Havering	[x]
Opportunities making Havering	[x]
Connections making Havering	[x]

SUMMARY

The purpose of this report is to present to Committee the Havering Pension Fund ("the Fund") policy on Voluntary Scheme Pays (VSP) for members of the Local Government Pension Scheme, who breach HMRC's Annual Allowance (AA) limit for pension saving growth in a financial year.

The AA is the amount by which a member's pension benefits may increase in a year without attracting a tax charge. If the value of their pension benefits grows by more than the AA, the excess will be taxed as income.

Scheme Pays is the mechanism by which a member can ask the Fund to pay the tax charge to HMRC in exchange for a reduction to their future pension benefits.

Each Local Government Pension Fund has the discretion to offer VSP to its members.

RECOMMENDATIONS

That the Committee consider and approve the Fund VSP Policy, attached as Appendix A to this report.

The policy is to approve the use of VSP where:

- a member's pension savings within the Fund is subject to the tapered annual allowance, and
- the tax breach stems only from the member's London Borough of Havering Pension Fund benefits rather than via growth in multiple pension schemes, and
- The application is received in writing to the Fund by 30 November in the tax year following the year to which the tax charge relates.
- Late applications may be considered by the Head of People Transactional Services on a case by case basis.

REPORT DETAIL

1. The AA is the amount by which a member's pension benefits may increase in a year without attracting a tax charge. If the value of their pension benefits grows by more than the AA, the excess will be taxed as income. The annual allowance limit is currently £40,000.

2. The Fund has a statutory duty to write to any scheme member, who breaches the AA, by the 6 October following the end of the tax year (i.e. 6 October 2020 for charges arising from tax year 2019/20).

3. AA Scheme pays is a mechanism by which a Scheme Member can request their excess annual allowance tax charge is met by the Fund. They then repay the Fund by having a reduction applied to their pension once it comes into payment.

4. Mandatory Scheme Pays (MSP) has been available for many years and VSP has been identified, by the Local Government Association (following legal advice), as being available to LGPS members. The legal advice confirmed that administering authorities, that are local authorities, have the vires to agree to a VSP request.

5. **AA Mandatory Scheme Pays**

Under MSP, a Scheme member who breaches the standard AA has the following options to pay their tax charge;

Make payment of the tax directly to HMRC, **or**
Use MSP if the following qualifying conditions are met;

- The standard AA limit has been exceeded in the pension scheme that the Scheme Pays election is made; and
- The AA tax charge exceeds £2,000 and
- The relevant time limit for making an election has been met

If the Scheme Member meets the qualifying condition and elects for MSP must agree to the request as the member has a mandatory right under section 237B of the Finance Act 2004.

6. **AA VSP**

Under VSP, where a member does not meet the conditions for MSP, or they do not make their nomination in time, they may ask the Fund to pay the AA tax charge on a voluntary basis. This, however, is subject to the administering authority's approval which is discretionary.

7. An important consideration is that changes to the tax rules now mean that some high earning members with income of more than £240,000 per annum are now subject to a Tapered Annual Allowance ('tapered AA') which reduces their AA from £40,000 to £4,000 incrementally for those earning between £240,000 and £312,000 per annum. The income limit includes, amongst other things, pension growth in that tax year.

8. As it currently stands, Scheme members who breach the tapered annual allowance have only the following options;

- Pay the whole of the tax charge directly to HMRC

- Opt for MSP option for the breach over the £40,000 allowance and pay the rest directly to HMRC.

Therefore, if a member's AA had been reduced to £4,000, they would have no option other than to pay a potentially significant tax charge directly to HMRC on the amount between £40,000 and their tapered annual allowance, i.e. tax on potentially £36,000.

9. The VSP tax charge will be recovered from future pension benefits in payment.

   The Secretary of State in conjunction with the Government Actuaries Department (GAD) set out guidance on the calculation of the reduction to members' benefits. This has been issued to ensure that the Scheme pays offset is cost neutral to the pension scheme.

10. If the Fund allows members to use VSP, there does not seem any reason not to allow this option for those members who have a tax charge of under £2,000.

11. If a member exceeds the annual allowance by virtue of savings across multiple pension schemes, without exceeding the annual allowance in any one scheme and a tax charge were to arise, it would not be appropriate for the London Borough of Havering Pension Fund to offer the VSP option.

12. The policy can also be found in the Administering Authorities Discretions Policy, Section 10 Discretionary policy under the Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 which is covered in a separate report on this meeting agenda.

IMPLICATIONS AND RISKS

Financial implications and risks:

Guidance on the calculation of the reduction in pension benefits following a Scheme Pays election has been issued by the Secretary of State for Communities and Local Government in conjunction with the GAD in order to ensure the Scheme Pays offset is cost neutral to the scheme.

Legal implications and risks:

There is no statutory requirement for an administering authority to agree to Voluntary Scheme Pays requests. It is therefore for each authority to determine its policy on 'Voluntary Scheme Pays' requests.

The proposals are lawful.

Human Resources implications and risks:

There appear to be no HR implications or risks arising directly as a result of this report.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

(i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
(ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
(iii) foster good relations between those who have protected characteristics and those who do not.

Note: ‘Protected characteristics’ are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants. We will ensure that disabled people with sensory impairments are able to access the strategy.

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HAVERING PENSION FUND

Voluntary Scheme Pays Policy

April 2021

Havering Pension Fund

Policy regarding Voluntary Scheme Pays in respect of members of the Havering Local Government Pension Scheme whose pension savings breach the Annual Allowance limit set by HMRC.

Purpose

Where a member incurs an annual allowance charge but does not meet the criteria for Mandatory Scheme Pays Havering Council may, in its role as Administering Authority, choose at their discretion to discharge the tax liability and reduce the member's benefits by a corresponding amount. This is known as Voluntary Scheme Pays. The circumstances in which Voluntary Scheme Pays can apply are wide ranging and it is good practice for administering authorities to set out a policy regarding how they will exercise this discretion in a way that is fair to members without incurring undue risk to the fund.

Background

Annual Allowance
The Annual Allowance is the amount by which the value of a members pension benefits may increase in any one year without incurring a tax charge. If the value of the pension savings in any one year (including pension savings with other LGPS Funds or outside of the LGPS) are in excess of the annual allowance, the excess will be taxed as income. The annual allowance is set by HM Treasury and is currently £40,000.

Mandatory Scheme Pays
Where a member has a tax charge as a result of breaching the Annual Allowance they have a right to Mandatory Scheme Pays from the Havering Pension Fund when all of the following criteria are met:

- The member's Annual Allowance tax charge exceeds £2,000.
- The growth in the member's benefits within the LGPS in England and Wales exceeds the standard Annual Allowance.
- An election for Mandatory Scheme Pays is received by the Fund by the relevant deadline.
- The member's full retirement benefits from the Fund are not yet in payment.

Where a member meets all of the above criteria the Havering Pension Fund must pay the tax to HMRC on behalf of the member. The Fund recovers the charge via a permanent reduction to the member's benefits, calculated following guidance from the Government Actuary's Department.

Voluntary Scheme Pays
Havering Pension Fund may, at their discretion, agree to pay some or all of an annual allowance charge on a member's behalf if all of the above criteria are not met. This is referred to as Voluntary Scheme Pays and the approach adopted by Havering is detailed in the policy section.

The list below shows some situations in which a member may have incurred an Annual Allowance tax charge but does not have an entitlement to Mandatory Scheme Pays. (This list is not intended to be exhaustive):

- The member is subject to the Tapered Annual Allowance* but does not exceed the Standard Annual Allowance.
- The member met all the other criteria for a Mandatory Scheme Pays election, but did not make the election by the 31 July deadline.
- The member has not exceeded the Annual Allowance based on their pension benefits in the LGPS in England and Wales, but across all pension arrangements they have exceeded the Annual Allowance and the total tax charge is more than £2,000.
- The member's tax charge is less than £2,000.

* The standard annual allowance is reduced for higher earners. For those with annual income above £240,000, the annual allowance will reduce by £1 for each £2 they earn above £240,000. This will give these individuals a personal annual allowance limit known as a tapered annual allowance.

Havering Pension Fund's Voluntary Scheme Pays Policy

The London Borough of Havering Pension Committee has approved the use of Voluntary Scheme Pays under the following circumstances:

- The member's pension savings within the London Borough of Havering Pension Fund is subject to the tapered annual allowance **and**
- The tax breach is only as a result of pensions savings in the London Borough of Havering Pension Fund and not from the growth in multiple pension schemes **and**
- The tax charge exceeds £2,000 **and**.
- The application is received in writing by London Borough of Havering Pension Fund by 30 November in the tax year following the year to which the tax charge relates.

Late elections, or those with a tax charge of less than £2,000 will be considered for Voluntary Scheme Pays requests with delegated authority given to the Head of People Transactional Services to consider on a case by case basis.

The policy can also be found in the Administering Authorities Discretions Policy, Section 10 Discretionary policy under the Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011.

Ownership

The policy lead is the Pension Projects and Contracts Manager, who will be responsible for the review of the policy as and when there are regulatory, audit or legislative changes.

The policy is effective from 1 April 2021.

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Havering
LONDON BOROUGH

PENSIONS COMMITTEE 16 MARCH 2021

Subject Heading:	**PENSION FUND VALUATION FUNDING UPDATE FROM 31 MARCH 2019 TO 30 SEPTEMBER 2020**
CLT Lead:	**Jane West**
Report Author and contact details:	***Debbie Ford*** ***Pension Fund Manager (Finance)*** ***01708432569*** ***Debbie.ford@onesource.co.uk***
Policy context:	Pension Fund Interim Valuation in line with Funding Strategy Statement
Financial summary:	None directly as the report comments on the Pension Fund interim valuations since the last formal valuation in 31 March 2019.

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

This report provides Members with a report from the Fund's Actuary, Hymans Robertson, to illustrate the estimated Pension Fund's funding position from 31 March 2019 to 30 September 2020.

The estimated funding level has decreased from 70% at last valuation date 31 March 2019 to 68.1% at 30 September 2020. However due to continued asset growth it is estimated that the funding level is 76% in February 2021. The Fund's Funding plan is on track.

RECOMMENDATIONS

That the Committee note the following:

1. The Havering Pension Fund interim funding position update to 30 September 2020.

2. No action is required to change the funding plan.

REPORT DETAIL

1. Background

1.1 In line with Local Government Pension Scheme 2013, the Fund's actuary carried out a triennial valuation as at 31 March 2019. The main purpose of the valuation is to estimate on-going employer liabilities, evaluate this against the Funds' assets and calculate the funding position. This is then used to set future employer contribution rates.

1.2 In line with the Funding Strategy Statement (FSS) the Administering Authority states that it will monitor the relative funding position, i.e. changes in the relationship between asset values and the liabilities and to report this to the Pensions Committee meetings. Hymans was asked to provide Members with a report to illustrate the development of the Pension Fund's funding position from 31 March 2019 to 30 September 2020, which is the mid-way point between the valuations.

1.3 Hymans report looks at the whole fund position only and does not allow for changes in individual members data since the last valuation.

1.4 The method and assumptions used to calculate the updated funding position are consistent with those used in the 2019 valuation, although the financial assumptions have been updated to reflect known changes in market conditions as at 30 September 2020.

1.5 Employer contributions will not be reviewed until the next valuation as at 31 March 2022. The purpose of the funding update was to assess whether the funding plan is on track and take actions where necessary. No actions are required to change the current funding plan.

2. Key items from the report

2.1 The funding level at the last formal valuation was 70.0%. As at 30 September 2020 the funding level has decreased to 68.1%. See following table:

Ongoing funding basis	30 Sep 2020	31 Mar 2019	31 Mar 2016
	£m	£m	£m
Assets	795	733	573
Liabilities	1,168	1,054	857
Surplus/(deficit)	**(373)**	**(321)**	**(284)**
Funding level	68.1%	70.0%	66.8%

2.2 Since the valuation the funding level is relatively unchanged. However, this masks the volatility that occurred in the year as a result of the pandemic declaration in March 2020 and the subsequent rally in markets since. This can be seen on the charts within the document produced by Hymans at Appendix A.

2.3 At the time of writing this report (mid Feb) the funding Level has increased to 76% which is mainly attributable to asset growth (asset value at end of Jan 2021 £852m). The Fund's Funding plan is on track.

IMPLICATIONS AND RISKS

Financial implications and risks:

Volatility in the investment performance can have an immediate effect on the funding level and is a key risk of ensuring solvency of the fund going forward. The Pension Fund is seeking to achieve an improvement in the funding ratio over the longer term, typically twenty years as reflected in the actuarial valuation report. Short term volatility in investment performance may shift the Committees attention from time to time but it will be important to remain focussed on the longer term objectives and strategy.

The Administering Authority has an active risk management programme in place, as mentioned in the risk section of the FSS. Inter - valuation updates are carried out as a control mechanism to identify and provide early warnings if fund assets are failing to deliver returns in line with those anticipated or there is a fall in riskfree returns on Government bonds, leading to rise in value placed on liabilities, and pay and price inflation significantly more than anticipated.

The Fund's Funding plan is on track and therefore no action is required to change the funding plan.

Legal implications and risks:

None arise from this report.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

There are no equality implications or risks as a result of this report.

BACKGROUND PAPERS

Background Papers List
None

HYMANS ROBERTSON

Reliances and limitations

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

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

London Borough of Havering Pension Fund

September 2020 funding and risk report

HEADLINE

Funding Level Table

30 September 2020	Ongoing Funding
Assets	£795.0m
Liabilities	£1,167.7m
Surplus/(deficit)	(£372.6m)
Funding level	68.1%

Summary

This funding update is provided to illustrate the estimated development of the funding position from 31 March 2019 to 30 September 2020, for the London Borough of Havering Pension Fund ("the Fund").

At the last formal valuation, the Fund assets were £733m and the liabilities were £1,054m. This represented a deficit of £320m and equated to a funding level of 70%. Since the valuation the funding level is relatively unchanged. However, this masks the volatility that occurred in the year as a result of COVID-19 and the subsequent rally in markets since. This can be seen on the charts within this document.

Should you have any queries please contact me.

Steven Law

Hymans Robertson LLP is authorised and regulated by the Financial Conduct Authority

London Borough of Havering Pension Fund | Strategy and Risk Management dashboard

CURRENT POSITION

Funding Level Table

30 September 2020	Ongoing Funding
Assets	£795.0m
Liabilities	£1,167.7m
Surplus/(deficit)	(£372.6m)
Funding level	68.1%

Analysis of Surplus Table

Surplus/(deficit)	£m
Surplus/(deficit) as at 31/03/2019	(320)
Contributions (less benefits accruing)	1
Interest on surplus/(deficit)	(15)
Excess return on assets	31
Change in inflation & expected future investment return	(69)
Surplus/(deficit) as at 30/09/2020	(373)

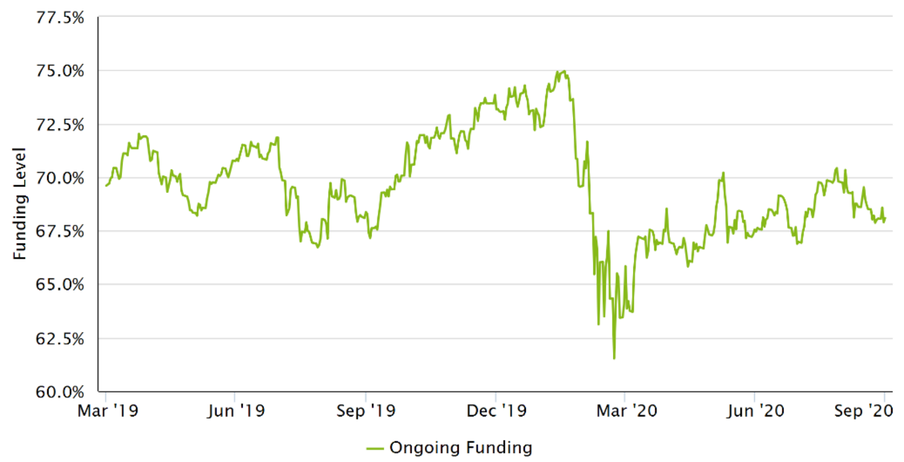
Market Indicators Table

	31 March 2019	30 September 2020
Market yields (p.a.)		
Fixed interest gilts	1.49%	0.71%
Index-linked gilts	-1.81%	-2.21%
Implied inflation	3.36%	2.98%
AA corporate bond yield	2.36%	1.54%
Price Index		
FTSE All Share	3,978	3,282
FTSE 100	7,279	5,866
Expected future investment return (p.a.)		
20yr annualised return on Fund's asset portfolio*	3.3%	2.5%

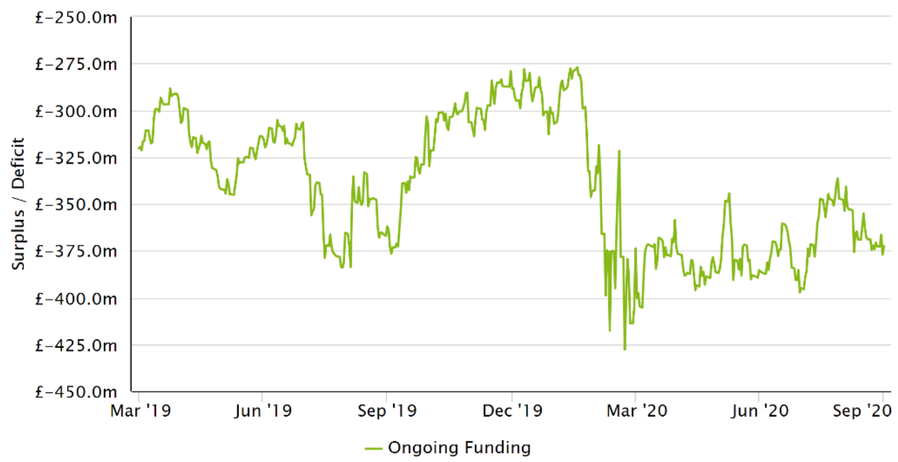
*There is a 80%-85% likelihood of the Fund's investments achieving at least an annual return of 2.5% p.a. over the next 20 years

PROGRESS

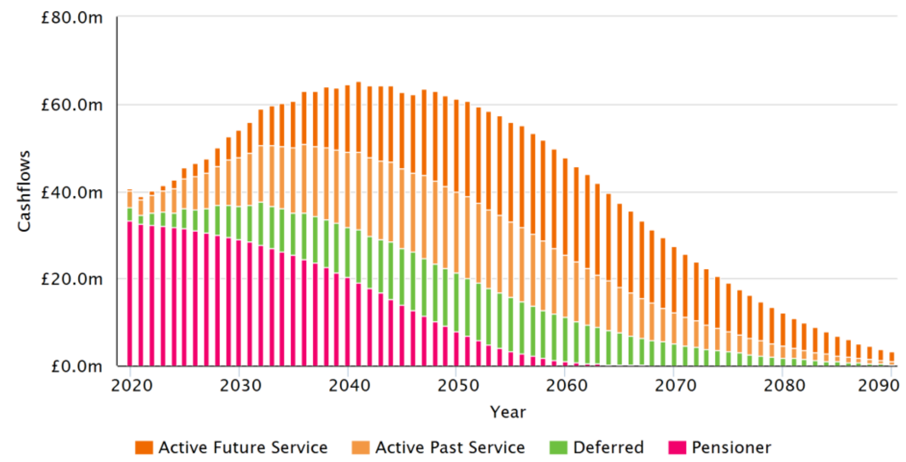
Funding Level Progression Chart



Funding Deficit Progression Chart

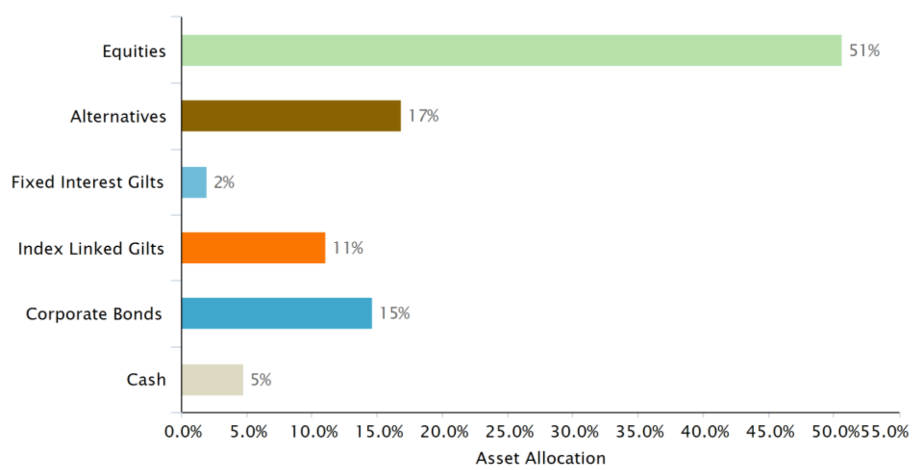


Projected Cashflows Chart

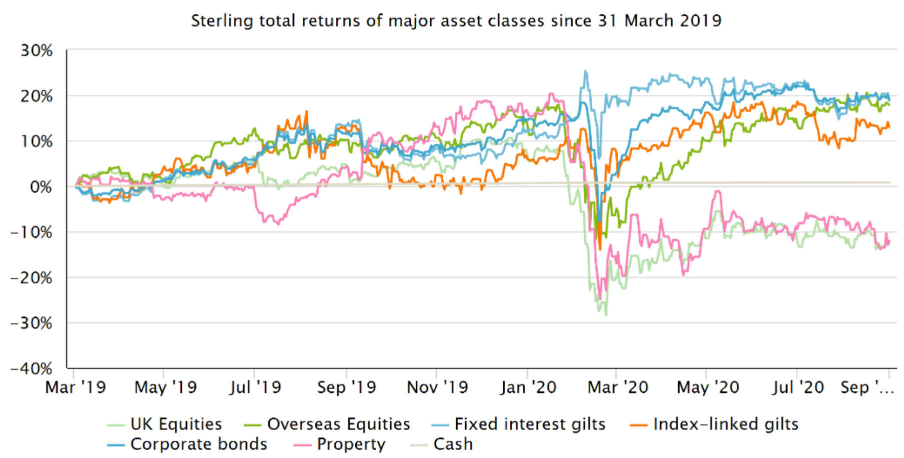


ASSETS AND RISKS

Asset Allocation Chart



Index Return Chart



Sensitivity Matrix

Sensitivity Matrix as at 30 September 2020 for Ongoing funding basis (£m)

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

Shift in expected future investment return (% p.a.)	4,106 -30%	4,693 -20%	5,279 - 10%	5,866	6,453 + 10%	7,039 + 20%	7,626 + 30%
+0.6	(444)	(390)	(337)	(283)	(229)	(175)	(122)
+0.4	(472)	(419)	(365)	(311)	(257)	(204)	(150)
+0.2	(502)	(448)	(395)	(341)	(287)	(234)	(180)
0.0	(534)	(480)	(426)	(373)	(319)	(265)	(211)
-0.2	(567)	(514)	(460)	(406)	(352)	(299)	(245)
-0.4	(603)	(549)	(495)	(442)	(388)	(334)	(281)
-0.6	(641)	(587)	(533)	(480)	(426)	(372)	(318)

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

Havering
LONDON BOROUGH

PENSIONS COMMITTEE

Subject Heading:	Review of Discretionary Policies
SLT Lead:	Jane West
Report Author and contact details:	Caroline Berry 01708 432185 Caroline.berry@onesource.co.uk
Policy context:	Local Government Pension Scheme Regulations
Financial summary:	There may be some savings, and avoidance of costs, for the Council as an employer and the Fund as a consequence of the policies but they are not quantifiable and likely to be minimal

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[x]
Places making Havering	[x]
Opportunities making Havering	[x]
Connections making Havering	[x]

SUMMARY

The purpose of this report is to present to Committee the Havering Administering Authority and Employing Authority Discretions Policy covering the Local Government Pension Scheme Regulations.

