Public Document Pack

Havering
LONDON BOROUGH

PENSIONS COMMITTEE AGENDA

7.00 pm	Tuesday 20 September 2022	Town Hall, Main Road, Romford

Members 7: Quorum 3

COUNCILLORS:

Conservative Group (3)	Havering Residents' Group (2)	Labour Group (2)
TBC	TBC	Mandy Anderson (Chairman)
TBC	Philip Ruck (Vice-Chair)	TBC
TBC		

Trade Union Observers
Derek Scott

(No Voting Rights) (2)

Admitted/Scheduled Bodies Representative

(Voting Rights) (1)

For information about the meeting please contact:
Christine Elsasser 01708 433675
christine.elsasser@onesource.co.uk

Under the Committee Procedure Rules within the Council's Constitution the Chairman of the meeting may exercise the powers conferred upon the Mayor in relation to the conduct of full Council meetings. As such, should any member of the public interrupt proceedings, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room and may adjourn the meeting while this takes place.

Excessive noise and talking should also be kept to a minimum whilst the meeting is in progress in order that the scheduled business may proceed as planned.

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:-