Administering authorities are required to formulate, publish and keep under review a statement of policy on all relevant mandatory discretions (or where the discretion is non-mandatory, are recommended to) which they have the power to exercise in relation to members of the current and earlier Schemes.

Scheme employers participating in the LGPS must also formulate, publish and keep under review a statement of policy on all relevant mandatory discretions (or where the discretion is non-mandatory, are recommended to) which they have the power to exercise in relation to members of the current and earlier Schemes.

RECOMMENDATIONS

That the Committee consider and approve the Havering Administering Authority and Employing Authority Discretions Policies, attached as Appendix A and B to this report.

REPORT DETAIL

1. The Local Government Pension Scheme Regulations define the details of the scheme for members, employing authorities and the administering authority. The LGPS Regulations do allow Havering as both the administering authority and an employing authority discretion over various elements of the pension scheme.

2. The policies have been reviewed following updated guidance from the Local Government Association and to bring position titles of those with delegated responsibility in line with the current LBH Structure.

3. In reviewing the discretions officers have ensured that each discretion can be exercised in a manner that does not fetter the Council's discretion.

4. The discretions ensure that decisions are made in a fair and reasonable manner, with a consistent approach but also providing flexibility to review the individual circumstances of each particular case as necessary.

5. The policies will be kept under review and where there are regulatory and legislative changes that impact on discretions. Amendments will be brought to Committee for agreement at the earliest available opportunity.

6. New discretions and any significant changes have been highlighted on the appendices for ease of reference and all mandatory discretions are in bold type.

IMPLICATIONS AND RISKS

Financial implications and risks:

It is not possible to quantify the financial impact of the changes being proposed and the changes are limited in scope and the emphasis is on dealing with issues in a fair and transparent manner. The risks of not implementing the proposed changes are that cases could be potentially referred to the ombudsman resulting in reputational risk to the administrative authority.

Legal implications and risks:

The ambit of the areas of discretion is relatively limited, the major elements of the LGPS being fixed by legislation. In determining the policy on individual discretions a key element will be the possible impact on the pension fund from the application of any particular discretion.

The setting of the policy on discretions often sets out the starting point or ‘standard’ response to a decision on the exercise of a discretion, but on each occasion the decision maker(s) must consider all the circumstances and come to a reasonable determination which may involve a departure from the policy.

Human Resources implications and risks:

There are no direct Human Resource implications arising from this report.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

(i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;

(ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
(iii) foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants. We will ensure that disabled people with sensory impairments are able to access the strategy.

Section 1 Discretionary policies applicable from 1 April 2014 in relation to post 31 March 2014 active members and post 31 March 2014 leavers

No	Discretion	Regulation	Discretion Application
1.1	Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority or Care Quality Commission.	4(2)(b) of the 2013 Regulations	An admissions policy is in place to ensure that any financial risk to the Fund and Fund employers is identified, minimised and managed. The policy interacts with the Funding Strategy Statement to give a statutory backing and additional clarity.
1.2	Whether to agree to an admission agreement with a body applying to be an admission body.	3(1A) 3(5) & Sch 2, Part 3 Para 1 of the 2013 Regulations	A body seeking admission to the London Borough of Havering Pension Fund under these Regulations must demonstrate to the administering authority's satisfaction, compliance with the current admission policy and the requirements of the Regulations. The body seeking admission must enter an admission agreement in such a form as the administering authority may require.
1.3	Whether to agree that an admission agreement may take effect on a date before the date on which it is executed.	Sch 2, Part 3, para 14 of the 2013 Regulations	The administering authority is willing to exercise this discretion, but all such requests will be considered on a case-by-case basis with delegated authority being given to the Head of People Transactional Services.
1.4	Whether to terminate an admission agreement in the event of: • Insolvency, winding up or liquidation of the admitted body; • Breach by the body of its obligations under the admission agreement; and / or • Failure by the body to pay over sums due to the Fund within a reasonable period of being requested to do so.	Sch 2, Part 3, Para 9(d) of the 2013 Regulations	The administering authority is willing to exercise this discretion on a case by case basis with delegated authority being given to the Head of People Transactional Services, in consultation with the Council's Legal department, Pension Fund Actuary and the Chair of the Pension Committee.
1.5	Define what is meant by "employed in connection with".	Sch 2, Part 3, Para 12(a) of the 2013 Regulations	Where the London Borough of Havering administering authority enters into an admission agreement with an admission body then the expression "employed in connection with" shall normally mean that a member spends on average in a scheme year at least 50% of their time working on the services connected to the contract.

1.6	Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment).	16(1) of the 2013 Regulations	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.
1.7	Whether to require a satisfactory medical before agreeing to an application to pay an APC/SCAPC.	16(10) of the 2013 Regulations	Any member wishing to take out a contract to purchase additional pension by payment of regular contributions shall first undergo a medical at their own expense and provide a declaration, in the format required by the Administering Authority, countersigned by their General Practitioner. No medical shall be required if the member is paying for the additional pension by means of a lump sum payment.
1.8	Whether to turn down an application to pay an APC/SCAPC if not satisfied that the member is in reasonably good health.	16(10) of the 2013 Regulations	The declaration should confirm that the member is in reasonable good health prior to being permitted to pay Additional Pension Contributions.
1.9	Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member.	17(12) of the 2013 Regulations	The decision is made on a case by case basis after referral by the Pensions Projects and Contracts Manager to the Head of People Transactional Services for agreement upon collection of all the relevant facts. Where cases are contentious, the Head of People Transactional Services may refer the decision to the Pension Panel. Where an expression of wish form is in place this will be taken into consideration. The London Borough of Havering reserves the right to request sight of the Grant of Probate or Letters of Administration and request an Executors Account is opened.
1.10	A pension account may be kept in such form as the Administering Authority considers appropriate.	22(3)(c) of the 2013 Regulations	The Administering Authority will decide the form in which pension accounts are kept based on published information or best practice in an efficient manner.
1.11	Where there are multiple ongoing employments, in the absence of an election from the member within 12 months of ceasing a concurrent employment, the administering authority is to decide to which record the benefits from the ceased concurrent employment should be aggregated.	10(9) of the Transitional Regulations 2014	Delegated authority is given to the Pensions Administration Team to review on a case by case basis. The ongoing employment most closely aligned to, or with the longest likely lifespan will be selected.

1.12	**When a Scheme employer has exited the Fund, the Administering Authority may agree to waive, in whole or in part, the actuarial reduction on benefits paid on flexible retirement.**	30(8) of the 2013 Regulations	The appropriate policy of Havering Council as an employer will be applied with delegated authority given to the Pensions Panel to make a decision on a case by case basis.
1.13	**When a Scheme employer has exited the Fund,the Administering Authority may agree to waive, in whole or in part, the actuarial reduction on benefits payable if a member voluntarily draws their pension, other than on the grounds of flexible retirement, (where the member only has post 31 March 14 membership).**	30(8) of the 2013 Regulations	The appropriate policy of Havering Council as an employer will be applied with delegated authority given to the Pensions Panel to make a decision on a case by case basis.
1.14	Whether to require any strain on Fund costs to be paid "up front" by an employer following payment of benefits under Regulations 30(6) (flexible retirement), 30(7) (redundancy/business efficiency), or the waiver (in whole or in part) under 30(8) of any actuarial reduction that would otherwise have been applied to benefits which a member voluntarily draws before normal pension age or to benefits drawn on flexible retirement.	68(2) of the 2013 Regulations	The Administering Authority will require all strain costs to be paid by employers in accordance with the Rates and Adjustment Certificate, Funding Strategy Statement or Charging Policy and following guidance produced by the fund actuary. Payment is required immediately in the form of lump sum, unless otherwise authorised by the Section 151 Officer
1.15	**When a Scheme employer has exited the Fund, the Administering Authority may consent to activate the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60, (other than on the grounds of flexible retirement).**	Sch 2 of the Transitional Regulations 2014	The appropriate policy of Havering Council as an employer will be applied with delegated authority given to the Pensions Panel to make a decision on a case by case basis.

1.16	**When a Scheme employer has exited the Fund,an Administering Authority may agree to waive any actuarial reduction for a member voluntarily drawing benefits before normal pension age other than on the grounds of flexible retirement (where the member has both pre 1 April 2014 and post 31 March 2014 membership) on:** **a) compassionate grounds (pre 1 April 2014 membership) and in whole or in part on any grounds (post 31 March 2014 membership) if the member was not in the Scheme before 1 October 2006,** **b) compassionate grounds (pre 1 April 2014 membership) and in whole or in part on any grounds (post 31 March 2014 membership) if the member was in the Scheme before 1 October 2006, will not be 60 by 31 March 2016 and will not attain 60 between 1 April 2016 and 31 March 2020 inclusive,** **c) compassionate grounds (pre 1 April 2016 membership) and in whole or in part on any grounds (post 31 March 2016 membership) if the member was in the Scheme before 1 October 2006 and will be 60 by 31 March 2016,** **d) compassionate grounds (pre 1 April 2020 membership) and in whole or in part on any grounds (post 31 March 2020 membership) if the member was in the Scheme before 1 October 2006, will not be 60 by 31 March 2016 and will attain 60 between 1 April 2016 and 31 March 2020 inclusive.**	30(5), 30A(5) of the Benefits Regulations 2007 & 3(1) & Schedule 2, para2(a) of the Transitional Regulations 2014	The appropriate policy of Havering Council as an employer will be applied with delegated authority given to the Pensions Panel to make a decision on a case by case basis.

1.17	Whether to require any strain on Fund costs to be paid "up front" by employing authority if the employing authority "switches on" the 85 year rule for a member voluntarily retiring (other than flexible retirement) prior to age 60, or waives an actuarial reduction on compassionate grounds under TPSch 2, para 2(1).	Schedule 2, para 2(3) of the Transitional Regulations 2014	The Administering Authority will require all strain costs to be paid by employers in accordance with the Rates and Adjustment Certificate, Funding Strategy Statement or Charging Policy and following guidance produced by the fund actuary. Payment is required immediately in the form of lump sum, unless otherwise authorised by the Section 151 Officer.
1.18	Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement.	32(7) of the 2013 Regulations	Delegated authority is given to the Pensions Administration Team to make a decision on whether to agree to an extension of the time limits in each individual case depending on the circumstances.
1.19	Decide whether to trivially commute a member's pension under section 166 of the Finance Act 2004 (includes pension credit members where the effective date of the Pension Sharing Order is after 31 March 2014 and the debited member had some post 31 March 2014 membership of the 2014 Scheme). Decide whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004. Decide whether to pay a commutation payment under regulations 6 (payment after relevant accretion), 11 (de minimis rule for pension schemes) or 12 (payments by larger pension schemes) of the Registered Pension Schemes (Authorised Payments) Regulations 2009 (excludes survivor pensions and includes pension credit members where the effective date of the Pension Sharing Order is after 31 March 2014 and the debited member had some post 31 March 2014 membership of the 2014 Scheme).	34(1)(a),(b) & (c) of the 2013 Regulations	Where the pension in payment is of such an amount* that when commuted to a single lump sum and the conditions are within those laid down in the Finance Act to allow such a payment without any tax charge being imposed on the fund, the capital value of the pension will be paid where the member makes a positive election. Where no election is received delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis. *The current limits under the Finance Act 2004 are a total pension pot of less than £30,000 across all pensions savings. The current limit under the Registered Pension Schemes (Authorised Payments) Regulations 2009 is a commutation lump sum of less than £10,000 to extinguish all liabilities.
1.20	Approve medical advisors used by employers (for ill health benefits).	36(3) of the 2013 Regulations	A medical practitioner who confirms in writing to the employer that they are appropriately qualified and who has been approved for that purpose by the Employer to make any decision made regarding ill health will be deemed to be approved by the Administering Authority.

1.21	When a Scheme employer has exited the Fund, an Administering Authority may agree to use a certificate produced by an IRMP under the 2008 Scheme for the purposes of making an ill health determination under the 2014 Scheme.	12(6) of the Transitional Regulations 2014	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.
1.22	When a Scheme employer has exited the Fund, the Administering Authority shall decide whether a deferred beneficiary meets the criteria of being permanently incapable of carrying out their former job because of ill health and are also unlikely to be capable of undertaking gainful employment before normal pensionable age or for at least three years, whichever is sooner.	38(3) of the 2013 Regulations	The appropriate policy of Havering Council as an employer will be applied with delegated authority given to the Pensions Panel to make a decision on a case by case basis.
1.23	When a Scheme employer has exited the Fund the Administering Authority shall decide whether a suspended ill health Tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health.	38(6) of the 2013 Regulations	The appropriate policy of Havering Council as an employer will be applied with delegated authority given to the Pensions Panel to make a decision on a case by case basis.
1.24	Decide to whom death grant is paid.	17 of the Transitional Regulations 2014 & 40,43 & 46 of the 2013 Regulations	The decision as to the beneficiary is made on a case by case basis after referral by the Pensions Projects and Contracts Manager to the Head of People Transactional Services for agreement upon collection of all the relevant facts. Where cases are contentious, the Head of People Transactional Services may refer the decision to the Pension Panel. Where an expression of wish form is in place this will be taken into consideration. The London Borough of Havering reserves the right to request sight of the Grant of Probate or Letters of Administration and request an Executors Account is opened.
1.25	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under two or more regulations in respect of the same period of Scheme membership.	49 of the 2013 Regulations	The benefits entitlement that yields the highest overall level of benefits for the member will be awarded
1.26	Whether to set up a separate admission agreement fund.	54 of the 2013 Regulations	No action will be taken in respect of this provision without prior discussions between officers and the fund actuary. Any proposal to set up a fund will be submitted to the Fund's Pension Committee.

1.27	**An Administering Authority must prepare a governance policy stating whether the administering authority delegates their function, or part of their function, in relation to maintaining the Pension Fund to a committee, a sub-committee or an officer of the administering authority and, if they do so delegate, state** • **the frequency of any committee or sub-committee meetings;** • **the terms, structure and operational procedures appertaining to the delegation;** • **whether representatives of employing authorities or members are included and, if so, whether they have voting rights.** **The policy must also state** • **the extent to which a delegation, or the absence of a delegation, complies with any Secretary of State guidance and, to the extent it does not comply, state the reasons for not complying, and** • **the terms, structure and operational procedures appertaining to the local Pensions Board.**	55 of the 2013 Regulations	The Governance Compliance Statement is prepared, maintained and published in accordance with the Regulations and having regard to appropriate advice. A copy is available on the Havering website
1.28	**Decide on Funding Strategy for inclusion in funding strategy statement.**	58 of the 2013 Regulations	The Funding Strategy Statement is regularly revised and reviewed in consultation with the fund's actuarial advisers. A copy is available on the Havering website.
1.29	Whether to have a written pensions administration strategy and, if so, the matters it should include.	59 of the 2013 Regulations	In view of the forthcoming recommendations by the Scheme Advisory Board and the Havering Local Pensions Board, a Pensions Administration Strategy will be prepared, maintained and published. This will set out the performance standards expected of the Fund, its scheme employers and the payroll services.

1.30	Communication policy must set out the policy on provision of information and publicity to, and communicating with, members, representatives of members, prospective members and Scheme employers; the format, frequency and method of communications; and the promotion of the Scheme to prospective members and their employers.	**61 of the 2013 Regulations**	**The Communications Policy is reviewed every three years and updates are reported to the Pensions Committee for approval. The Communication Policy is available on the Havering website**
1.31	Whether to extend the period beyond 6 months from the date an employer ceases to be a scheme employer, by which to pay an exit credit.	64(2ZA) of the 2013 Regulations	With the agreement of the exiting employer, the Administering Authority may extend the time period of the payment of an exit credit where it is not reasonably practicable for the Administering Authority to make payment within this timescale. Delegated authority is given to Head of Pensions and Treasury to make a decision on a case by case basis, taking advice from the relevant specialists.
1.32	Whether to suspend (by way of issuing a suspension notice), for up to 3 years, an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension.	64(2A) of the 2013 Regulations	Delegated Authority is given to the Head of Pensions and Treasury to make a decision on a case by case basis, taking into account advice from relevant specialists.
1.33	Whether to obtain revision of a Scheme employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer.	64(4) of the 2013 Regulations	A certificate specifying the employer's revised contribution rate will be obtained where it appears to be justified taking account of advice provided by the Fund actuary, all relevant circumstances relating to the employer and any conditions contained within the rates and adjustments certificate issued at the last valuation of the Fund.
1.34	Decide the frequency of payments to be made to the Fund by employers and whether to make an admin charge. Decide the form and frequency of information to accompany payment to the Fund.	69 of the 2013 Regulations	This will be on a monthly basis, payment to be received by the 22nd day of the month following deduction from pay (the 19th day if paid by cheque) with the form and statement to accompany the payments in the format specified to employers at the start of each scheme year.
1.35	Whether to issue an employer with notice to recover additional costs incurred as a result of the employer's level of performance.	70 of the 2013 Regulations & 22 of the Transitional	In line with the published Charging Policy and any future Pension Administration Strategy, the Administering Authority will make use of this provision to charge employers for persistently not meeting their liabilities and delegated authority is given to the Head of People

		Regulations 2014	Transactional Services to make a decision on a case by case basis.
1.36	Whether to charge interest on payments by employers which are overdue	71(1) of the 2013 Regulations	In line with the published Charging Policy and any future Pension Administration Strategy, the Administering Authority may make use of this provision to charge interest to employers when payments are overdue by more than one month. Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.
1.37	Decide procedure to be followed by the admin authority when exercising stage two Internal Disputes Resolution Procedure functions and decide the manner in which those functions are to be exercised.	76(4) of the 2013 Regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis and following the procedure in the published IDRP policy.
1.38	Whether administering authority should appeal against employer decision (or lack of a decision).	79(2) of the 2013 Regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
1.39	Specify the information to be supplied by employers (who have made a stage 1 IDRP determination) to enable the administering authority to discharge its functions.	80(1)(b) of the 2013 Regulations & 22(1) of the Transitional Regulations 2014	In line with any future Pensions Administration Strategy, having regard to regulatory requirements and best practice. Where required delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.
1.40	Whether to pay the whole or part of the amount that is due to the personnel representatives (including anything due to the deceased member at the date of death) to: the personal representatives, or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965.	82(2) of the 2013 Regulations	Payments less than the amount specified in section 6 of the Administration of Estates (Small Payments) Act 1965, will be considered on completion of an Indemnity Form. Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis and upon collection of all the relevant facts. Where the amount exceeds that specified amount and there is no expression of wish in place, the London Borough of Havering reserve the right to request sight of the Grant of Probate or Letters of Administration and request an Executors Account is opened.

1.41	Whether, where it appears a person (other than an eligible child) is incapable of managing their own affairs, to pay the whole or part of that person's pension benefits to another person for the benefit of the scheme member.	83 of the 2013 Regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
1.42	Agree to a bulk transfer payment.	98(1)(b) of the 2013 Regulations	Delegated authority is given to the Head of People Transactional Services, in consultation with the Pension Fund Actuary, to make a decision on a case by case basis.
1.43	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS.	100(6) of the 2013 Regulations	Each case is determined on a case by case basis with delegated authority being given to the Head of People Transactional Services upon collection of all the relevant facts and in liaison with the scheme employer.
1.44	Allow transfer of pension rights into the Fund.	100(7) of the 2013 Regulations	Generally transfer values in respect of active members are accepted where all legislative requirements are met but discretion is given to the Head of People Transactional Services, in liaison with any appropriate advisers, to determine whether in exceptional circumstances a transfer value that poses a risk to the fund should be accepted.
1.45	Where a member to whom Regulation 10 of the Benefits Regulations 2007 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member.	10(2) of the Benefits Regulations 2007 & 3(6), 4(6)(c), 8(4), 10(2)(a) & 17(2)(b) of Transitional Regulations 2014	It will be deemed that an election has been made under Regulation 10 in this situation and the most favourable pay will be used in calculations.
1.46	Make an election on behalf of a deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefits calculations (pay cuts / restrictions occurring pre 1 April 2008).	23(9) of 1997 Regulations, 3(6), 4(6)(c), 8(4), 10(2)(a), 17(2)(b) & Schedule 1 of the Transitional Regulations 2014	It will be deemed that an election has been made in this situation and the most favourable pay will be used in calculations.

1.47	Decide whether to treat a child (who has not reached age 23) as being in continuous education or vocational training despite a break.	Schedule 1 of the 2013 Regulations & 17(9)(a) of the Transitional Regulations 2014	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.
1.48	Decide on the evidence required to determine financial dependence or interdependence of a cohabiting partner on a scheme member.	Schedule 1 of the 2013 Regulations & 17(9)(b) of the Transitional Regulations 2014	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis, taking into account regulatory requirements and having regard to judgments in relevant court cases or the Pensions Ombudsman determinations.
1.49	**Decide policy on abatement of pre 1 April 2014 element of pensions in payment following re-employment.**	3(13) of the Transitional Regulations 2014, & 70(1) & 71(4)(c) of the Administration Regulations 2008	The policy from 1 April 2014 is not to abate or reduce pensions in payment, in respect of any period of membership, for members who became re-employed after 31 March 2014. Abatement should continue in respect of any pensioner member who gained further employment covered by the LGPS prior to 1 April 2014.
1.50	Extend time period for capitalisation of added years contract.	83(5) of the 1997 Regulations & 15(1) and Schedule 1 of the Transitional Regulations 2014	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.
1.51	Decide whether to delegate any administering authority functions under the Regulations.	105(2) of the 2013 Regulations	Any decision to delegate will be determined on an individual basis by the appropriate person or committee under the Scheme of Delegation and upon receipt of all relevant information and having consulted with all relevant parties.
1.52	Decide procedures applicable to the Local Pension Board. Decide appointment procedures, terms of appointment and membership of the Local Pension Board	106(6) & 107(1) of the 2013 Regulations	All policies are reviewed and maintained by the Administering Authority. They are published on the Havering website.

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Section 2 Discretionary policies in relation to scheme members (excluding councillor members) who ceased active membership on or after 1 April 2008 and before1 April 2014.

No	Discretion	Regulation	Discretion Application
2.1	Extend time period for capitalisation of added years contract where the member leaves his employment by reason of redundancy.	83(5) of 1997 Regulations & 15(1) & Schedule 1 of Transitional Regulations 2008	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.
2.2	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits.	45(3) of the Administration Regulations 2008	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis. Where appropriate to recover any contributions from the member, recovery will be by way of deductions from benefits. Where deductions from benefits are not appropriate, the recovery will be pursued as a simple debt.
2.3	Whether to pay the whole or part of the amount that is due to the personnel representatives (including anything due to the deceased member at the date of death) to: the personal representatives, or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965.	52(2) of the Administration Regulations 2008	Payments less than the amount specified in section 6 of the Administration of Estates (Small Payments) Act 1965, will be considered on completion of an Indemnity Form. Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis and upon collection of all the relevant facts. Where the amount exceeds that specified amount and there is no expression of wish in place, the London Borough of Havering reserve the right to request sight of the Grant of Probate or Letters of Administration and request an Executors Account is opened
2.4	Approve medical advisors used by employers (for early payment, on grounds of ill health, of a deferred benefit or a suspended Tier 3 ill health pension).	56(2) of the Administration Regulations	A medical practitioner who confirms in writing to the employer that they are appropriately qualified and who has been approved for that purpose by the Employer to make any decision made regarding ill health will be deemed to be approved by the

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			Administering Authority.
2.5	Decide procedure to be followed by administering authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised.	76(4) of the 2013 Regulations & 23 of the Transitional Regulations 2014	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis and following the procedure in the published IDRP policy.
2.6	Decide whether the administering authority should appeal against an employer decision (or lack of decision)	79(2) of the 2013 Regulations & 23 of the Transitional Regulations 2014	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
2.7	Specify the information to be supplied by employers (who have made a stage 1 IDRP determination) to enable the administering authority to discharge its functions.	80(1)(b) of the 2013 Regulations & 22(1) and 23 of the Transitional Regulations 2014	In line with any future Pensions Administration Strategy, having regard to regulatory requirements and best practice. Where required delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.
2.8	**Decide policy on abatement of pensions following re-employment.**	3(13) of the Transitional Regulations & 70(1) & 71(4)(c) of the Administration Regulations 2008	The revised policy from 1 April 2014 is to not abate or reduce the pensions of former members who become re-employed with regard to any period of membership before that date. Abatement of pension payable should continue in respect of any pensioner member who gained further employment covered by the LGPS before 1 April 2014.
2.9	Where member to whom B10 applies (use of average of 3 years pay within the period of 13 years ending with the last day of active membership for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member.	10(2) of the Benefits Regulations 2007	It will be deemed that an election has been made under Regulation 10 in this situation and the most favourable pay will be used in calculations.
2.10	Whether to pay the whole or part of a child's pension to another person for the benefit of that child.	27(5) of the Benefits Regulations 2007	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
2.11	Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	52A of the Administration Regulations 2008	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.

2.12	**When a Scheme employer has exited the Fund, the Administering Authority may consent to "switch on" the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60, (other than on the grounds of flexible retirement).**	Sch 2 of the Transitional Regulations 2014	The appropriate policy of Havering Council as an employer will be applied with delegated authority given to the Pensions Panel to make a decision on a case by case basis.
2.13	**When a Scheme employer has exited the Fund, the Administering Authority may consent to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early under B30 for a member or pensioner member with deferred benefits.**	30(5) and 30A(5) of the Benefits Regulations 2007	The appropriate policy of Havering Council as an employer will be applied with delegated authority given to the Pensions Panel to make a decision on a case by case basis.
2.14	**When a Scheme employer has exited the Fund, the Administering Authority may consent to "switch on" the 85 year rule for a pensioner member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60.**	Sch 2 of the Transitional Regulations 2014	The appropriate policy of Havering Council as an employer will be applied with delegated authority given to the Pensions Panel to make a decision on a case by case basis.
2.15	Whether to require any strain on Fund costs to be paid "up front" by employing authority if the employing authority "switches on" the 85 year rule for a member voluntarily retiring prior to age 60, or waives an actuarial reduction on compassionate grounds.	Schedule 2, para 2(3) of the Transitional Regulations 2014	The Administering Authority will require all strain costs to be paid by employers in accordance with the Rates and Adjustment Certificate, Funding Strategy Statement or Charging Policy and following guidance produced by the fund actuary. Payment is required immediately in the form of lump sum, unless otherwise authorised by the Section 151 Officer.
2.16	When a Scheme employer has exited the Fund, the Administering Authority may decide whether a deferred beneficiary meets permanent ill health and reduced likelihood of gainful employment criteria.	31(4) of the Benefits Regulations 2007	The appropriate policy of Havering Council as an employer will be applied with delegated authority given to the Pensions Panel to make a decision on a case by case basis.
2.17	When a Scheme employer has exited the Fund, the Administering Authority may decide whether a suspended ill health tier 3 member is permanently incapable of undertaking any gainful employment.	31(7) of the Benefits Regulations 2007	The appropriate policy of Havering Council as an employer will be applied with delegated authority given to the Pensions Panel to make a decision on a case by case basis.

2.18	Decide to whom death grant is paid.	23(2), 32(2), 35(2) of the Benefits Regulations 2007, Schedule 1 of the Transitional Regulations 2008 & Regulation 155 of the 1997 Regulations	The decision as to the beneficiary is made on a case by case basis after referral by the Pensions Projects and Contracts Manager to the Head of People Transactional Services for agreement upon collection of all the relevant facts. Where cases are contentious, the Head of People Transactional Services may refer the decision to the Pension Panel. Where an expression of wish form is in place this will be taken into consideration. The London Borough of Havering reserves the right to request sight of the Grant of Probate or Letters of Administration and request an Executors Account is opened.
2.19	Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member.	Schedule 1 of the 2013 Regulations & 17(9)(b) of the Transitional Regulations 2014	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis, taking into account regulatory requirements and having regard to judgments in relevant court cases or the Pensions Ombudsman determinations.
2.20	Decide to treat child (who has not reached the age of 23) as being in continuous education or vocational training despite a break.	Schedule 1 of the 2013 Regulations & 17(9)(a) of the Transitional Regulations 2014	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.
2.21	Decide whether to trivially commute a member's pension under section 166 of the Finance Act 2004. Decide whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004. Decide whether to pay a commutation payment under regulations 6 (payment after relevant accretion), 11 (de minimis rule for pension schemes) or 12 (payments by larger pension schemes) of the Registered Pension Schemes (Authorised Payments) Regulations 2009 (excludes survivor pensions and pension credit members).	39(1) of the Benefits Regulations 2007 & Regulation 14(3) of the Transitional Regulations 2008	Where the pension in payment is of such an amount that when commuted to a single lump sum and the conditions are within those laid down in the Finance Act to allow such a payment without any tax charge being imposed on the fund, the capital value of the pension will be paid where the member makes a positive election. Where no election is received delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.

2.22	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership.	42(1)(c) of the Benefits Regulations	The benefits entitlement that yields the highest overall level of benefits for the member will be awarded.
2.23	Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1 April 2008).	Schedule 1 of the Transitional Regulations 2008 and Regulation 23 of the 1997 Regulations	It will be deemed that an election has been made in this situation and the most favourable pay will be used in calculations.

Section 3 Discretionary policies in relation to councillor members who ceased active membership on or after 1 April 1998 and any other scheme members who ceased active membership on or after 1 April 1990 and before1 April 2008.

It should be noted that elected Councillors at the London Borough of Havering did not elect to become members of the LGPS and therefore discretions referring only to councillor members have been omitted from this document.

No	Discretion	Regulation	Discretion Application
3.1	**When a Scheme employer has exited the Fund the Administering Authority may consent to "switch on" the 85 year rule for a member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60.**	Sch 2 of the Transitional Regulations 2014	The appropriate policy of Havering Council as an employer will be applied with delegated authority given to the Pensions Panel to make a decision on a case by case basis.
3.2	**When a Scheme employer has exited the Fund the Administering Authority may consent to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early**	31(5) of 1997 Regulations, Schedule 2 para 1(2) of Transitional Regulations 2014	The appropriate policy of Havering Council as an employer will be applied with delegated authority given to the Pensions Panel to make a decision on a case by case basis.
3.3	Decide to whom death grant is paid.	38(1) & 155(4) of the 1997 Regulations	The decision as to the beneficiary is made on a case by case basis after referral by the Pensions Projects and Contracts Manager to the Head of People Transactional Services for agreement upon collection of all the relevant facts. Where cases are contentious, the Head of People Transactional Services may refer the decision to the Pension Panel. Where an expression of wish form is in place this will be taken into consideration. The London Borough of Havering reserves the right to request sight of the Grant of Probate or Letters of Administration and request an Executors Account is opened.
3.4	Decide to treat child (who has not reached the age of 23) as being in continuous education or vocational training despite a break.	Schedule 1 2013 Regulations & Regulation 17)(9)(a) of the Transitional Regulations 2014	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.

3.5	Apportionment of children's pension amongst eligible children.	47(1) of the 1997 Regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
3.6	Pay child's pension to another person for the benefit of the child.	47(2) of the 1997 Regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
3.7	Decide whether to trivially commute a member's pension under section 166 of the Finance Act 2004 (includes pre 1 April 2008 leavers or Pension Credit members where the effective date of the Pension Sharing Order was pre 1 April 2014 or where the effective date of the Pension Sharing Order is after 31 March 2014 but the debited member had no post 31 March 2014 membership of the 2014 Scheme). Decide whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004.	49(1) of the 1997 Regulations & 14(3) of the Transitional Regulations 2014	Where the pension in payment is of such an amount that when commuted to a single lump sum and the conditions are within those laid down in the Finance Act to allow such a payment without any tax charge being imposed on the fund, the capital value of the pension will be paid where the member makes a positive election. Where no election is received delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.
3.8	Decide whether to commute benefits due to exceptional ill-health (including Pension Credit members where the effective date of the Pension Sharing Order was pre 1 April 2014 or where the effective date of the Pension Sharing Order is after 31 March 2014 but the debited member had no post 31 March 2014 membership of the 2014 Scheme).	50 & 157 of the 1997 Regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
3.9	Whether to require any strain on Fund costs to be paid "up front" by employing authority if the employing authority "switches on" the 85 year rule for a member voluntarily retiring on or after age 55 and prior to age 60, or waives an actuarial reduction on compassionate grounds under TP Sch2 para 2(1)	80(5) of the 1997 Regulations	The Administering Authority will require all strain costs to be paid by employers in accordance with the Rates and Adjustment Certificate, Funding Strategy Statement or Charging Policy and following guidance produced by the fund actuary. Payment is required immediately in the form of lump sum, unless otherwise authorised by the Section 151 Officer.
3.10	No right to return of contributions where a member left their employment due to offence of a fraudulent character or grave misconduct in connection with that employment, unless employer directs a total or partial refund is to be made.	88(2) of the 1997 Regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.

3.11	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits.	89(3) of the 1997 Regulations	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis. Where appropriate to recover any contributions from the member, recovery will be by way of deductions from benefits. Where deductions from benefits are not appropriate, the recovery will be pursued as a simple debt.
3.12	Timing of pension increase payments by employers to fund.	91(6) of the 1997 Regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
3.13	Whether to pay the whole or part of the amount that is due to the personnel representatives (including anything due to the deceased member at the date of death) to: the personal representatives, or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965.	95 of the 1997 Regulations	Payments less than the amount specified in section 6 of the Administration of Estates (Small Payments) Act 1965, will be considered on completion of an Indemnity Form. Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis and upon collection of all the relevant facts. Where the amount exceeds that specified amount and there is no expression of wish in place, the London Borough of Havering reserve the right to request sight of the Grant of Probate or Letters of Administration and request an Executors Account is opened.
3.14	Approve medical advisors used by employers.	97(10) of the 1997 Regulations	A medical practitioner who confirms in writing to the employer that they are appropriately qualified and who has been approved for that purpose by the Employer to make any decision made regarding ill health will be deemed to be approved by the Administering Authority.
3.15	Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised	76(4) of the 2013 Regulations & Regulation 23 of the Transitional Regulations 2014	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis and following the procedure in the published IDRP policy.

3.16	Whether administering authority should appeal against employer decision (or lack of a decision)	79(2) of the 2013 Regulations & Regulation 23 of the Transitional Regulations 2014	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
3.17	Specify the information to be supplied by employers (who have made a stage 1 IDRP determination) to enable the administering authority to discharge its functions.	80(1)(b) of the 2013 Regulations & 22(1) & 23 of the Transitional Regulations 2014	In line with any future Pensions Administration Strategy, having regard to regulatory requirements and best practice. Where required delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.
3.18	Date to which benefits shown on annual deferred benefit statement are calculated.	106A(5) of the 1997 Regulations	Annual deferred benefit statements will be calculated at 31st March each year.
3.19	**Abatement of pensions following re-employment.**	3(13) of the Transitional Regulations 2014 & 70(1) and 71(4)(c) of the Administration Regulations 2008	The revised policy from 1 April 2014 is to not abate or reduce the pensions of former members who become re-employed with regard to any period of membership before that date. Abatement of pension payable should continue in respect of any pensioner member who gained further employment covered by the LGPS before 1 April 2014.
3.20	Retention of Contributions Equivalent Premium (CEP) where member transfers out.	118 of the 1997 Regulations	The CEP will be retained.
3.21	Discharge Pension Credit liability.	147 of the 1997 Regulations	Pension Credit Members will not be required to transfer out of the Fund.

Section 4 Discretionary policies in relation to members who ceased active membership before1 April 1998.

No	Discretion	Regulation	Discretion Application
4.1	Where a Scheme employer has exited the Fund the Administering Authority may consent to grant application for early payment of deferred benefits on or after age 50 on compassionate grounds. (Although the common provisions of the 1997 Transitional Regulations do not specify regulation D11(2)(c), there intention was that it should apply to this regulation).	3(5A)(vi) of the Transitional Regulations 2014 & 4 of the Transitional Regulations 1997 & 106 of the 1997 Regulations & D11(2)(c) of the 1995 Regulations	The appropriate policy of Havering Council as an employer will be applied with delegated authority given to the Pensions Panel to make a decision on a case by case basis.
4.2	Decide to whom death grant is paid.	E8 of the 1995 regulations	The decision as to the beneficiary is made on a case by case basis after referral by the Pensions Projects and Contracts Manager to the Head of People Transactional Services for agreement upon collection of all the relevant facts. Where cases are contentious, the Head of People Transactional Services may refer the decision to the Pension Panel. Where an expression of wish form is in place this will be taken into consideration. The London Borough of Havering reserves the right to request sight of the Grant of Probate or Letters of Administration and request an Executors Account is opened.
4.3	Whether to pay spouse's pensions for life (rather than ceasing during any period of remarriage or co-habitation).	F7 of the 1995 regulations	Spouses' benefits should be paid for life and not be suspended during any period of remarriage or cohabitation.

4.4	Decide to treat child (who has not yet reached the age of 23) as being in continuous education or vocational training despite a break.	Schedule 1 of the 2013 Regulations & 17(9)(a) of the Transitional Regulations 2014	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.
4.5	Apportionment of children's pension amongst eligible children.	G11(1) of the 1995 regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
4.6	Pay child's pension to another person for the benefit of the child.	G11(2) of the 1995 regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
4.7	**Abatement of pensions following re-employment.**	3(13) of the Transitional Regulations & 70(1) & 71(4)(c) of Administration Regulations 2008	The revised policy from 1 April 2014 is to not abate or reduce the pensions of former members who become re-employed with regard to any period of membership before that date. Abatement of pension payable should continue in respect of any pensioner member who gained further employment covered by the LGPS before 1 April 2014.
4.8	Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised.	76(4) of the 2013 Regulations & 23 of the Transitional Regulations 2014	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis and following the procedure in the published IDRP policy.
4.9	Whether administering authority should appeal against employer decision (or lack of a decision)	79 of the 2013 Regulations & 23 of the Transitional Regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.

		2014	
4.10	Specify the information to be supplied by employers (who have made a stage 1 IDRP determination) to enable the administering authority to discharge its functions.	80(1)(b) of the 2013 Regulations & 22(1) & 23 of the Transitional Regulations 2014	In line with any future Pensions Administration Strategy, having regard to regulatory requirements and best practice. Where required delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.

(Section 5 has no Administering Authority Discretions)

Section 6 Discretionary policy under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended).

No	Discretion	Regulation	Discretion Application
6.1	Agree to pay annual compensation on behalf of employer and recharge payments to employer.	31(2)	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.

(Sections 7 & 8 have no Administering Authority Discretions and section 9 is only applicable to Wales)

Section 10 Discretionary policy under the Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011.

No	Discretion	Regulation	Discretion Application
10.1	To decide whether it is legally able to offer voluntary scheme pays.	2	The policy is to approve the use of Voluntary Scheme Pays where: • a member's pension savings within the London Borough of Havering Pension Fund is subject to the tapered annual allowance, and • the tax breach stems only from the member's London Borough of Havering Pension Fund benefits rather than via growth in multiple pension schemes, and • The application is received in writing by London Borough of Havering Pension Fund by 30 November in the tax year following the year to which the tax charge relates. Late applications may be considered by the Head of People Transactional Services on a case by case basis.

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Section 1 Discretionary policies applicable from 1 April 2014 in relation to post 31 March 2014 active members and post 31 March 2014 leavers

No	Discretion	Regulation	Discretion Application
1.1	Determine rate of employees' contributions.	9(1) & (3) of the 2013 Regulations	The employee contribution band will be reviewed each April. The salary used to determine the band will be assessed by taking into account the pensionable pay received in the previous financial year, not taking into account any reductions to pay due to child related absence, or sick pay, and equating to a full year if starting employment during the financial year. We will review the banding in the event of a material change where a member requests such a review.
1.2	**Whether, how much, and in what circumstances to contribute to a shared cost APC scheme.**	16(2)(e) & (4)(d) of the 2013 Regulations	The Council will generally not contribute by either regular contributions (2)(e) or lump sum contribution (4)(d) towards a members additional pension contributions but may determine on a case by case basis if there has been any operational benefit gained by the employer and if so whether the APC should be wholly or partly funded. Strike action will not be funded.
1.3	Whether to extend 30 day deadline for member to elect for a shared cost APC upon return from a period of absence from work with permission with no pensionable pay (otherwise than because of illness or injury, relevant child-related leave or reserve forces service leave).	16(16) of the 2013 Regulations	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis, where it can be evidenced that a member was unaware of the 30 day deadline. Strike action will not be funded.
1.4	Whether, how much, and in what circumstances to contribute to shared cost AVC arrangements.	17(1) of the 2013 Regulations	The decision taken by the Investment Committee in 2001 is still relevant, therefore for the time being the Council does not set up a shared cost AVC facility.
1.5	Allow late application to convert scheme AVCs into membership credit i.e. allow application more than 30 days after cessation of active membership (where AVC arrangement was entered into before 13 November 2001).	15(2A)(b) of the 2013 Regulations & 66(8) & former L66(9)(b) of the 1997 Regulations	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.

1.6	No right to return of contributions where a member left their employment due to offence of a fraudulent character or grave misconduct in connection with that employment, unless employer directs a total or partial refund is to be made.	19(2) of the 2013 Regulations	In the first instance contributions will be withheld and all cases will be referred to the Pensions Panel who under delegated authority will decide on any refund they deem applicable.
1.7	Specify in an employee's contract what other payments or benefits (other than those specified in 20(1)(a) and not otherwise precluded by 20(2)) are to be pensionable.	20(1)(b) of the 2013 Regulations	Where the Council wishes to specify in a contract of employment that other payments or benefits may also be pensionable delegated authority is given to the Pensions Panel to make a decision on a case by case basis with the appropriate business case being presented.
1.8	In determining Assumed Pensionable Pay (APP), whether a lump sum payment made in the previous 12 months is a "regular lump sum".	21(5) of the 2013 Regulations	Delegated authority is given to the Head of People Transactional Services make a decision on a case by case basis.
1.9	Where in the Employer's opinion, the pensionable pay received in relation to an employment (adjusted to reflect any lump sum payments) in the 3 months (or 12 weeks if not paid monthly) preceding the commencement of Assumed Pensionable Pay (APP), is materially lower than the level of pensionable pay the member would have normally received, decide whether to substitute a higher level of pensionable pay having had regard to the level of pensionable pay received by the member in the previous 12 months	21(5A) & (5B) of the 2013 Regulations	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.
1.10	Whether to extend the 12 month option period for a member to elect that post 31 March 2014 deferred benefits should not be aggregated with a new employment.	22(8)(b) of the 2013 Regulations	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis taking account of the relevant circumstances.
1.11	Whether to extend the 12 month option period for a member (who did not become a member of the 2014 Scheme by virtue of TP5(1)) to elect that pre 1 April 2014 deferred benefits should be aggregated with a new employment.	10(6) of the Transitional Regulations 2014	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis taking account of the relevant circumstances.
1.12	Whether to extend the 12 month option period for a member to elect that post 31 March 2014 deferred benefits should not be aggregated with an ongoing concurrent employment.	22(7)(b) of the 2013 Regulations	Delegated authority is given to Head of People Transactional Services to make a decision on a case by case basis taking account of the relevant circumstances.

1.13	**Whether all or some benefits can be paid if an employee reduces their hours or grade (flexible retirement).**	30(6) of the 2013 Regulations & 11(2) of the Transitional Regulations 2014	The Council has decided to allow flexible retirement in cases where there is normally no or minimal cost to the Council. Delegated authority is given to the Pensions Panel to make a decision on a case by case basis, ensuring the detailed merits of each individual case is taken into account. The request must be in line with the current Flexible Retirement Policy. The following criteria apply: • there must be at least at 25% reduction in pay or hours • the member may not move to another promotion post with the Council and/or increase their hours following flexible retirement • will not be granted a 2nd or subsequent flexible retirement
1.14	**Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement.**	30(8) of the 2013 Regulations	In exceptional circumstances the Council may consider waiving the actuarial reduction where it is in the Council's interest to do so. Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
1.15	**Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age other than on the grounds of flexible retirement (where the member only has post 31 March 2014 membership).**	30(8) of the 2013 Regulations	The Council may waive actuarial reduction on benefits which a member voluntarily draws before normal pension age (other than on the grounds of flexible retirement) where they consider the retirement to be on compassionate grounds. Retirement on compassionate grounds is normally defined as: • The applicant had to leave employment to care for a dependent who is suffering from long term illness/incapacity. For this purpose dependent normally includes a partner, child or parent; and • That the dependant's need is for constant supervision for both day and night and that this is supported by confirmation from the Benefits Agency that an Attendance Allowance at the higher rate is payable; and • That the dependant has no recourse to alternative means of support from his/her immediate family nor the financial resources to provide independent care support (for this purpose a certified statement of income and expenditure will be required); and • That the applicant is suffering or facing severe financial hardship, that the applicant has no other significant source of income and that their personal financial circumstances

			are unlikely to improve. For this purpose the applicant will be required to submit a certified statement of income and expenditure covering both the applicant and any partner living with them; and • That the applicant's opportunities for employment are severely limited by the nature of the care duties they are undertaking. Delegated authority is given to the Pensions Panel to make a decision on a case by case basis
1.16	**Whether to "switch on" the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60 (other than on the grounds of flexible retirement).**	Sch 2 para 1(2) & (1)(c) of the Transitional Regulations 2014	The Council will not usually exercise discretion to fund additional costs applicable to the 85 Year Rule for 55 to 60 year olds. However, in exceptional circumstances the Council may consider applying the 85 year rule in this scenario where it is in the Council's interest to do so. Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
1.17	**Whether to agree to waive any actuarial reduction for a member voluntarily drawing benefits before normal pension age other than on the grounds of flexible retirement (where the member has both pre 1 April 2014 and post 31 March 2014 membership) on:** **a) compassionate grounds (pre 1 April 2014 membership) and in whole or in part on any grounds (post 31 March 2014 membership) if the member was not in the Scheme before 1 October 2006,** **b) compassionate grounds (pre 1 April 2014 membership) and in whole or in part on any grounds (post 31 March 2014 membership) if the member was in the Scheme before 1 October 2006, will not be 60 by 31 March 2016 and will not attain 60 between 1 April 2016 and 31 March 2020 inclusive,** **c) compassionate grounds (pre 1 April 2016 membership) and in whole or in part on any grounds**	30(5), 30A(5) of the Benefits Regulations 2007 & 3(1) & Schedule 2, para2(a) of the Transitional Regulations 2014	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis. The waiving of an actuarial reduction on compassionate grounds will be reviewed with the following criteria taken into consideration– • Required to care for dependent • Dependents need for constant supervision • No recourse to alternative care • Suffering severe hardship • Opportunity for employment severely limited If all the above criteria are met the Pension Panel will consider such cases. Any actuarial reduction that may apply will not be waived other than in extreme circumstances where the application has been enforced on the member due to unforeseen circumstances or circumstances beyond their control. Any costs that are incurred will be paid by the relevant service/department.

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	(post 31 March 2016 membership) if the member was in the Scheme before 1 October 2006 and will be 60 by 31 March 2016, **d) compassionate grounds (pre 1 April 2020 membership) and in whole or in part on any grounds (post 31 March 2020 membership) if the member was in the Scheme before 1 October 2006, will not be 60 by 31 March 2016 and will attain 60 between 1 April 2016 and 31 March 2020 inclusive.**		
1.18	**Whether to grant additional pension to an active member or within 6 months of ceasing to be an active member by reason of redundancy or business efficiency (by up to £7,194 p.a. on 1 April 2020 - this figure is inflation proofed annually).**	31 of the 2013 Regulations	The Council does not generally apply the discretion to award additional pension but may in extreme cases where the full cost and benefit is presented in a business case. Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
1.19	Whether to agree to use a certificate produced by an Independent Registered Medical Practitioner (IRMP) under the 2008 Scheme for the purposes of making an ill health determination under the 2014 Scheme.	12(6) of the Transitional Regulations 2014	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.
1.20	Determine whether person in receipt of Tier 3 ill health pension has started gainful employment.	37(3) & (4) of the 2013 Regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
1.21	Whether to recover any overpaid Tier 3 pension following commencement of gainful employment.	37(3) of the 2013 Regulations	Where pension payments have continued to be paid after the date of discontinuance they should be recovered in all cases with the individual being notified of the repayment procedure and timescales.
1.22	Decide whether deferred beneficiary meets criteria of being permanently incapable of former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is the sooner.	38(3) of the 2013 Regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis taking account of the opinion of the IRMP and all relevant facts.
1.23	Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health.	38(6) of the 2013 Regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis taking account of the opinion of the IRMP and all relevant facts.

1.24	Whether to apply to Secretary of State for a forfeiture certificate where member is convicted of a relevant offence (a relevant offence is an offence committed in connection with an employment in which the person convicted is a member, and because of which the member left the employment).	91(1)&(8) of the 2013 Regulations	The Council will seek recovery of any loss it has suffered and delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
1.25	Where forfeiture certificate is issued, whether to direct that benefits are to be forfeited (other than rights to GMP – but see R95 below).	91(4) of the 2013 Regulations	The Council will seek recovery of any loss it has suffered and delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
1.26	Where forfeiture certificate is issued, whether to direct interim payments out of Pension Fund until decision is taken to either apply the certificate or to pay benefits.	92(1)&(2) of the 2013 Regulations	The Council will seek recovery of any loss it has suffered and delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
1.27	Whether to recover from Fund any monetary obligation or, if less, the value of the member's benefits (other than benefits from transferred in pension rights or APCs or AVCs or, subject to R95 below, in respect of any GMP) where the obligation was incurred as a result of a grave misconduct or a criminal, negligent or fraudulent act or omission in connection with the employment and as a result of which the person has left employment.	93(2) of the 2013 Regulations	The Council will seek recovery of any loss it has suffered and delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
1.28	Whether, if the member has committed treason or been imprisoned for at least 10 years for one or more offences under the Official Secrets Acts, forfeiture under R91 or recovery of a monetary obligation under R93 should deprive the member or the member's surviving spouse or civil partner of any GMP entitlement.	95 of the 2013 Regulations	The Council will seek recovery of any loss it has suffered and delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
1.29	Agree to bulk transfer payment.	98(1)(b) of the 2013 Regulations	Delegated authority is given to the Head of People Transactional Services, in consultation with the Pension Fund Actuary, to make a decision on a case by case basis.
1.30	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS.	100(6) of the 2013 Regulations	Each case is determined on a case by case basis with delegated authority being given to the Head of People Transactional Services upon collection of all the relevant facts.

1.31	Whether to allow a member to select final pay period for fees to be any 3 consecutive years ending 31 March in the 10 years prior to leaving.	3(6), 4(6)(c), 8(4), 10(2)(a), 17(2)(b) of the Transitional Regulations 2014 & 11(2) of the Benefits Regulations 2007	Where a scheme member's final pay consists of fees then the use of a period of three years ending on 31st March in last ten will be permitted so as to have a fairer fee figure used in the calculation of benefits.
1.32	Issue a certificate of protection of pension benefits where member fails to apply for one (pay cuts / restrictions occurring pre 1 April 2008).	3(1)(a) of the Transitions Regulations 2014, Schedule 1 of the Transitional Regulations 2008 & 23(4) of the 1997 Regulations	It will be deemed that a certificate has been issued in this situation and the most favourable pay will be used in calculations.

Section 2 Discretionary policies in relation to scheme members (excluding councillor members) who ceased active membership on or after 1 April 2008 and before1 April 2014.

No	Discretion	Regulation	Discretion Application
2.1	Allow late application to convert scheme AVCs into membership credit i.e. allow application more than 30 days after cessation of active membership.	Schedule 1 of the Transitional Regulations 2008, 66(8) & former 66(9)(b) of the 2007 Regulations	Delegated authority is given to the Head of People Transactional Services to make a decision on a case by case basis.
2.2	No right to return of contributions where member left their employment due to offence of a fraudulent character or grave misconduct in connection with that employment, unless employer directs a total or partial refund is to be made.	47(2) of the Administration Regulations 2008	In the first instance contributions will be withheld, all cases will be referred to the Pensions Panel who under delegated authority will decide on any refund they deem is applicable
2.3	Whether to apply to Secretary of State for a forfeiture certificate where member is convicted of a relevant offence (a relevant offence is an offence committed in connection with an employment in which the person convicted is a member, and because of which the member left the employment).	72(1) & (6) of the Administration Regulations 2008	The Council will seek recovery of any loss it has suffered and delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
2.4	Where forfeiture certificate is issued, whether to direct that benefits are to be forfeited.	72(3) of the Administration Regulations 2008	The Council will seek recovery of any loss it has suffered and delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
2.5	Where forfeiture certificate is issued, whether to direct interim payments out of Pension Fund until decision is taken to either apply the certificate or to pay benefits.	73(1)&(2) of the Administration Regulations 2008	The Council will seek recovery of any loss it has suffered and delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
2.6	Whether to recover from Fund any monetary obligation or, if less, the value of the member's benefits (other than transferred in pension rights or AVCs/SCAVCs) where the obligation was incurred as a result of a criminal, negligent or fraudulent act or	74(2) of the Administration Regulations 2008	The Council will seek recovery of any loss it has suffered and delegated authority is given to the Pensions Panel to make a decision on a case by case basis.

	omission in connection with the employment and as a result of which the person has left employment.		
2.7	Whether to recover from Fund any financial loss caused by fraudulent offence or grave misconduct of employee (who has left employment because of that fraudulent offence or grave misconduct), or amount of refund if less.	76(2)&(3) of the Administration Regulations 2008	The Council will seek recovery of any loss it has suffered and delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
2.8	**Whether to "switch on" the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60.**	Sch 2 of the Transitional Regulations 2014	The Council will not usually exercise discretion to fund additional costs applicable to the 85 Year Rule for 55 to 60 year olds. However, in exceptional circumstances the Council may consider applying the 85 year rule in this scenario where it is in the Council's interest to do so. Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
2.9	**Whether to consent to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early under B30 for a member or pensioner member with deferred benefits.**	30(5) and 30A(5) of the Benefits Regulations 2007	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis. The Panel will only agree to the waiving of an actuarial reduction in extreme circumstances where the application has been enforced on the member due to unforeseen circumstances or circumstances beyond their control.
2.10	**Whether to consent to "switch on" the 85 year rule for a pensioner member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60.**	Sch 2 of the Transitional Regulations 2014	The Council will not usually exercise discretion to fund additional costs applicable to the 85 Year Rule for 55 to 60 year olds. However, in exceptional circumstances the Council may consider applying the 85 year rule in this scenario where it is in the Council's interest to do so. Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
2.11	Decide whether deferred beneficiary meets permanent ill health and reduced likelihood of gainful employment criteria.	31(4) of the Benefits Regulations 2007	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis taking account of the opinion of the IRMP and all relevant facts.
2.12	Decide whether a suspended ill health tier 3 member is permanently incapable of undertaking any gainful employment.	31(7) of the Benefits Regulations 2007	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis taking account of the opinion of the IRMP and all relevant facts.

Section 3 Discretionary policies in relation to councillor members who ceased active membership on or after 1 April 1998 and any other scheme members who ceased active membership on or after 1 April 1990 and before1 April 2008.

It should be noted that elected Councillors at the London Borough of Havering did not elect to become members of the LGPS and therefore discretions referring only to councillor members have been omitted from this document.

No	Discretion	Regulation	Discretion Application
3.1	**Whether to grant application for early payment of deferred benefits on or after age 50 and before age 55.**	31(2) of the 1997 Regulations	Early payment of benefits prior to age 55 will not be permitted except in compassionate cases with the following criteria taken into consideration– • Required to care for dependent • Dependents need for constant supervision • No recourse to alternative care • Suffering severe hardship • Opportunity for employment severely limited Where all the above criteria are met delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
3.2	**Whether to "switch on" the 85 year rule for a member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60.**	Sch 2 para 1(2) & (1)(f) of the Transitional Regulations 2014 & 60 of the 2013 Regulations	The Council will not usually exercise discretion to fund additional costs applicable to the 85 Year Rule for 55 to 60 year olds. However, in exceptional circumstances the Council may consider applying the 85 year rule in this scenario where it is in the Council's interest to do so. Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
3.3	**Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early**	Sch 2 para 2(1) of the Transitional Regulations 2014 & 31(5) of the 1997 Regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis. The Panel will only agree to the waiving of an actuarial reduction in extreme circumstances where the application has been enforced on the member due to unforeseen circumstances or circumstances beyond their control.
3.4	Decide, in the absence of an election from the member within 3 months of being able to elect, which benefit is to be paid where the member would be entitled to a pension or retirement grant under 2 or more regulations in respect of the same period of Scheme membership.	34(1)(b) of the 1997 Regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.

3.5	Consent to a member's former employer assigning to the new employer rights under any SCAVC life assurance policy.	71(7)(a) of the 1997 Regulations	No SCAVC payments are permitted.
3.6	Forfeiture of pension rights on issue of Secretary of State's certificate following a relevant offence (a relevant offence is an offence committed in connection with an employment in which the person convicted is a member, and because of which the member left the employment).	111(2)&(5) of the 1997 Regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
3.7	Where forfeiture certificate is issued, direct interim payments out of Pension Fund until decision is taken to either apply the certificate or to pay benefits.	112(1) of the 1997 Regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
3.8	Recovery from Fund of monetary obligation owed by former employee or, if less, the value of the member's benefits (other than transferred in pension rights).	113(2) of the 1997 Regulations	The Council will seek recovery of any loss it has suffered and delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
3.9	Recovery from Fund of financial loss caused by employee, or amount of refund if less.	115(2)&(3) of the 1997 Regulations	The Council will seek recovery of any loss it has suffered and delegated authority is given to the Pensions Panel to make a decision on a case by case basis.

Section 4 Discretionary policies in relation to members who ceased active membership before1 April 1998.

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No	Discretion	Regulation	Discretion Application
4.1	**Whether to grant application for early payment of deferred benefits on or after age 50 on compassionate grounds.**	3(5A)(vi) of the Transitional Regulations 2013, 4 of the Transitional Regulations 1995, 106(1) of the 1997 Regulations & D11 (2)(c) of the 1995 Regulations	Early payment of benefits on or after age 50 will be considered with the following criteria taken into account– • Required to care for dependent • Dependents need for constant supervision • No recourse to alternative care • Suffering severe hardship • Opportunity for employment severely limited Where all the above criteria are met delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
4.2	Decide, in the absence of an election from the member within 3 months of being able to elect, which benefit is to be paid where the member would be entitled to a pension or retirement grant under 2 or more regulations in respect of the same period of Scheme membership.	D10 of the 1995 Regulations	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.

Section 5 Discretionary policies in relation to employees of an employing authority that is defined under regulation 2 of The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (as amended)

No	Discretion	Regulation	Discretion Application
5.1	**Whether to base redundancy payments on an actual week's pay where this exceeds the statutory week's pay limit.**	5 of the Early Termination of Employment Regulations 2006	The Council agrees to increase the minimum statutory redundancy payment by removing the weekly pay cap under the Employment Rights Act 1996 and basing the payment on the employee's actual weekly pay. Redundancy payments may not exceed the cap determined by the Havering Pay Policy Statement.
5.2	**Whether to award lump sum compensation of up to 104 week's pay in cases of redundancy, termination of employment on efficiency grounds, or cessation of a joint appointment.**	6 of the Early Termination of Employment Regulations 2006	The Council does not apply this discretion.

Section 6 Discretionary policy under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended).

No	Discretion	Regulation	Discretion Application
6.1	**Mandatory written policy How to apportion any surviving spouses or civil partner's annual compensatory added years' payment where the deceased person is survived by more than one spouse or civil partner.**	21(4) of the Early Termination of Employment Regulations 2000	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
6.2	**Mandatory written policy How it will decide to whom any children's annual compensatory added years payments are to be paid where children's pensions are not payable under the LGPS (because the employee had not joined the LGPS) and, in such a case, how the annual added years will be apportioned amongst the eligible children.**	25(2) of the Early Termination of Employment Regulations 2000	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.

6.3	**Whether, in respect of the spouse of a person who ceased employment before 1 April 1998 and where the spouse or civil partner remarries, enters into a new civil partnership or cohabits after 1 April 1998, the normal pension suspension rules should be disapplied i.e. whether the spouse's or civil partner's annual compensatory added years payments should continue to be paid.**	21(7) of the Early Termination of Employment Regulations 2000	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
6.4	**If, under the preceding decision, the authority's policy is to apply the normal suspension rules, whether the spouse's or civil partner's annual compensatory added years payment should be reinstated after the end of the remarriage, new civil partnership or cohabitation.**	21(5) of the Early Termination of Employment Regulations 2000	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
6.5	**Whether, in respect of the spouse or civil partner of a person who ceased employment before 1 April 1998 and where the spouse or civil partner remarries or cohabits or enters into a civil partnership on or after 1 April 1998 with another person who is also entitled to a spouse's or civil partners annual CAY payment, the normal rule requiring one of them to forego payment whilst the period of marriage, civil partnership or co-habitation lasts, should be disapplied i.e. whether the spouses' or civil partners' annual CAY payments should continue to be paid to both of them.**	21(7) of the Early Termination of Employment Regulations 2000	Delegated authority is given to the Pensions Panel to make a decision on a case by case basis.
6.6	**To what extent to reduce or suspend the member's annual compensatory added year's payment during any period of re-employment in local government.** **And** **How to reduce the member's annual compensatory added year's payment following the cessation of a period of re-employment in local government**	17 & 19 of the Early Termination of Employment Regulations 2000	The Council will abate the pension payable on account of reemployment when the pensioner could re-enter the LGPS and the pensioner's overall income upon commencement of re-employment by way of re-employed earnings and annual retirement benefits otherwise payable exceeds the level of pensionable earnings of the relevant former employment.

Section 7 The Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011

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No	Discretion	Regulation	Discretion Application
7.1	**Whether to grant an injury allowance following reduction in remuneration as a result of sustaining an injury or contracting a disease in the course of carrying out duties of the job. and Amount of injury allowance following reduction in remuneration as a result of sustaining an injury or contracting a disease in the course of carrying out duties of the job.**	3(1),(4) and 8 of the Injury Allowances Regulations	The Council will not adopt an injury benefit scheme
7.2	**Determine whether person continues to be entitled to an injury allowance awarded under regulation 3(1) (reduction in remuneration as a result of sustaining an injury or contracting a disease in the course of carrying out duties of the job).**	3(2) of the Injury Allowances Regulations	The Council will not adopt an injury benefit scheme
7.3	**Whether to grant an injury allowance following cessation of employment as a result of permanent incapacity caused by sustaining an injury or contracting a disease in the course of carrying out duties of the job and Amount of injury allowance following cessation of employment as a result of permanent incapacity caused by sustaining an injury or contracting a disease in the course of carrying out duties of the job.**	4(1),(3) & 8 of the Injury Allowances Regulations	The Council will not adopt an injury benefit scheme
7.4	**Determine whether person continues to be entitled to an injury allowance awarded under regulation 4(1) (loss of employment through permanent incapacity).**	4(2) of the Injury Allowances Regulations	The Council will not adopt an injury benefit scheme
7.5	**Whether to suspend or discontinue injury allowance awarded under regulation 4(1) (loss of employment through permanent incapacity) if person secures paid**	4(5) of the Injury Allowances Regulations	The Council will not adopt an injury benefit scheme

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	employment for not less than 30 hours per week for a period of not less than 12 months.		
7.6	**Whether to grant an injury allowance following cessation of employment with entitlement to immediate LGPS pension where a regulation 3 payment (reduction in remuneration as a result of sustaining an injury or contracting a disease in the course of carrying out duties of the job) was being made at date of cessation of employment but regulation 4 (loss of employment through permanent incapacity) does not apply and Determine amount of any injury allowance to be paid under regulation 6(1) (payment of injury allowance following the cessation of employment).**	6(1) of the Injury Allowances Regulations	The Council will not adopt an injury benefit scheme
7.7	**Determine whether and when to cease payment of an injury allowance payable under regulation 6(1) (payment of injury allowance following the cessation of employment).**	6(2) of the Injury Allowances Regulations	The Council will not adopt an injury benefit scheme
7.8	**Whether to grant an injury allowance to the spouse, civil partner, co-habiting partner (the requirement to nominate a co-habiting partner has ceased entirely under these regulations due to the outcome of the Elmes v Essex high court judgement) or dependent of an employee who dies as a result of sustaining an injury or contracting a disease in the course of carrying out duties of the job. and Determine amount of any injury allowance to be paid to the spouse, civil partner, nominated co-habiting partner (for awards made on or after 1 April 2008 the requirement to nominate a co-habiting partner has ceased due to the outcome of the Elmes v Essex high court judgement) or dependent of an employee under regulation 7(1) (employee who dies as a result of sustaining an injury or contracting a disease in the course of carrying out duties of the job).**	7(1),(2) & 8 of the Injury Allowances Regulations	The Council will not adopt an injury benefit scheme
7.9	**Determine whether and when to cease payment of an injury allowance payable under regulation 7(1) (employee**	7(3) of the Injury Allowances	The Council will not adopt an injury benefit scheme

	who dies as a result of sustaining an injury or contracting a disease in the course of carrying out duties of the job).	Regulations	

Section 8 The Local Government (Discretionary Payments) Regulations 1996 (as amended)

No	Discretion	Regulation	Discretion Application
8.1	Suspend or discontinue injury allowance if person becomes capable of working again.	34(4) of the Discretionary Payments Regulations	The Council will not adopt an injury benefit scheme
8.2	Amount of injury allowance following reduction in pay after sustaining an injury or contracting a disease as a result of anything required to do in carrying out duties of job.	35(3) & 38 of the Discretionary Payments Regulations	The Council will not adopt an injury benefit scheme
8.3	Amount and duration of injury allowance following cessation of employment where regulation 35 payment (injury allowance following reduction in pay after sustaining an injury or contracting a disease as a result of anything required to do in carrying out duties of job) was being made but regulation 34 (injury allowance following loss of employment through permanent incapacity after sustaining an injury or contracting a disease as a result of anything required to do in carrying out duties of job) does not apply.	36 of the Discretionary Payments Regulations	The Council will not adopt an injury benefit scheme
8.4	Amount and duration of a dependant's, spouse's or civil partner's injury allowance following death of employee after sustaining an injury or contracting a disease as a result of anything required to do in carrying out duties of job.	37(3),(6) & 38 of the Discretionary Payments Regulations	The Council will not adopt an injury benefit scheme
8.5	Reinstate spouse's or civil partner's injury allowance following earlier cessation due to cohabitation, remarriage or registration of a new civil partnership.	37(4) of the Discretionary Payments Regulations	The Council will not adopt an injury benefit scheme

8.6	Amount of gratuity payable to surviving dependant, spouse or civil partner where amount of annuity payments fall short of their capital value at date of award.	41(4) of the Discretionary Payments Regulations	The Council does not use annuities where a gratuity is payable.
8.7	Amount of gratuity payable to surviving dependant, spouse or civil partner where amount of redundancy annuity payments fall short of their capital value at date of award.	42(4) of the Discretionary Payments Regulations	The Council does not use annuities where a gratuity is payable.
8.8	Amount of gratuity payable to any other surviving dependant, spouse or civil partner where amount of annuity payments paid under 42(4) fall short of their capital value at date of award.	47(7) of the Discretionary Payments Regulations	The Council does not use annuities where a gratuity is payable.
8.9	Formulate and keep under review the injury allowance and gratuity policies to be operated by the authority.	46A of the Discretionary Payments Regulations	The Council will review as and when required.

(Section 9 is only applicable to Wales and section 10 has no Employing Authority discretions)

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PENSIONS COMMITTEE

Subject Heading:	Pension Administration 2021-22 Budget and 2020-21 Balance
SLT Lead:	Jane West
Report Author and contact details:	James Cocks 01708 432266 James.Cocks@oneSource.co.uk
Policy context:	Local Government Pension Scheme Regulations 2013
Financial summary:	2020-21 the pension fund is due to pay an additional £0.094m, as a result of the 50% increase in cost against the 2020-21 budget set for Pension Administration. Agree the revised budget for 2021-22 of £0.504m

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[x]
Places making Havering	[x]
Opportunities making Havering	[x]
Connections making Havering	[x]

Appendix A is not available for public inspection as it contains or relates to exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972. The information is exempt because it relates to the financial or business affairs of any particular person, including the authority holding that information, and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

SUMMARY

The purpose of this report is to present to Committee the forecasted spend for 2020-21 for the Pension Administration Contract held by Lancashire County Council (LCC) and administered by Local Pension Partnership Administration (LPPA).

As part of the service agreement with LCC any over or underspend is charged or refunded at year end, due to the size of the current forecasted 2020/21 overspend of £0.187m, LCC and the London Borough of Havering (LBH) have agreed a cap of 50% of this figure will be charged to LBH pension fund via a year end invoice.

The report will detail a budget to agree for 2021-22 of £0.504m based on membership as of August 2020 of 19,539.

This does provide a significant increase from the 2020-21 budget of £0.320m, Exempt Appendix A provides a cost benefit analysis, which officers carried out to ensure LBH was still obtaining a competitive price.

RECOMMENDATIONS

The committee are asked to;

1. Note the additional costs LBH are due to pay at the end of the 2020-21 financial year, as a result of the overspend against the agreed 2020-21 Pension Administration Service Budget, equating to an estimated cost of £0.094m.
2. Approve the 2021-22 budget for the main Pension Administration Contract of £0.504m.

REPORT DETAIL

1. Background

1.1 In November 2017 the London Borough of Havering entered into a delegated agreement (Local government Act 1972) with LCC, for its Pension Administration service. LCC's pension administration service is provided by LPPA.

1.2 Prior to the delegated agreement commencing LBH had an in house pension administration service, but due to staff turnover and difficulty in recruitment, Havering opted to enter into a delegated agreement as a way to provide long term resilience to the service going forward. The agreement is indefinite with the option of either party terminating on 12 month's notice.

1.3 In late 2019, LPPA advised the authority that they were planning on increasing costs across all their providers above the previously applied annual uplift of CPI, in response to a £3.4m loss they were reporting for their 2020-21 financial year.

1.4 LPPA presented a planned budget to Havering in January 2020, which would increase LBH's standard service price for the financial year 2020-21 (exc. system recharge for Heywood) to £21.85 per member. In 2019-20 the equivalent admin budget was £10.92 and based on a CPI uplift of 1%, LBH would have been expected to have a 2020-21 budget of £11.04 per member (97.92% uplift).

1.5 Based on membership numbers for the 2020-21 financial year of 20,349 the increase would have been an above inflation rise of £0.220m. Detailed in the table below is the breakdown of the proposed 2020-21 pricing.

Year	Service Cost (£)	Service Unit Cost (£)	System Cost (£)	System Unit Cost (£)	Total Cost (£)	Total Unit Cost (£)
2019-20	0.222m	10.92	0.092m	4.53	0.315m	15.46
2020-21 inc. 1% CPI uplift	0.225m	11.04	0.095m	4.68	0.320m	15.72
2020-21	0.445m	21.85	0.095m	4.68	0.540m	26.53
Difference in 2020-21 Budgets	**0.220m**	**97.92%***	**0**	**0**	**0.220m**	**68.77%****

**(£21.85-£11.04)/£11.04 = 97.92%*
***(£26.53-£15.72)/£15.72 = 68.77%*

1.6 As LCC/LPPA operate on full cost recovery and are a non-profit making organisation, as part of the cost share arrangement within the Service Agreement, LCC will charge or refund the authority based on their performance against the budget agreed with the authority at the start of the contract.

1.7 Officers challenged the proposed 97.92% increase to the service element of the contract, on the understanding LPPA would review their pricing and demonstrate commitment to reduce their cost base. As a result LBH and LPPA agreed that for 2020-21 that any cost above the basic budget (increased only by CPI) would not be wholly invoiced to LBH, instead only 50% of the overspend would.

1.8 During 2020, officers carried out an options appraisal to analyse alternative Pension Administration services, which is summarised in Exempt Appendix A.

1.9 Since the commencement of 2020-21, LPPA have provided LBH with quarterly forecasts on their costs to ensure they deliver within the proposed budget stated in January 2020.

1.10 In November 2020, LPPA provided their quarter 2 forecast and at that point the forecasted spend was due to be £0.506m, which compared to the agreed budget of £0.320m, meant a projected overspend of £0.187m. As per the cost share for 2020-21 LBH would be required to fund 50% of the charge equating to £0.093m. It was agreed this would be the maximum LBH would pay for any overspend.

1.11 In December a revised budget for 2021-22, was sent to LBH, based on membership numbers of 19,539 as at August 2020, equating to a per member price of £25.80 equating to a total annual service cost of £0.504m.

2. 2020-21 Additional Service Costs

2.1 Within the Service Agreement between LBH and LCC, there is an agreement that any over or underspend would be charged or refunded to LBH after the final actual costs have been realised.

2.2 LPPA working on behalf of LCC, to provide its Pension Administration service, presented a £3.4m overspend for its overall service for the financial year 2018-19. As a result LPPA, had to revisit their pricing structure and as such went to each of its clients with over inflationary uplift for the 2019-20 financial year and beyond.

2.3 As LBH was presented in January 2020 the financial position of LPPA, it was agreed that any overspend would be met by LPPA, but LPPA planned to fully uplift prices to all of its clients for the 2020-21 budget.

2.4 The planned budget for LBH in 2020-21 was £0.320m and the planned uplift would have seen LBH increasing their base budget to £0.539m, which was a total increase of £0.220m.

2.5 Due to the timing of the proposal, officers requested LPPA to review its proposal and present cost savings, as a result it was agreed the originally planned budget of £0.319m which included the previously agreed CPI uplift would be used, whilst LPPA provided an update on their pricing.

2.6 The service Agreement, states the cost share arrangement which would see any overspend to the agreed budget being paid in full by the authority at the end of the financial year. Due to the size of the planned uplift and projected uplifts for future budgets, it was deemed a staggered budget uplift would take place, seeing only LBH being liable for 50% of the overspend in 2020-21.

2.7 LPPA provided quarterly forecast reports, so that planned savings were monitored and any additional costs were challenged.

2.8 In November 2020, LPPA presented their quarter 2 position, which had a full year forecast cost of £0.506m. LPPA agreed to provide certainty for the year to LBH, by agreeing the most LBH would have to fund of any overspend would be based on a maximum outturn of £0.506m.

2.9 LBH are therefore required to pay a maximum £0.094m at year end and any additional overspend would be 100% funded by LPPA and if the forecast improved the share of Havering overspend would be reduced.

3. 2021-22 Pension Administration Budget

3.1 Within the Service Agreement once a budget is agreed in principle, officers are required to take the budget for the following financial year to its committee.

3.2 LPPA on behalf of LCC, presented a budget of £0.504m for the 2021-22 financial year, the budget is based on membership data as at August 2020 of 19,539, this equates to £25.80 per member.

3.3 In 2020-21, LBH budget was £0.320m and are due to fund an agreed 50% of the 2020-21 overspend which is estimated to be £0.093m, providing a total cost of £0.413m.

3.4 As stated in the option appraisal as part of Exempt Appendix A, although a significant price increase the benefits to continue our partnership with LPPA are;

a. At the revised price, the current LCC/LPP model was still one of the most competitively priced options for annual costs, and the most competitive option once set up and implementation costs were taken into account.
b. Havering are already live with its Employee Self-Service module, with a change of provider who did not use Altair, would create difficulties for members.
c. LPPA have launched a number of improvements to their service

i. Launch of a new website with online chat facility
ii. A new telephone system was implemented in June 2020, which enabled call types to be tracked.
iii. Mortality screening now takes place monthly

d. During the COVID 19 pandemic LPP, still delivered a service in line with SLA's.
e. Continuing with LPP would avoid the potential implementation issues that a change to service provision would cause;
   i. Time for new provider to adapt to Havering practices
   ii. Data transfer and cut over issues, for outstanding cases.
f. LPPA are working with the authority and the actuary on the upcoming changes in the law anticipated out of;
   i. McCloud
   ii. Exit Cap/Regulation Changes
g. An in-house option, would present significant risk to the Fund and its members, as it would require a successful large scale campaign targeting experienced pension professionals, and would have the additional challenges any change of provision would bring.

3.5 In summary, the risks to moving to an in house or alternative provider have been considered and overall the 2020-21 price is still one of the most competitive annual prices for a Pension Administration service. Therefore the 2021-22 budget of £0.504m is being presented to committee for approval.

IMPLICATIONS AND RISKS

Financial implications and risks:

The additional 2020-21 cost of £0.094m, will be funded via the pension fund. Failure to pay the balance would be in breach of the service agreement which sets out any under or overspend is charged or refunded to the authority. Being in breach of the agreement would risk LPPA issuing 12 months' notice, and then there would be additional costs associated with procuring an alternative provider.

The 2021-22 budget of £0.504m, is a slight reduction to the forecasted spend for 2020-21, however in 2020-21 LBH were only charged the initial approved budget £0.319m and the subsequent 50% of the overspend £0.094m, as a result the increase in cost to the fund for 2020-21 would be £0.090m.

Year	Service Cost (£)	System (£)	Initial Budget (£)	Additional Cost (£)	Total Charge to Pension Fund (£)
2020-21 Spend	0.225m	0.095m	0.320m	0.094m	0.414m
2021-22 Budget	0.404m	0.100m	0.504m	0.000m	0.504m
Est. Difference in cost from 2020-21					0.090m

If LBH does not agree to the 2020-21 additional contribution (50% of the planned overspend), and/or not agree to the budget for 2021-22, the likely outcome would see LPPA issue 12 months' notice to LBH.

Legal implications and risks:

The Council has delegated its pension administration functions to LPPA by an agreement which provides for termination on either party giving 12 month's notice but is otherwise indefinite.

The provisions relating to price are as follows:

> *For the duration of this arrangement, in September of each year Lancashire will send to Havering a proposed budget for the next financial year including detail of any increases or efficiency savings from previous years.*
>
> *Havering will either agree or offer an amended budget proposal. In the absence of agreement by both Parties the budget will remain as per the previous year plus an inflationary uplift per CPI as at the September prior to the commencement of the budgetary year.*

Once the proposed budget is agreed in principle, Havering will refer the proposed budget to its Pension committee or other appropriate body for approval. If approved the annual budget will be ring-fenced for Lancashire and transferred to Lancashire in twelve (12) equal monthly instalments.

The actual budget spend will be monitored and reimbursed through a quarterly review process. At the end of each financial year any budgetary over or underspends will be adjusted accordingly.

As result LPPA can propose a budgetary uplift of any value. As they are set up for full cost recovery the difference in the budget and the actual spend will always be adjusted with the authority.

The various options available should the Authority decide not to accept the budget proposals are set out in the Appendix.

Human Resources implications and risks:

There appear to be no HR implications or risks arising directly as a result of this report.

Equalities implications and risks:

There appear to be no Equality implications or risks arising directly as a result of this report.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:
(i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
(ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
(iii) Foster good relations between those who have protected characteristics and those who do not.
Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.
The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

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PENSIONS COMMITTEE 16 March 2021

Subject Heading:	**INVESTMENT STRATEGY REVIEW UPDATE**
SLT Lead:	**Jane West**
Report Author and contact details:	**Debbie Ford** **Pension Fund Manager (Finance)** **01708432569** **Debbie.ford@onesource.co.uk**
Policy context:	Regulation 7 of the LGPS (Management and Investment of Funds) Regulations 2016 requires an administrative authority to periodically review this statement
Financial summary:	Implementation of the investment strategy will be met from restructuring existing mandates

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

This report includes an update on the implementation of the Investment Strategy, to follow up on specific development areas identified in the Fund's recent investment strategy and equity structure review.

The Fund's Investment Advisor (Hymans) were asked to produce a paper outlining the next steps and recommendations which are set out in Appendix A (exempt) to this report.

Appendix A of this report is exempt from publication by virtue of paragraph 3 and 5 of the Access to Information Procedure Rules set out in the Constitution pursuant to Schedule 12A Local Government Act 1972, as amended as it contains information relating to the financial or business affairs of the investment managers

already appointed to the Fund and comparisons of financial information to mandates available in the markets.

RECOMMENDATIONS

That the Committee is asked to:

1. Note Hymans report on the follow up on some of the development areas identified as part of Fund's recent investment strategy review attached as Appendix A (exempt).

2. To consider and agree recommendations from the options outlined in Section 2 of this Report.

REPORT DETAIL

1. Background

a) The Pensions Committee ("the Committee") adopted an Investment Strategy Statement (ISS) at its 28 March 2017 meeting. The Fund has made good progress implementing this Strategy, focusing on individual asset classes at various stages of implementation.

b) Subsequently the Committee agreed an updated ISS at its meeting on the 29 July 2020 (postponed from the cancelled March 2020 meeting due to the pandemic declaration made earlier that month).

c) At the meeting held on the 1 October 2020 the Committee decided to adopt a number of recommendations and next steps made by Hymans as part of the on-going implementation of the investment strategy.

d) The attached paper (Appendix A - EXEMPT) has been produced by the Hymans to follow up on some of the development areas identified from the work undertaken above.

e) This paper is exempt as it contains information pertaining to the financial or business affairs of Fund's investment managers together with comparisons made with alternative mandates in the markets.

f) The Hymans report includes the rationale of the proposed options for consideration and next steps. Recommendations are also outlined below:

2. Proposed recommendations:

a) **Infrastructure - Recommendation 1**: We recommend increasing the SISF IV commitment by €10m (c. £9m) to maintain the target allocation. This will result in a total commitment of €30m (c. £26m). Due diligence on this fund has been completed so this will only require a further commitment letter to be provided.

b) **Infrastructure - Recommendation 2:** In order to increase diversification within the Fund's infrastructure allocation, we recommend that a commitment of 2.5% of Fund assets is made to the LCIV Renewable Infrastructure Fund. This is subject to no adverse issues being indicated once the provision of formal advice has been given on the structure.

c) **Private Debt - Recommendation 3**: We recommend that the Committee agree to make further allocations to Private Debt mandates at a level sufficient to maintain the overall allocation to the asset class at or around 7.5%. The precise amounts will be subject to agreement with Officers based on prevailing requirements of the Fund, particularly in light of the potential further drawdowns from Permira (Appendix A private debt section refers) **.**

d) **Equity - Recommendation 4:** Subject to there being no adverse issues indicated once due diligence has been undertaken on the strategy, we are in principle supportive of the Committee converting the current investment in the Baillie Gifford Global Alpha fund to that of the Baillie Gifford Paris Aligned Global Alpha fund. We believe that this change would be consistent with the Committee's investment belief on managing climate risk and demonstrates progressive change, whilst creating potential to capture upside opportunities associated with the transition to a lower carbon economy.

IMPLICATIONS AND RISKS

Financial implications and risks:

The further commitment of c£9m to the Stafford SISF IV fund will primarily be funded from capital being returned from SISF II although any short term mismatches can be funded from the LCIV Baillie Gifford Diversified Growth Fund allocation.

There is a risk that the timings of returning capital from the Stafford II fund will overlap with the capital calls on the Stafford IV fund. The timings will largely depend on opportunities available to Stafford and the rate of progression within individual projects so it is difficult to predict exact timings in advance. Stafford do expect broad alignment between the two funds (as the old fund is returning cash the new fund is calling capital) it is expected that there will be points where there is a cash surplus/deficit between the funds, although any short-term mismatches can be funded from LCIV Diversified Growth (Baillie Gifford).

Agreeing to commit to the LCIV Renewable Infrastructure Fund and therefore implementing the increase to infrastructure from 7.5% to 10%, as agreed on the 1 October 2020, will cost in the region of £21m. This will be funded from a reduction in the LCIV Diversified Growth Fund (Baillie Gifford).

The Paris Aligned version of the Baillie Gifford Global Alpha Fund has the same target levels of risk and return as the regular version that the Committee are currently invested in. However, the Paris Aligned variant is likely to be less exposed to companies which may be adversely affected by the transition to a lower carbon economy and, consequently, over the long-term, this change is expected to be beneficial to the Fund.

Advisory costs: The advisory costs of implementing the changes made to the structure will be incurred through the Investment Management consultancy services contracts with Hymans. Costs will be ongoing throughout implementation and the final costs will not be known until this has concluded and is dependent on the options taken forward by the Committee.

Costs arising from the implementation of the investment strategy will be met from the Pension Fund.

Legal implications and risks:

The changes proposed will not impact the content of the Investment Strategy Statement as they are within the parameters set out within it. Therefore there is no need to consult on the proposals. Otherwise there are no apparent legal implications of making the proposed amendments.

Human Resources implications and risks:

None arise directly from this report.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

(i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;

(ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;

(iii) Foster good relations between those who have protected characteristics and those who do not.

Note: ‘Protected characteristics’ are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

An EqEIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected
None arising directly.

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PENSIONS COMMITTEE 16 March 2021

Subject Heading:	**PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED DECEMBER 2020**
CLT Lead:	**Jane West**
Report Author and contact details:	***Chrissie Sampson Pension Fund Accountant (Finance)/ Debbie Ford Pension Fund Manager (Finance) 01708432569 Debbie.ford@onesource.co.uk***
Policy context:	Pension Fund Manager performance is regularly monitored to ensure investment objectives are met.
Financial summary:	This report comments upon the performance of the Fund for the period ended 31 December 2020

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

This report provides an overview of: Fund investment performance, Manager Monitoring and any relevant Local Government Pension Scheme (LGPS) updates for the quarter ending **31 December 2020**. Significant events that occur after production of this report will be addressed verbally at the meeting.

The Fund grew in value by **7.00%** over this quarter outperforming both its tactical and strategic benchmark.

The general position of the Fund is considered plus other matters including any current issues as advised by Hymans.

The manager attending the meeting will be:

CBRE Global Investment Partners

Hymans will discuss the managers' performance after which the manager will be invited to join the meeting and make their presentation.

Hymans and Officers will discuss with Members any issues arising from the monitoring of the other managers

RECOMMENDATIONS

That the Committee:

1) Consider Hymans Market Background, Strategic Overview and Manager Performance Report (Appendix A)
2) Consider Hymans Performance Report and views (Appendix B **Exempt)**
3) Receive presentation from the Funds Global Property Manager CBRE (Appendix C – **Exempt)**
4) Consider the quarterly reports sent electronically, provided by each investment manager.
5) Note the analysis of the cash balances

REPORT DETAIL

1. Elements from Hymans report which are deemed non-confidential can now be found in **Appendix A.** Opinions on Fund manager performance will remain as exempt and shown in **Appendix B.**

2. When appropriate topical LPGS news that may affect the Pension Fund will now be included.

3. We welcome any feedback and suggestions that will help members gain a better understanding of the reports.

4. BACKGROUND

a. The Committee adopted an updated Investment Strategy Statement (ISS) in July 2020.

b. The objective of the Fund's ISS is to deliver a stable long-term investment return in excess of the expected growth in the Fund's liabilities

c. The Fund's assets are monitored quarterly to ensure that the long term objective of the ISS is being delivered.

d. We measure returns against tactical and strategic benchmarks:

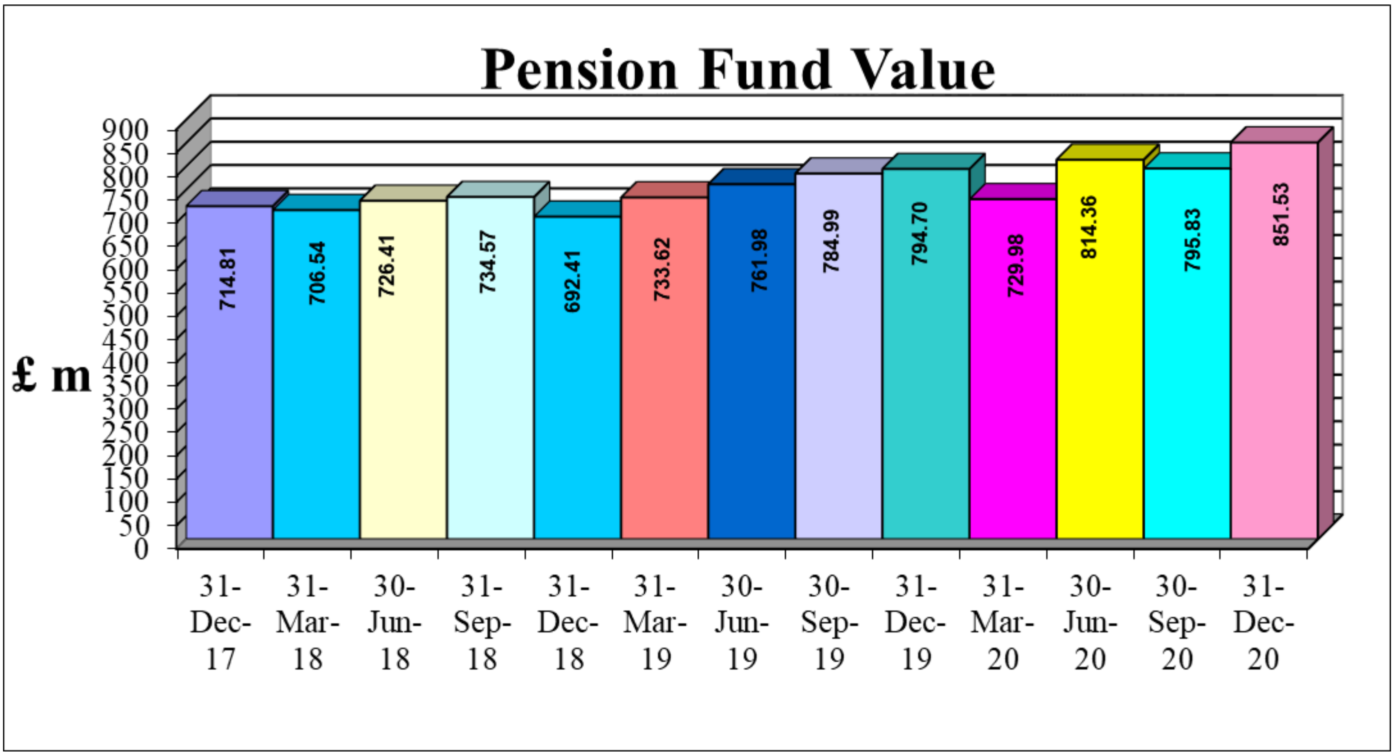
e. **Tactical Benchmark** - Each manager has been set a specific (tactical) benchmark as well as an outperformance target against which their performance will be measured. This benchmark is determined according to the type of investments being managed. This is not directly comparable to the strategic benchmark as the majority of the mandate benchmarks are different but contributes to the overall performance.

f. **Strategic Benchmark** - A strategic benchmark has been adopted for the overall Fund of Index Linked Gilts + 1.8% per annum. This is the expected return in excess of the fund's liabilities over the longer term and should lead to an overall improvement in the funding level. The strategic benchmark measures the extent to which the Fund is meeting its longer term objective of reducing the Fund's deficit.

5. PERFORMANCE

a. Based on information supplied by our performance measurers, Northern Trust, the total combined fund value at the close of business on 31 December 2020 was **£851.53m.** This compares with a Fund value of £795.83m at the 30 Sept 2020 an **increase of £55.70m, (7.00%)**. Movement in the Fund value is attributable to an increase in assets of £53.61m and an increase in cash of £2.09m. Internally managed cash level stands at **£12.53m** of which an analysis follows in this report.

Chart 1 – Pension Fund Values



Source: Northern Trust Performance Report

b. The overall net performance of the Fund against the new **Combined Tactical Benchmark** (the combination of each of the individual manager benchmarks) follows:

Table 1: Quarterly Performance

	Quarter to 31.12.20	12 Months to 31.12.20	3 Years to 31.12.20	5 years to 31.12.20
	%	%	%	%
Fund	6.69	11.88	7.12	9.17
Benchmark	4.50	7.26	6.16	7.32
*Difference in return	2.19	4.62	0.96	1.85

Source: Northern Trust Performance Report
Totals may not sum due to geometric basis of calculation and rounding

c. The overall net performance of the Fund against the **Strategic Benchmark** (i.e. the strategy adopted of Gilts + 1.8% Net of fees). The strategic benchmark return reflects the historic funding approach. Since the strategic benchmark return relates to the expected change in the value of the Fund's liabilities, it is mainly driven by the assumed level of investment return used by the Actuary.

Table 2: Annual Performance

	Quarter to 31.12.20	**12 Months to 31.12.20**	**3 Years to 31.12.20**	**5 years to 31.12.20**
	%	**%**	**%**	**%**
Fund	6.69	11.88	7.12	9.17
**Benchmark	1.63	12.92	7.44	10.25
*Difference in return	5.06	-1.04	-0.32	-1.08

Source: Northern Trust Performance Report

**Totals may not sum due to geometric basis of calculation and rounding.*

*** Negative to be addressed as per note 5c above.*

d. Further detail on the Fund's investment performance is detailed in **Appendix A** in the performance report which will be covered by the Investment Adviser (Hymans).

6. CASH POSITION

a. An analysis of the internally managed cash balance of **£12.526m** follows:

Table 3: Cash Analysis

CASH ANALYSIS	**2018/19 31 Mar 19**	**2019/20 31 Mar 20**	**2020/21 31 Dec 20**
	£000's	£000's	£000's
Balance B/F	**-17,658**	**-13,698**	**-23,056**
Benefits Paid	37,954	38,880	29,359
Management costs	1,490	1,107	693
Net Transfer Values	1,543	-2,789	13,820
Employee/Employer Contributions	-44,804	-47,508	-33,932
Cash from/to Managers/Other Adj.	7,925	1,154	723
Internal Interest	-148	-202	-133
Movement in Year	**3,960**	**-9,358**	**10,530**
Balance C/F	**-13,698**	**-23,056**	**-12,526**

b. Members agreed the updated cash management policy at its meeting on the 17 September 2019. The policy sets out that the target cash level should be £6m but not fall below the de-minimus amount of £3m or exceed £8m threshold. This policy includes drawing down income from the bond and property manager when required. Any excess cash above the £8m thresholds can be considered for reinvestment or settlement of capital calls.

c. The cash management policy includes a discretion that allows the Statutory S151 officer to exceed the target level to meet foreseeable payments.

7. REPORTING ARRANGEMENTS

a. In line with the reporting cycle, the Committee will see one Fund Manager at each Committee meeting unless there are performance concerns for individual managers. Individual Fund Manager Reviews are attached in Hymans performance report at **Appendix A.**

b. The full version of all the fund manager's quarterly report are distributed electronically prior to this meeting. Where applicable, quarterly voting information, from each Investment Manager, detailing the voting history of the Investment Managers is also included in the Manager's Quarterly Report.

c. The Fund Manager attending this meeting is the Funds Global property manager CBRE at Appendix C (Exempt).

8. FUND UPDATES:

8.1 Changes made since the last report and forthcoming changes/events:

a. The Fund has continued to fund capital draw down requests: £4.51m Churchill, £1.67m Permira and £2.97m Stafford since the last report.

8.2 London Collective Investment Vehicle (LCIV) - LCIV is the mandatory asset pool for the Fund and updates will be covered here as follows:

8.2.1 LCIV meetings

a. Business update meetings (via WebEx) - took place on 21 January 2020 and 18 February 2021. A range of topics covered included:

- Chief Investment Officer – covered current Fund offerings, Fund performance, update on funds for which enhanced monitoring is in place and the pipeline for new fund launches.
- Discussion on climate change and the work that LCIV have planned for the year ahead. They will be undertaking a climate assessment across all sub funds and have appointed Standard and Poors (S&P)/trucost to collect data, LCIV will use an in-house measuring tool to analysis the data and reports are expected late March/early April 2021.
- Update from the Chief Operating Officer covering:
  i. Key themes for the Medium Term Financial Strategy (MTFS) and Annual Budget for 2021/22.
  ii. Key Objectives/Deliverables – mainly pooling strategy/ progress, focus on Responsible Investment and Climate Change, continued development of new funding model, providing new services once Financial Conduct authority (FCA) permissions obtained (permissions submitted in December 2020) and evolve information systems and launch of new website and client portal.
  iii. MTFS and Financial Strategy will be developed during the early part of 2021 for approval mid 2021
- The Board and the Shareholder Committee have now approved the Budget for 2021/22 and this was presented to the General Meeting on 28 January 2021 for formal shareholder approval.

b. Meet the Manager - As part of their monitoring and review processes, LCIV hosted a Meet the Manager event on 21 January 2021 with focus on Private Markets, joined by Local Pensions Partnership Investments (LPPI), Aviva Investors, and Stepstone, to form a panel discussion that explored key topics and questions in this area.

c. LCIV are preparing tenders for voting and stewardship providers

d. Enhanced monitoring continues on the LCIV Multi Asset Credit (MAC) Fund and LCIV Global Equity Focus Fund.

8.2.2 Review of the LCIV Funding Model and Cost Benchmarking

a. Work on the development of a new funding model including pricing and timeline for implementation continues.

b. Cost Transparency initiatives timetable set out for 2020/21, manager and custodian data to be received by 23 April and uploaded to the Byhiras website by end of May. Private Markets cost transparency data expected to be completed and uploaded to Byhiras in September onwards.

c. Cost Transparency Working Group (CTWG) will meet in March to review savings assumptions.

8.2.3 Sub Fund Updates

a. Renewable Energy Fund – Stage 4 (Fund Manager Selection). First manager appointed subject to due diligence. Financial Conduct Authorty (FCA) filing of documents targeted for w/c 19 February 2021.

b. Impact Fund (aka London Fund - a partnership arrangement with the London Pension Fund Authority (LPFA) and Local Pensions Partnership (LPP)) – Fund launched on 15 December 2020 with a £150m investment. Second close expected in April 20201. So far two London boroughs have expressed interest in this fund. Officers have been meeting with the LCIV to discuss this fund and have officer representation on the Seed Investor Group (SIG).

c. Private Debt – Stage 4 (Fund Manager Selection) – Two asset managers for the LCIV Private Debt Fund have been appointed which have come as a result of the manager selection exercise carried out by London CIV (with ISIO).. The launch date for the fund is dependent on client commitments being received by 30th of March. FCA filing of documents targeted for w/c 19 February 2021. Whether the Fund appoints the LCIV Private Debt managers is a consideration for the committee to review and appears elsewhere on the agenda for this meeting.

d. Low Carbon mandate – Stage 2 (Mandate development). The SIG launched on the 4 November 2020 to discuss initial thoughts. Officers continue to attend these meetings to provide input on the development of this mandate. Last meeting was held on the 26 February 2021.

e. Paris Aligned Global Equity Fund – Stage 3 (Fund Structure Operational Viability). Investment case to be approved by FCA and filing of fund documents expected w/c 19 February 2020. This is a Paris aligned version of the Global Equity Fund managed by Baillie Gifford that LCIV are looking to launch in March 2021. This is in addition to the Baillie Gifford Global Equity Fund that Havering already invests in. This option is covered elsewhere on the agenda.

f. Sterling Credit Fund – Stage 1 – Client demand. Survey was issued in December to ascertain client demand. First SIG meeting held 26 January 2021.This is not an ongoing part of our strategy as the Fund is selling down its credit allocation so officers are not involved in the SIG.

8.2.4 LCIV Key Staffing updates –

a. Andrea Wildsmith appointed as Head of Risk and Performance.

b. LCIV will seeking an Equities Investment manager and advertising will commence in due course.

c. Lord Kerslake (Chair of the London CIV Board) term of office comes to the end in September 2021. The process of appointing his successor begun in January 2021

8.3 LGPS GENERAL UPDATES:

8.3.1 Public sector exit payments

a. As reported at the last meeting there is currently a conflict between the exit cap regulations and the LGPS regulations. The LGPS regulations require a member who is made redundant over the age of 55 to take immediate unreduced pension, but The Restriction of Public Sector Exit Payments Regulations 2020, in force from 4 November 2020, prevent the employer from paying strain cost if the exit package exceeds £95k.

b. The Ministry of Housing, Communities and Local Government (MHCLG) have issued a consultation on the draft amendments to the LGPS regulations, which closed on 18th December 2020. Once in place the Regulations will address the conflict but these are not expected before March 2021

c. It has therefore been necessary to implement an interim solution to the conflict. Based on advice from our one source legal team and guidance from Local Government Association (LGA) and the LGPS Scheme Advisory Board (SAB), LB Havering, as an administering authority have decided that any members made redundant after 3rd November 2020, where their exit package exceeds the £95k cap, will be offered the choice of taking immediate fully reduced pension or a deferred pension to take at a later date.

d. This complies with The Restriction of Public Sector Exit Payments Regulations 2020 in that a strain cost will not be payable to the Pension Fund and the exit package will be below the cap but can mean that the administering authority may be open to potential challenges due to non-adherence to the LGPS Regulations.

e. This is the least risk option as it was deemed easier to pay a member more benefit if required by the courts or Pensions Ombudsman, then to try and reclaim benefits if it later decided this is has been overpaid.

f. In addition to the above and as part of amendment to the Local Government Pension Scheme Regulations, new universal GAD (Government Actuary's Department) factors will be introduced for all LGPS funds to use in the calculation of strain costs. This is to ensure equal treatment of all scheme members regardless of the individual fund that they pay into.

g. The existing factors used to calculate pension strain costs are intended to fill any funding gap created by paying a member's pension early. They were not calculated with the intention of impacting a member's benefits and as a result, the factors are specific to each individual fund and are not unisex.

h. Following advice from our Actuary, Havering, as an administering authority, have made the decision to start using the draft GAD factors and calculation methodology ahead of the implementation of the amendment regulations.

i. 22 December 2020 - three requests for Judicial Review (JR) of the Restriction of Public Sector Exit Payment Regulations 2020 were granted permission to be heard. These requests, which will be heard together in the latter half of March, are from Association of Local Authority Chief Executive/Lawyers in Local Government (ALACE/LLG), UNISON and GMB/Unite contest the regulations on a number of grounds including their effect on the existing LGPS regulations. It is likely that that these proceedings will, until they are complete, prevent any direction by the Pensions Ombudsman on this matter.

j. 12 February 2021 - After extensive review of the application of the Cap, the Government has concluded that the Cap may have had unintended consequences and the 2020 Regulations will be revoked.

k. 19 March 2021 - Treasury revoked the Restriction of Public Sector Exit Payments Regulations 2020, any exit payment that was (or is) capped during the period up until 12 February must be topped up to the amount that would otherwise have been paid, with interest.

l. It should be noted that guidance states it is still vital that exit payments deliver value for the taxpayer and employers should always consider whether exit payments are fair and proportionate and HM Treasury is expected to revisit exit costs later this year.

8.3.2 LGPS Amendments to Statutory Underpin

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older scheme members. Following the findings in the McCloud legal judgement, certain elements of public sector pension schemes brought in at the time of the reforms have been deemed age discriminatory. The Government has confirmed that there will be changes to all public sector pension schemes to remove the age discrimination. In the case of the LGPS, it is the “underpin” provision which gives special protection to the rights of older members that has been classed as age discriminatory.

We await further clarification on the implementation of the remedy but as reported at the Pensions Committee on the 1 October 2020, the Funds Administrators (Local Pensions Partnership Administrations – LPPA) have already started looking at the additional administration requirements both in terms of identifying any missing data and the resources and cost of the project. This will be reported to the Committee in due course.

8.3.3 Cost Cap

a. In 2014 the LGPS reformed to become a Career Average Revalued Earning Scheme (CARE). It was understood, at this time, that the cost of funding future pension benefits would be 19.5% of an employee’s salary. As a part of the reform, and to ensure the ongoing affordability of the LGPS, the Government introduced a ‘cost cap’ mechanism. This new mechanism involves checking the cost of LGPS pension provision every four years to ensure that these costs have not materially changed. In the event that the actual cost fell within 2% of 19.5%,so no change will be made to the Scheme’s design.

b. The 2016 valuation showed that it cost less than 17.5% to fund future pension benefits, and so benefit improvements were expected to be made. However, due to the high profile court case the ‘McCloud Judgment’ has meant that the cost of funding pension provision has changed and this caused the cost cap mechanism to be paused.

c. An announcement was made in July 2020 that the 2016 Cost Cap process will now be ‘unpaused’ and the cost of resolving McCloud will now be included in the assessment of scheme costs. As a result of ‘McCloud remedy’, scheme cost control valuation outcomes is expected to show increased costs than otherwise would have been expected.

d. On the 4 February 2021 HM Treasury published an update stating that HM Treasury (HMT) is now able to produce the amending directions.

HMT believe they have sufficient information to instruct Government Actuary Department (GAD) on how to allow for McCloud in the cost cap valuations. The next step is for HMT to consult with the Scheme Advisory Board (SAB) to see if any revisions are required to the assumptions which feed into the cost cap valuation. Thereafter, final directions will be published by HMT and results confirmed with each SAB. If benefit or member rate changes are then required, each SAB needs to consider what format they will implement. Where necessary, schemes will then commence discussions with SABs later this year on any rectification.

e. The update also mentions that the review of the cost cap mechanism itself is still ongoing and the outcome is expected to be published in April. This review may then necessitate changes to the current format of the cost cap mechanism and the 2020 cost cap valuations. If there is still a cost cap mechanism in existence after the review, any benefit or member contribution rate changes resulting from the 2020 cost cap valuation will now be implemented in 1 April 2024 (instead of 1 April 2023 as set out in current regulations) given that the 2016 cost cap valuations are still to be completed.

8.3.4 Good Governance in the LGPS

a. After delivering the Phase 2 report last year, the SAB asked Hymans to push forward with the working group and secretariat on more detailed implementation proposals. The project team updated the SAB at the meeting on **25th August 2020**.

b. Progress over recent months has been, understandably, a bit slower, as stakeholders have focussed on responding to immediate issues relating to the COVID-19 crisis. However, The SAB has re-iterated its commitment to this work and the project team will aim to have three key deliverables completed and agreed with the working group over the next month or so.

c. The project team agreed to progress 3 key deliverables, namely:

- A report setting out implementation advice for the proposals in Phase 2.
- A sample version of what a Fund’s new Governance Compliance Statement (GCS) might look like including all the information in the proposals.
- A sample independent governance review report (IGR) which should help in developing procurement proposals for the independent governance review process.

d. The timetable thereafter will depend on the capacity within MHCLG and other LGPS stakeholders to progress to implementation of the proposals and consult on formal guidance given other priorities.

8.3.5 The Task Force on Climate-Related Financial Disclosures (TCFD)

a. The TCFD is an organization that was established in December of 2015 with the goal of developing a framework for the disclosure of climate related risks.

b. Whilst it is not yet a regulatory requirement for the LGPS to report against this framework. MHCLG will conduct a consultation during 2021(no date specified) on the implementation of mandatory TCFD aligned reporting in LGPS by 2023.

c. A briefing paper was distributed to members on the 21 January as a way of providing background and for the Committee to begin its understanding and engagement with the issues and requirements.

d. Officers will work with Hymans on how best to prepare for this reporting requirement.

IMPLICATIONS AND RISKS

Financial implications and risks:

Pension Fund Managers' performances are regularly monitored in order to ensure that the investment objectives are being met and consequently minimise any cost to the General Fund and employers in the Fund

Legal implications and risks:

None arising directly from consideration of the content of the Report.

The Committee may be interested to note that LLG (Lawyers in Local Government) and ALACE (the Association of Local Authority Chief Executives and Senior Managers) have formally launched judicial review proceedings in a bid to quash the Exit Payment Cap Regulations. These proceedings are at an early stage and therefore it is not possible to provide any further detail.

The Committee has been constituted by the Council to perform the role of administering authority to manage the Havering LGPS Fund and as such has legal authority to consider and note the Report and presentations.

Human Resources implications and risks:

There are no immediate HR implications.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

(i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;

(ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;

(iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

An EqEIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected

BACKGROUND PAPERS

None

London Borough of Havering Pension Fund

Q4 2020 Investment Monitoring Report

Simon Jones – Partner
Mark Tighe – Investment Analyst
Meera Devlia – Investment Analyst

HYMANS ROBERTSON

Market Background

Q3 GDP releases show the initial rebound in activity was sharp as the major advanced economies emerged from lockdown but annualised falls in output have been significant. Composite Purchasing Manager Indices suggest the UK and Eurozone economies ended 2020 on a weak note but the global equivalent remains at a level signalling expansion, supported by solid readings in the US, China and elsewhere. Though COVID-19 cases continue to rise at a global level, many advanced economies could potentially vaccinate a large proportion of their most vulnerable citizens in the first half of 2021.

UK headline inflation slowed more than expected, falling from 0.7% in October to 0.3% year-on-year in November as restrictions to curb the spread of coronavirus were re-imposed.

Despite hopes of economic recovery in 2021, government bond yields rose only modestly in the US and fell in the UK and Germany due to near-term economic weakness and central bank intervention. Implied inflation rose at longer terms despite the government's announcement that RPI will be aligned with CPIH from 2030. Global investment grade credit spreads fell from 1.4% p.a. to 1.0% p.a. and global speculative-grade spreads from 5.6% p.a. to 4.1% p.a., as lower rated credit outperformed higher quality.

Sterling was volatile as Brexit talks approached their conclusion, although it ended the period 1.9% higher in trade-weighted terms as the EU and UK reached a trade deal. In comparison, on a trade-weighted basis the US Dollar and Japanese Yen, both typically considered safe-haven currencies, fell 5.3% and 1.4% below end-September levels.

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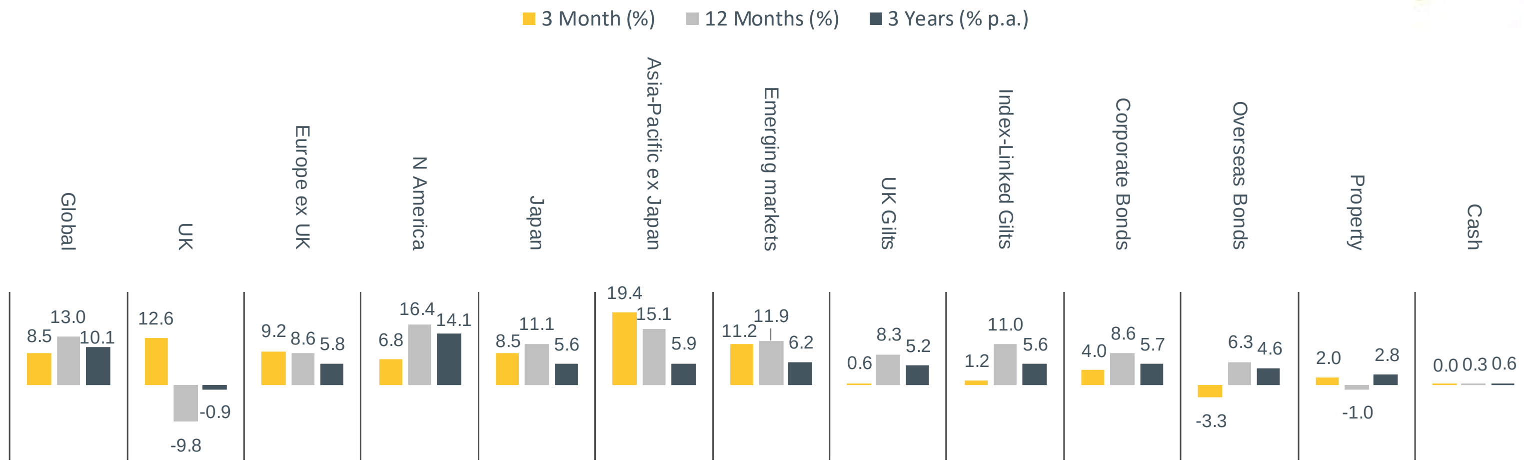
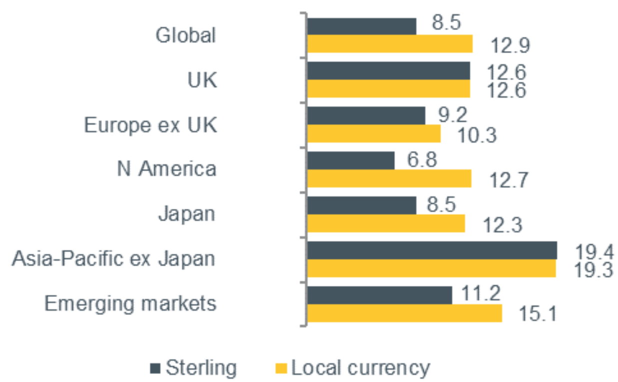
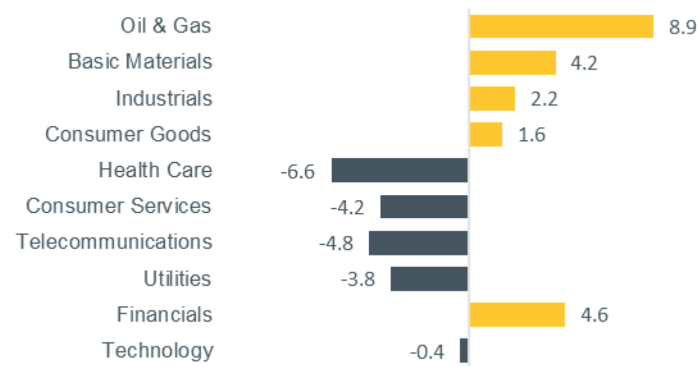
Historic returns for world markets [1]



Regional equity returns [2]



Global equity sector returns (%) [3]



[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property Index; UK Interbank 7 Day. [2] FTSE All World Indices [3] Relative to FTSE All World Indices.

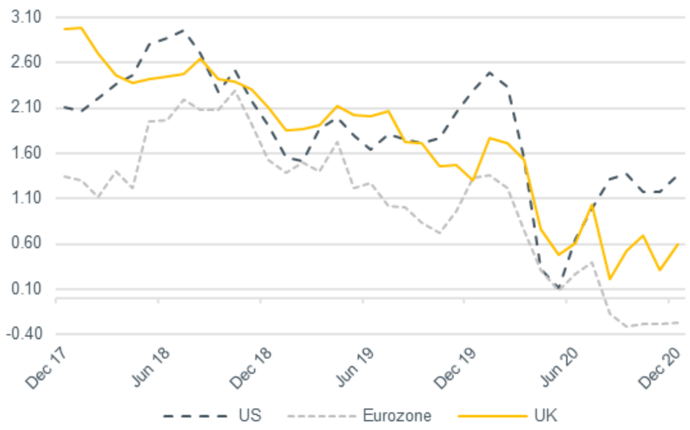
HYMANS ROBERTSON

After falling in October amid renewed restrictions to curb rapidly rising COVID-19 cases, positive vaccine news propelled equity markets higher, with the FTSE All World returning 12.9% in Q4. This news also caused some moderate rotation within global equities as areas of the market most impacted negatively by the pandemic outperformed. This was evident in the outperformance of cyclical sectors such as oil & gas, financials and materials and interconnectedly, styles such as value and smaller capitalisation stocks. Defensive areas such Healthcare, Utilities and Telecoms all underperformed.

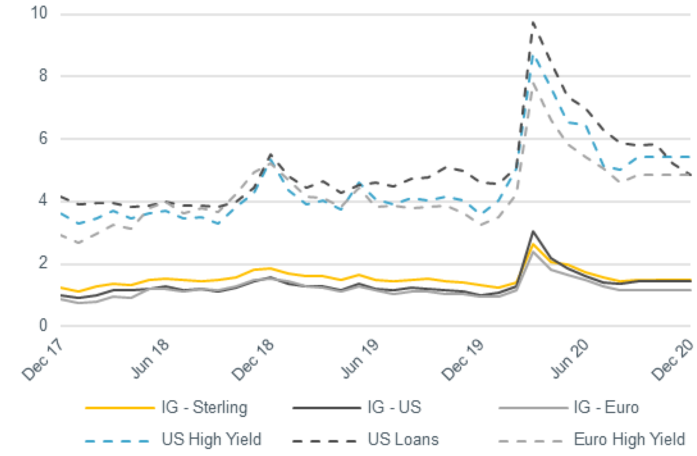
From a regional perspective, Emerging market and Asia ex-Japan equities outperformed, both benefiting from renewed hopes of a cyclical recovery, a falling dollar and increasing global trade activity.

The rolling 12-month total return on the MSCI UK Monthly Property index was -1.9% to the end of November, although monthly total returns have now been positive since July. Capital values, in aggregate, have fallen 7.1% in the year to November, predominantly due to a 17.9% fall in the retail sector, where capital values continue to decline sharply.

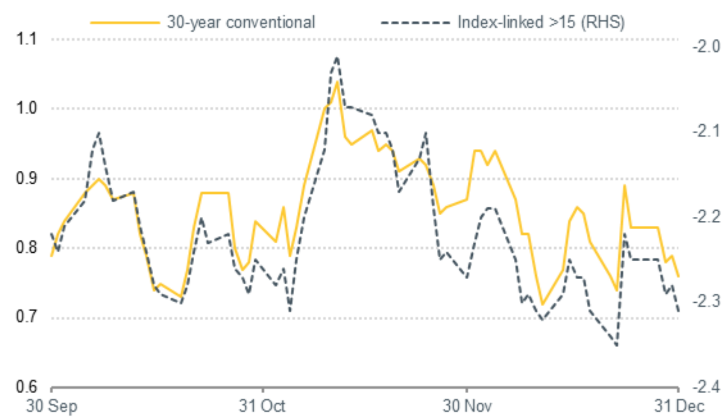
Annual CPI Inflation (% p.a.)



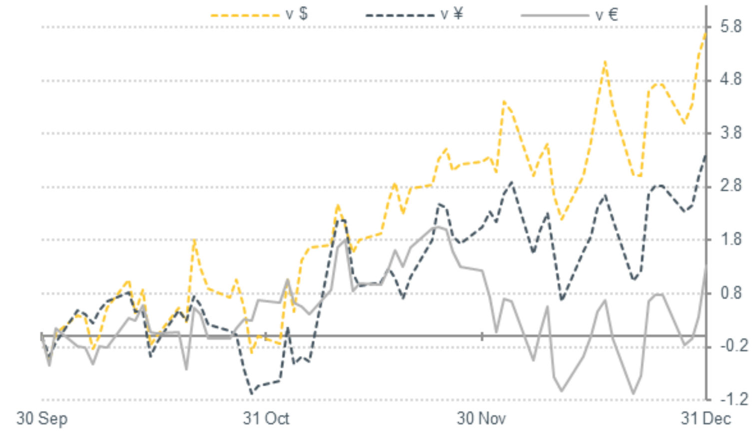
Investment and speculative grade credit spreads (% p.a.)



Gilt yields chart (% p.a.)



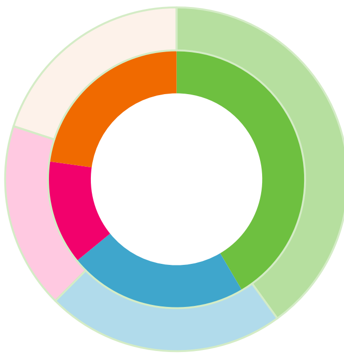
Sterling trend chart (% change)

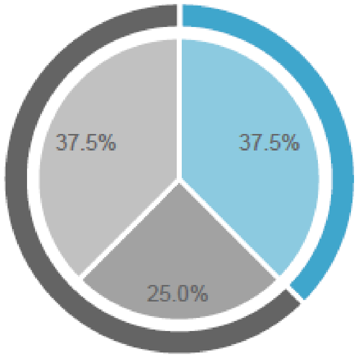


Source: Reuters

- The Fund's investment approach is implemented through the London Common Investment Vehicle ("LCIV"), and retained assets including life funds (with fee structures aligned with LCIV).
- The charts right summarise the approach agreed for the implementation of the Fund's longer-term strategy. We have indicated ongoing governance responsibilities in blue for LCIV and grey for the Committee.
- The drawdown in the Stafford and private debt mandates is expected to be completed in 2021.
- The target allocation to LCIV and life funds totals 75% of Fund assets. Other retained assets will be delivered through external managers, with the position reviewed periodically.
- A review of the Fund's investment strategy was carried out by the Committee in 2020. Agreed changes are currently being implemented.

Asset Allocation





Long Term Strategic Target

Asset class	Long term target	LCIV		Life funds		Other retained assets	
		Manager(s)	%	Manager(s)	%	Manager(s)	%
Equity	40	Baillie Gifford	15	LGIM	25		
Multi-Asset	22.5	Baillie Gifford, Ruffer	22.5				
Property	10					UBS, CBRE	10
Infrastructure	7.5					JP Morgan, Stafford	7.5
Private Debt	7.5					Permira, Churchill	7.5
Other bonds	12.5					RLAM	12.5
Total	**100**	**-**	**37.5**	**-**	**25**	**-**	**37.5**

Current Investment Implementation

- The total value of the Fund's assets rose by c. £54.3m over the quarter to c. £850.2m as at 31 December 2020 as equities rallied and credit spreads continued to narrow over the quarter.

- £21.5m was transferred from Baillie Gifford Global Alpha to RLAM MAC during the quarter in line with the Committee's decision to trim some of the Baillie Gifford profit and increase the allocation to MAC towards the target level. The Baillie Gifford mandate remains overweight and will be used to bring the Fund's other equity mandates in line with the relevant targets as part of the upcoming equity restructuring.

The Fund paid the following capital calls during the quarter:

- c.£1.7m to Churchill funded from existing cash.

- £1.7m to Permira funded using profits from the Russell currency hedging mandate.

- c.£2.4m to Stafford funded from the RLAM corporate mandate.

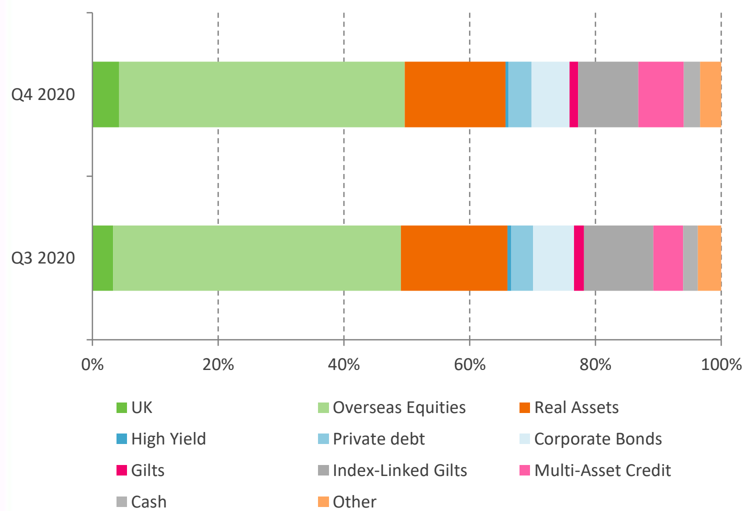
Asset Allocation

Manager		Valuation (£m) Q3 2020	Q4 2020	Actual Proportion	Benchmark	Relative
Equity		**337.2**	**352.9**	**41.5%**	**40.0%**	**1.5%**
LGIM Global Equity	LCIV aligned	63.5	68.9	8.1%	10.0%	-1.9%
LGIM Fundamental Equity	LCIV aligned	51.5	58.5	6.9%	10.0%	-3.1%
LGIM Emerging Markets	LCIV aligned	34.6	38.5	4.5%	5.0%	-0.5%
Baillie Gifford Global Equity (CIV)	LCIV	187.6	187.0	22.0%	15.0%	7.0%
Multi-Asset		**182.7**	**192.2**	**22.6%**	**22.5%**	**0.1%**
Ruffer Absolute Return (CIV)	LCIV	99.2	103.6	12.2%	12.5%	-0.3%
Baillie Gifford DGF (CIV)	LCIV	83.6	88.6	10.4%	10.0%	0.4%
Real-Assets		**111.8**	**111.4**	**13.1%**	**17.5%**	**-4.4%**
UBS Property	Retained	40.4	40.3	4.7%	6.0%	-1.3%
CBRE	Retained	27.5	26.7	3.1%	4.0%	-0.9%
JP Morgan	Retained	25.0	23.8	2.8%	4.0%	-1.2%
Stafford Capital Global Infrastructure	Retained	18.8	20.7	2.4%	3.5%	-1.1%
Bonds and Cash		**164.2**	**193.7**	**22.8%**	**20.0%**	**2.8%**
RLAM MAC	Retained	37.6	61.1	7.2%	7.5%	-0.3%
RLAM ILGs	Retained	41.0	41.7	4.9%	5.0%	-0.1%
RLAM Corporate Bonds	Retained	44.5	44.2	5.2%	0.0%	5.2%
Churchill	Retained	15.4	16.5	1.9%	4.5%	-2.6%
Permira	Retained	12.5	14.4	1.7%	3.0%	-1.3%
Cash at Bank	Retained	11.1	12.5	1.5%	0.0%	1.5%
Currency Hedging P/L	Retained	2.2	3.3	0.4%	0.0%	0.4%
Total Fund		**795.8**	**850.2**	**100.0%**	**100.0%**	

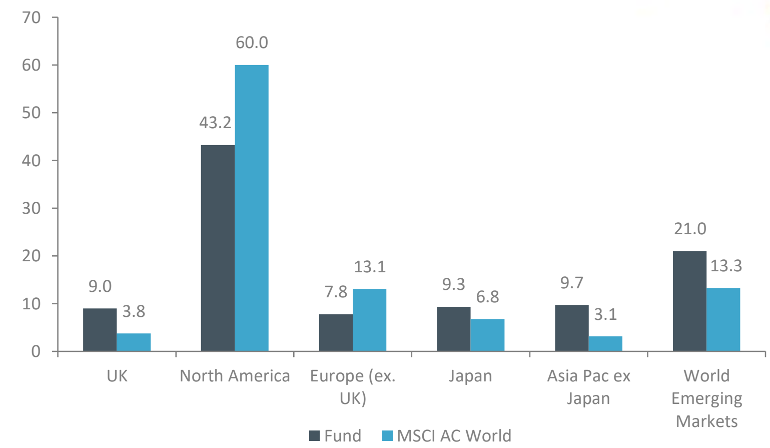
Source: Northern Trust, Investment Managers

- The chart right illustrates the underlying asset allocation of the Fund, i.e. taking account of the underlying holdings in the multi-asset funds on a 'look through' basis.
- The Fund's allocation to equities increased over the quarter to c.49.7% at 31 December 2020 (c.49.0% at 30 September 2020).
- The allocation to real assets decreased to c.16.% of Fund assets as at 31 December 2020 (c.17% as at 30 September 2020).
- These movements were in part driven by positive vaccine news, significantly propelling equity market gains.
- Strategic allocations to market-cap equity and factor-based equity were both increased from 7.5% to 10.0% following the Committee's review of investment strategy. A corresponding decrease to the multi-asset allocation took place.

Asset class exposures



Regional Equity Allocation



Source: Investment Managers, Datastream

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- The table sets out the performance of each mandate against their respective benchmarks.
- The LGIM mandates tracked their respective benchmarks over the quarter, whilst the remaining of the Fund's mandates contributed both positive and negative relative returns.
- Please note that all asset performance is in GBP terms and does not make an allowance for currency fluctuations. The total Fund performance includes the impact of the Russell currency overlay mandate.
- Please note the separate slide for further detail on the Russell mandate, along with asset performance excluding the impact of currency fluctuations.

Manager performance

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth												
LGIM Global Equity	8.5	8.5	**0.0**	12.9	13.0	**-0.1**	10.1	10.0	**0.0**	12.5	12.6	**0.0**
LGIM Fundamental Equity	13.7	13.9	**-0.1**	1.2	1.1	**0.1**	3.9	3.9	**0.0**	10.1	10.2	**-0.1**
LGIM Emerging Markets	11.2	11.3	**-0.1**	11.5	11.9	**-0.4**	-	-	-	11.8	12.0	**-0.2**
Baillie Gifford Global Equity (CIV)	11.1	8.6	**2.4**	32.8	13.0	**17.5**	17.6	10.0	**6.9**	17.4	13.1	**3.8**
Ruffer Absolute Return (CIV)	4.5	1.0	**3.5**	9.9	4.5	**5.1**	4.0	4.8	**-0.8**	4.9	4.8	**0.1**
Baillie Gifford DGF (CIV)	6.0	0.9	**5.1**	2.2	3.8	**-1.6**	3.0	4.0	**-1.0**	4.4	4.0	**0.4**
Income												
UBS Property	1.4	2.1	**-0.7**	0.1	-1.0	**1.2**	3.5	2.4	**1.1**	5.7	6.6	**-0.9**
CBRE	-2.9	1.3	**-4.1**	2.4	5.7	**-3.1**	-	-	-	3.5	5.7	**-2.1**
JP Morgan	-1.8	1.3	**-3.0**	9.8	5.7	**4.0**	-	-	-	6.5	5.7	**0.8**
Stafford Capital Global Infrastructure	-2.3	1.3	**-3.6**	4.3	5.7	**-1.3**	-	-	-	6.3	6.1	**0.2**
Protection												
RLAM MAC and ILGs	3.3	2.9	**0.3**	10.7	10.8	**0.0**	7.1	6.9	**0.2**	8.7	8.1	**0.6**
RLAM Corporate Bonds	5.7	5.3	**0.4**	-	-	-	-	-	-	17.6	18.5	**-0.7**
Churchill	-1.6	1.0	**-2.6**	-0.5	4.6	**-4.9**	-	-	-	1.1	4.8	**-3.5**
Permira	-2.0	1.0	**-3.0**	-1.1	4.6	**-5.5**	-	-	-	0.0	4.7	**-4.4**
Total	6.7	4.5	**2.1**	11.9	7.3	**4.3**	7.1	6.2	**0.9**	8.2	-	-

Source: Northern Trust, investment managers. Please note that benchmark performance for Baillie Gifford DGF and Ruffer Absolute Return funds is inclusive of outperformance targets. In addition, longer term performance for Baillie Gifford Global Equity, Baillie Gifford DGF and Ruffer Absolute Return funds is inclusive of performance prior to their transfer in to the London CIV. LGIM Global and Fundamental Equity mandates were managed by SSGA prior to November 2017 and we have retained the performance history for these allocations. Performance figures for CBRE, Stafford ad JP Morgan has been taken from the managers rather than Northern Trust. The Fund performance figure includes the effect of the currency hedging mandate managed by Russell..

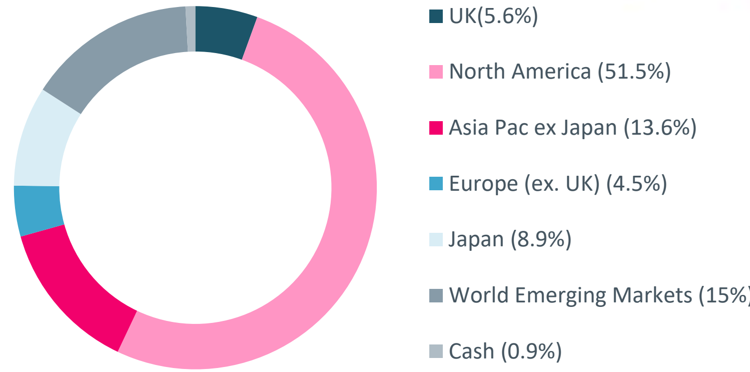
LCIV Funds

- The Fund accesses global equity and multi-asset sub-funds through LCIV.
- LCIV are responsible for the ongoing monitoring and governance of the underlying investment managers.
- The Global Alpha Growth sub-fund is managed by Baillie Gifford.
- The objective of the sub-fund is to exceed the rate of return of the MSCI All Country World Index by 2-3% per annum on a gross of fees basis over rolling five-year periods.
- Following exceptionally strong performance over 2020, the allocation to the Global Alpha Growth sub-fund is significantly over target weight. The Committee has agreed to trim this as part of the upcoming equity restructure.

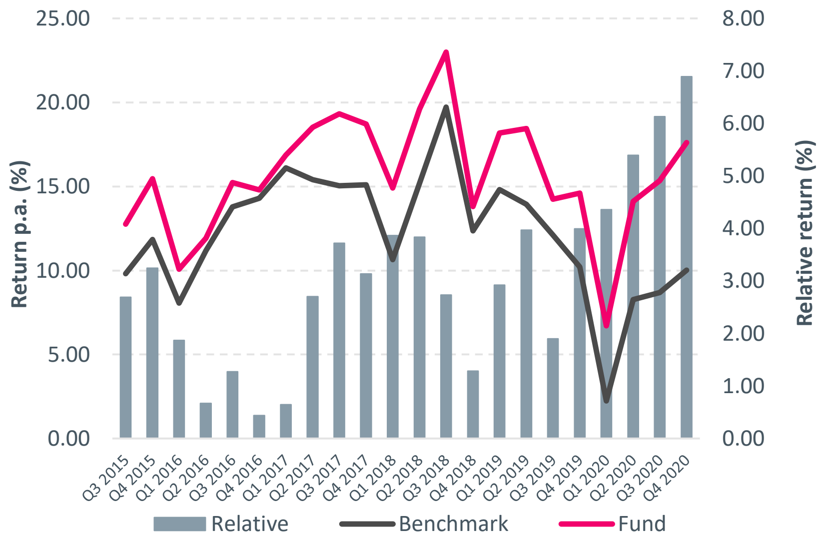
LCIV Global Alpha Growth

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Since Inception (% p.a.)
LCIV Global Alpha Growth	11.1	32.8	17.6	17.4
Benchmark	8.6	13.0	10.0	13.1
Relative	2.4	17.5	6.9	3.8

Regional Allocation



Rolling 3 year return



Source: Investment Manager, LCIV, Northern Trust
Date of inception 25 April 2012

LCIV Diversified Growth Fund

- The sub-fund is managed by Baillie Gifford through their Diversified Growth strategy.
- The sub-fund's objective is to achieve long term capital growth at lower risk than equity markets.
- Benchmark is UK base rate + 3.5% (net).

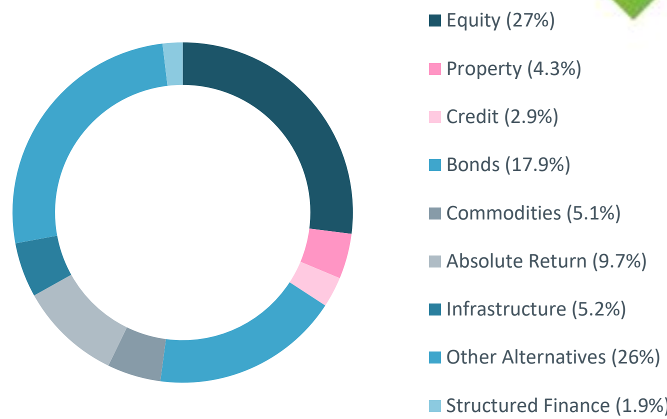
LCIV Absolute Return Fund

- The sub-fund is managed by Ruffer.
- The sub-fund's objective is to achieve low volatility and positive returns in all market conditions.
- Benchmark is 3 month LIBOR + 4% p.a.

LCIV Diversified Growth Fund

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Since Inception (% p.a.)
LCIV Diversified Growth	6.0	2.2	3.0	4.4
Benchmark	0.9	3.8	4.0	4.0
Relative	5.1	-1.6	-1.0	0.3

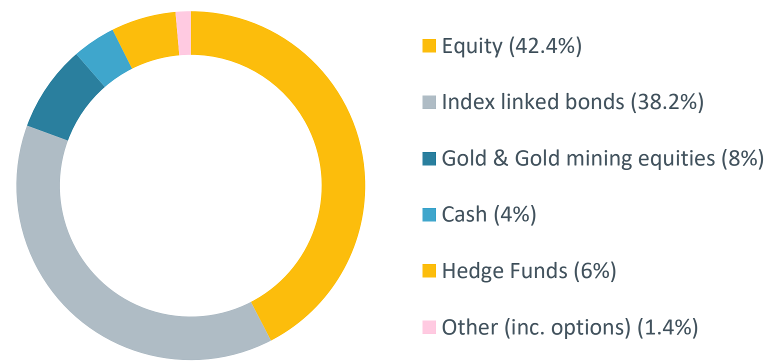
Asset Allocation



LCIV Absolute Return Fund

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Since Inception (% p.a.)
LCIV Absolute Return	4.5	9.9	4.0	4.9
Benchmark	1.0	4.5	4.8	4.8
Relative	3.5	5.1	-0.7	0.1

Asset Allocation



Source: Investment Managers, LCIV, Northern Trust
Diversified Growth Fund inception date: 26/11/2013
Absolute Return Fund inception date: 13/09/2010

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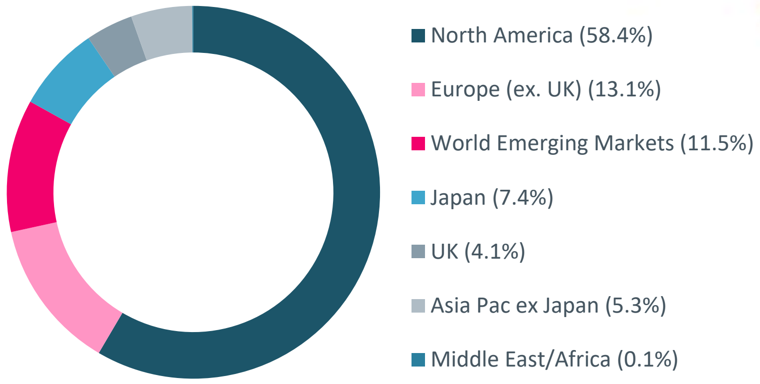
LGIM Equity Funds

- LGIM were appointed from November 2017 to manage the Fund’s index tracking global equity portfolio, with the mandate being split equally between investment in a fund tracking a market cap weighted index and a fund tracking a fundamentally weighted index (RAFI).
- The objective of this mandate is to match the performance of the respective benchmark indices.
- Performance information reflects performance from LGIM from November 2017, and SSGA prior to this date.
- The RAFI fund has outperformed the global index by c.5% over the quarter. However, in the longer term continues to return poorly being c.12% behind the global index over 12 months to 31 December.
- The Committee are considering replacing the RAFI allocation (value tilted) with a multi-factor equity fund.

All World Equity Index

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Since Inception (% p.a.)
LGIM Global Equity	8.5	12.9	10.1	12.5
Benchmark	8.5	13.0	10.0	12.6
Relative	0.0	-0.1	0.0	0.0

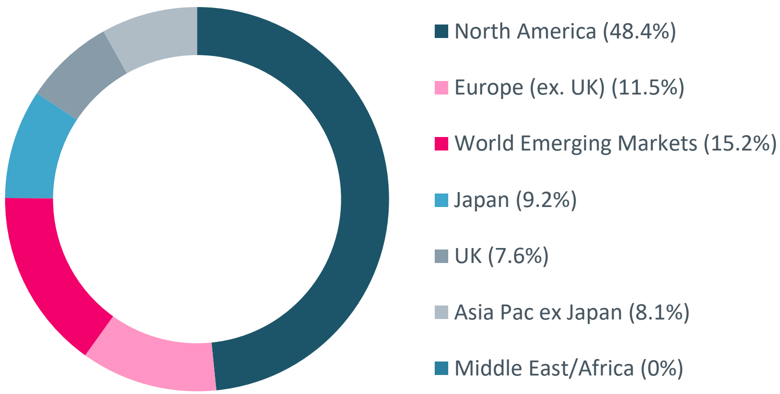
Regional Allocation



FTSE RAFI All World 3000 Equity Index

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Since Inception (% p.a.)
LGIM Fundamental Equity	13.7	1.2	3.9	10.1
Benchmark	13.9	1.1	3.9	10.2
Relative	-0.1	0.1	0.0	-0.1

Regional Allocation



Source: Northern Trust, LGIM
All World Equity Index inception date: 23/02/2011
FTSE RAFI All World 3000 inception date: 19/08/2015

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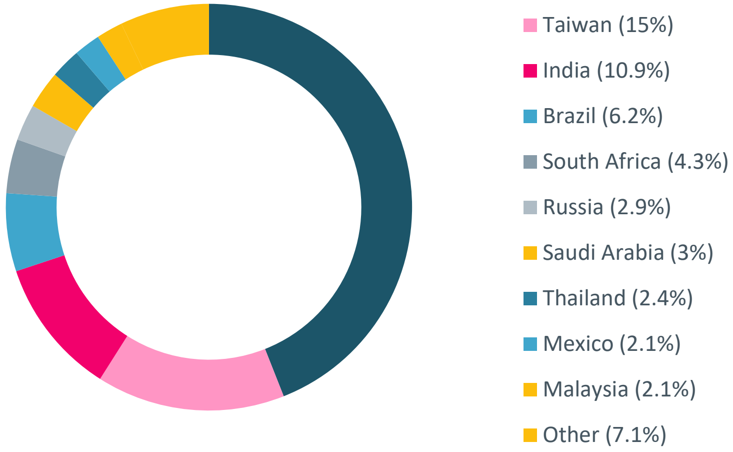
LGIM Emerging Markets

- The objective of this mandate is to match the performance of the FTSE Emerging indices.

World Emerging Markets Equity Index

	Last 3 months (%)	Last 12 months (%)	Since Inception (% p.a.)
LGIM Emerging Markets	11.2	11.5	11.8
Benchmark	11.3	11.9	12.0
Relative	-0.1	-0.4	-0.2

Regional Allocation



Source: Northern Trust, LGIM
Inception date: 01/01/2019

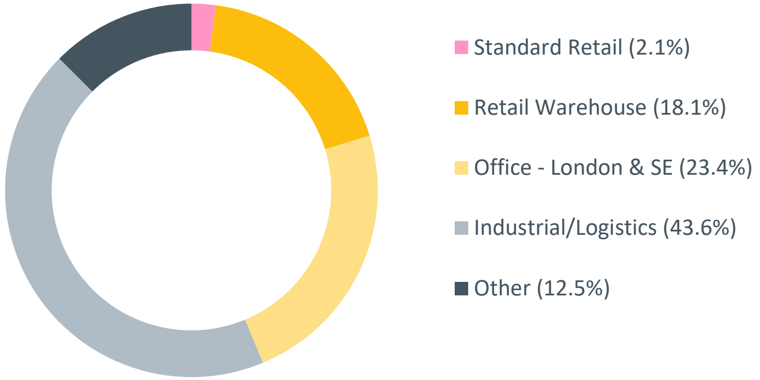
UBS Triton Property Fund

- The objective of the fund is to deliver returns broadly in line with a peer group of other UK property funds.
- The fund invests directly in UK properties with returns generated through the collection of rental income and growth in both rental levels and capital values.
- The Triton fund continued to increase the level of rent collection over the quarter and this is moving towards more normal levels after a dip during the start of the pandemic. Rent collection over Q4 was 91% (79% over Q3). The improvement in rent collection is due to the fund being underweight in the retail sector. However, the relative underperformance of the fund to the benchmark this quarter is also due to being underweight to the retail sector, as this contributed strong returns over the quarter in a reversal of recent trends.

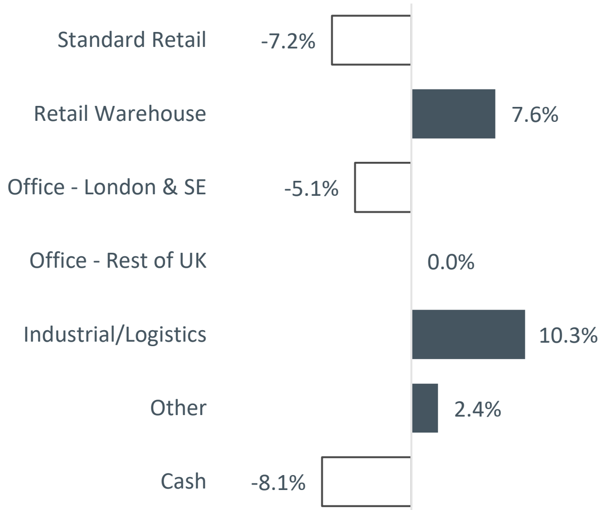
UBS Fund Performance

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Since Inception (% p.a.)
UBS Property	1.4	0.1	3.5	5.7
Benchmark	2.1	-1.0	2.4	6.6
Relative	-0.7	1.2	1.1	-0.9

Sector Allocation



Sector Allocation Relative to Benchmark



Source: Northern Trust, UBS
Inception date: 28/02/2005

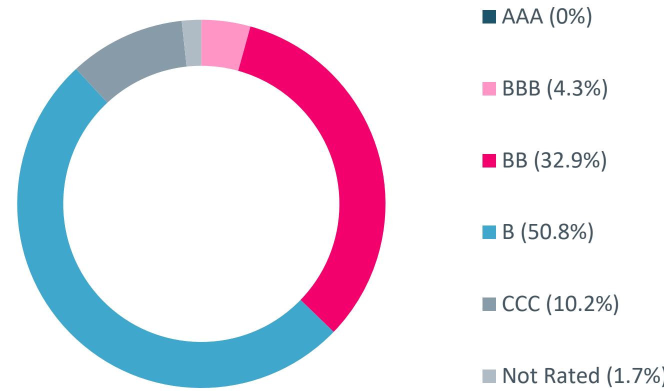
RLAM – Bond mandates

- Royal London Asset Management (RLAM) was appointed in February 2005 to manage the Fund's bond mandate.
- RLAM now manage two separate portfolios: the existing portfolio consisting of index linked gilts and with the addition of MAC; and a separate corporate bond portfolio which is being sold down to fund the strategic changes.
- The chart below right compares the credit rating breakdown of the multi-asset credit and corporate bond portfolios at the end of the quarter.
- The strategic allocation to corporate bonds is now 0%, with allocations to index linked gilts and multi-asset credit 5% and 7.5% respectively.
- Credit spreads continued to narrow over the quarter which benefitted the corporate bond and MAC portfolios. However, low real yields over the period dampened returns from the joint MAC and ILGs portfolio.

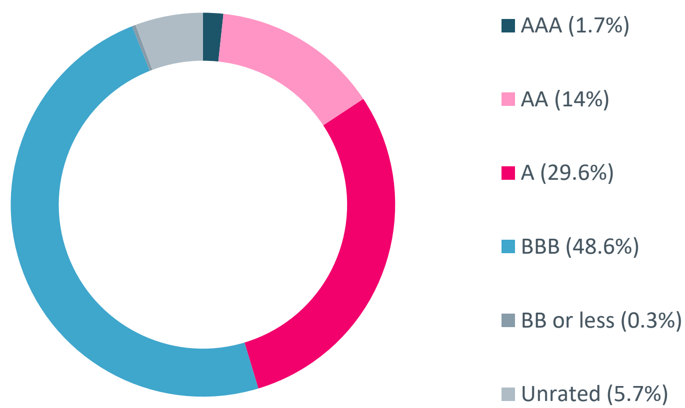
RLAM Fund Performance

	Last 3 months (%)	Last 12 months (%)	Last 3 years (% p.a.)	Since Inception (% p.a.)
RLAM MAC and ILGs	3.3	10.7	7.1	8.7
Benchmark	2.9	10.8	6.9	8.1
Relative	0.3	0.0	0.2	0.6
RLAM Corporate Bonds	5.7	n/a	n/a	17.6
Benchmark	5.3	n/a	n/a	18.5
Relative	0.4	n/a	n/a	-0.7

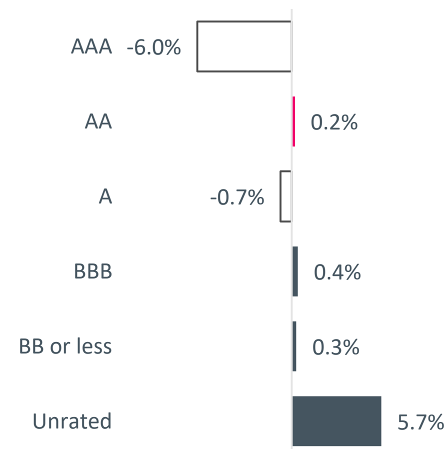
Credit Allocation (MAC)



Credit allocation (Corporate Bonds)



Credit Allocation relative to benchmark (Corporate Bonds)



MAC and ILGs Benchmark: FTSE Index Linked over 5 Year 50%, ICE BAML BB-BBB Index 25%, Credit Suisse US Leveraged Loan GBP Hedged 25%.
Corporate Bonds Benchmark: iBoxx Sterling Non-Gilt Over 10 year Index.

Source: Northern Trust, RLAM

Russell Currency Hedging

- Russell Investments have been appointed to manage the Fund's currency overlay mandate.
- The current policy is to hedge non-sterling exposures in the Fund's private markets mandates. Currency exposure in equity mandates is retained.
- At present, 100% of the exposure to USD, EUR and AUD from the private market investments is hedged within any residual currency exposure retained on a de-minimis basis.
- The charts illustrate the breakdown of hedged currency exposures in each mandate (ignoring unhedged exposures).
- Since implementation, the mandate has a realised loss of c.£0.6m. This is due to underperformance of sterling against the Euro and Australian Dollar. A corresponding gain has been seen in the value of the assets exposed to these currencies.

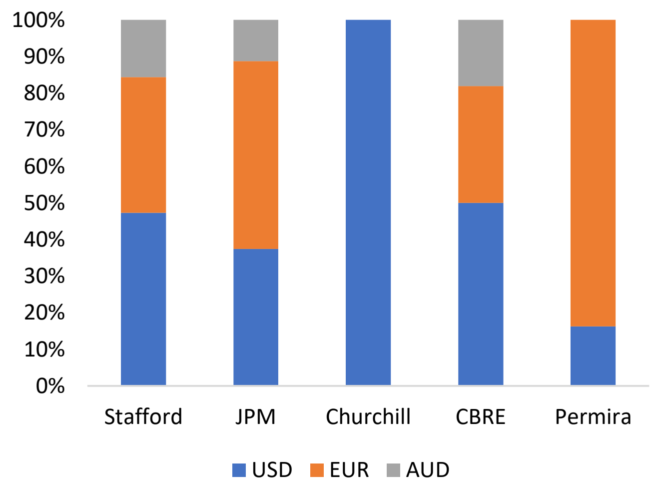
Q4 performance

	Asset return (inc. FX impact)	Currency return (via Russell mandate)	Asset return (ex. FX impact)	BM return	Relative return (ex. FX impact)
Stafford	-2.3	1.8	-0.6	1.3	-1.9
JPM	-1.8	1.8	0.0	1.3	-1.3
Churchill	-1.6	3.0	1.4	1.0	0.4
CBRE	-2.9	1.6	-1.2	1.3	-2.5
Permira	-2.0	1.0	-1.0	1.0	-1.9

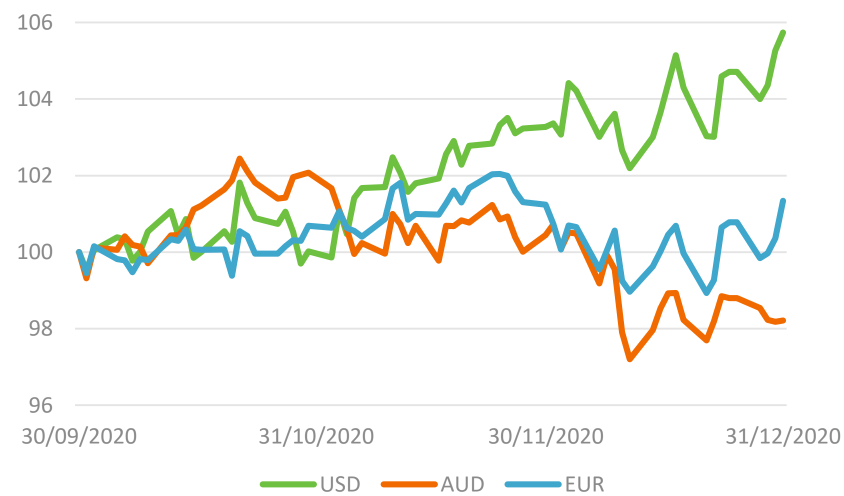
Performance since mandate inception*

	Asset return (inc. FX impact)	Currency return (via Russell mandate)	Asset return (ex. FX impact)	BM return	Relative return (ex. FX impact)
Stafford	4.3	-1.9	2.4	5.7	-3.1
JPM	9.8	-3.1	6.7	5.7	1.0
Churchill	-0.5	-0.2	-0.7	4.6	-5.1
CBRE	2.4	-2.1	0.2	5.7	-5.1
Permira	-1.1	-1.3	-2.4	4.6	-6.7

Hedged currency exposure as at quarter end



Sterling performance vs foreign currencies (rebased to 100 at 30 September 2020)



Source: Northern Trust, Investment managers
*Performance shown since 31 December 2019 which was the first month end after inception

- Since March 2018, the Fund has made commitments to five private markets funds as outlined below. The table provides a summary of the commitments and drawdowns to 31 December 2020.
- The allocations to JP Morgan and CBRE are fully drawn.
- There are outstanding commitments of approximately £35m to the remaining funds which will be primarily funded from the RLAM mandate.

Mandate	Infrastructure			Global Property	Private Debt	
Vehicle	**Stafford Infrastructure Secondaries Fund II**	**Stafford Infrastructure Secondaries Fund IV**	**JP Morgan Infrastructure Investments Fund**	**CBRE Global Investment Partners Global Alpha Fund**	**Churchill Middle Market Senior Loan Fund II**	**Permira Credit Solutions IV Senior Fund**
Commitment Date	25 April 2018	18 December 2020	31 July 2018	30 September 2018	December 2018	December 2018
Fund currency	EUR	EUR	USD	USD	USD	EUR
Gross commitment	c. £26m (EUR 28.5m)	c.£18m (EUR 20m)	c. £26.1m (USD 34m)	c. £26.1m (USD 34m)	c. £23.8 m (USD 31m)	c. £36 m
Net capital called during quarter (Payments less returned capital)	c. £2.4m (EUR c.2.7m)	-	-	-	c. £1.7m (USD 2.3m)	c.£1.7m
Net capital drawn to date	EUR 20.5m (c. £18.4m)	-	c. £26.1m (USD 34m)	c. £26.1m (USD 34m)	c. £14.3.m (USD 19.4m)	c. £11.0m (EUR 12.6m)
Distributions/returned capital to date (includes income and other gains)	EUR 5.5m (c. £4.8m)	-	c. £4.1.m (USD 5.5m)	-	c. £0.2.m (USD 0.3m)	£0.7m
NAV at quarter end	EUR 23.1m (c. £20.7m)	-	USD 32.5m (c. £23.8m)	USD 36.5m (c. £26.7m)	USD 22.5m (c. £16.5m)	£14.4m
Net IRR since inception (in fund currency)	5.3% p.a. *(vs. 8-9% target)**	-	6.9%*	9.6%*	9.0%**	15.4%
Net cash yield since inception (in fund currency)	5.0% p.a. *(vs. 5% target)**	-	11.4%*	4.8%*	5.5%*	4.8%*
Number of holdings	20 funds, 306 underlying assets*	-	19 companies, 560 assets	50 investments, 2,644 properties*	76 investments	22 investments

**as at 30/09/2020 (latest available) **refers to the IRR of realised investments in the portfolio*

Source: Investment Managers

Asset Class	Market Summary
Equities	• Further rises in global equities leaves valuation measures increasingly stretched versus history. • There remains significant disparity in valuations by region and overall valuations do not look as expensive in the context of very low real yields. • Q3 earnings have continued to outperform expectations and estimates for Q4 have risen. • The bounce in earnings expected in 2021 would leave full-year earnings in 2021 above end-2019 levels. • Given high valuations and near-term economic uncertainty, we retain a degree of caution, despite the fundamental improvement expected in 2021.
Investment Grade Credit	• Despite a continued rise in leverage and fall in interest coverage, investment-grade spreads are now well below long-term median levels. • Low central bank policy rates and government bond yields will likely provide ongoing technical support and fundamentals should improve as earnings recover in 2021, but very low spreads and yields may pose a headwind to returns going forward. • Sterling investment grade spreads, on a ratings-consistent basis, have fallen well below long-term median levels and the premium relative to equivalent global credit is low relative to history. • Given less recent central bank support, equivalently rated European ABS spreads have lagged the recovery in corporate credit spreads since the peak of market disruption at the end of Q1 and spreads relative to similarly rated corporate credit are attractive versus history.
Liquid Sub-Investment Grade Debt	• Central bank intervention has enabled companies to raise huge amounts of debt to see them through near-term disruption. • This increase in leverage, coupled with falling profits, has resulted in lower interest coverage, despite a significant decline in yields. • Although default rates have risen – to 8.4% in the last 12 months to November in the US high yield market – accommodative funding conditions have helped keep them well below the peaks of previous crises. • It is likely defaults could remain elevated as companies lose government support. • Global high yield credit spreads have retraced significantly since Q1 and are now well below longer-term medians. • US leveraged loan spreads have also fallen but offer a premium relative to US high yield.
Private Lending	• Transaction levels have returned to pre-COVID levels and, while pricing has also returned to pre-COVID levels, loans are typically being written with better lender protections meaning a better risk-adjusted return overall. • The illiquidity premium to the loan market remains slightly compressed. • More affected outstanding debt in public and private markets may create opportunities for new stressed/distressed and special situations financing strategies.
Core UK Property	• While transaction activity picked up following the easing of the initial lockdown, the market is continuing to face significant uncertainty as restrictions return. • Fundamentals in the UK commercial property market remain weak to reflect to continued downside risk faced as the pandemic rages on while valuation and technical data remains underwhelming.
Long Lease Property	• On an absolute basis, valuations remain less attractive than the wider property market, but they are supported by stronger fundamental and technical drivers.
Conventional Gilts	• Gilt yields remain well below our assessment of longer-term fair value - 3.0-3.5% p.a. for nominal yields. • Economic recovery may drive today's very low yields higher but, while GDP remains below trend and unemployment elevated, 10-year nominal yields may be expected to rise no higher than 1.0-1.5% p.a.
Index-Linked Gilts	• Despite the government's announcement that RPI will be aligned with CPIH (c.1% p.a. lower), with no compensation for index-linked gilt holders, implied inflation actually rose at longer terms as gilt yields rose more than index-linked gilt yields. • Implied inflation looks expensive at terms up to around 25 years.

The table summarises our broad views on the outlook for markets. The ratings used are Positive, Attractive, Neutral, Cautious and Negative. The ratings are intended to give a guide to our views on the prospects for markets over a period of around three years; although they are updated quarterly, they are not intended as tactical calls. The ratings reflect our expectations of absolute returns and assume no constraints on investment discretion. In practice, they need to be interpreted in the context of the strategic framework within which individual schemes are managed.

Source: Hymans Robertson

Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

Geometric v Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + Fund\ Performance)}{(1 + Benchmark\ Performance)} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$Fund\ Performance - Benchmark\ Performance$$

The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases.

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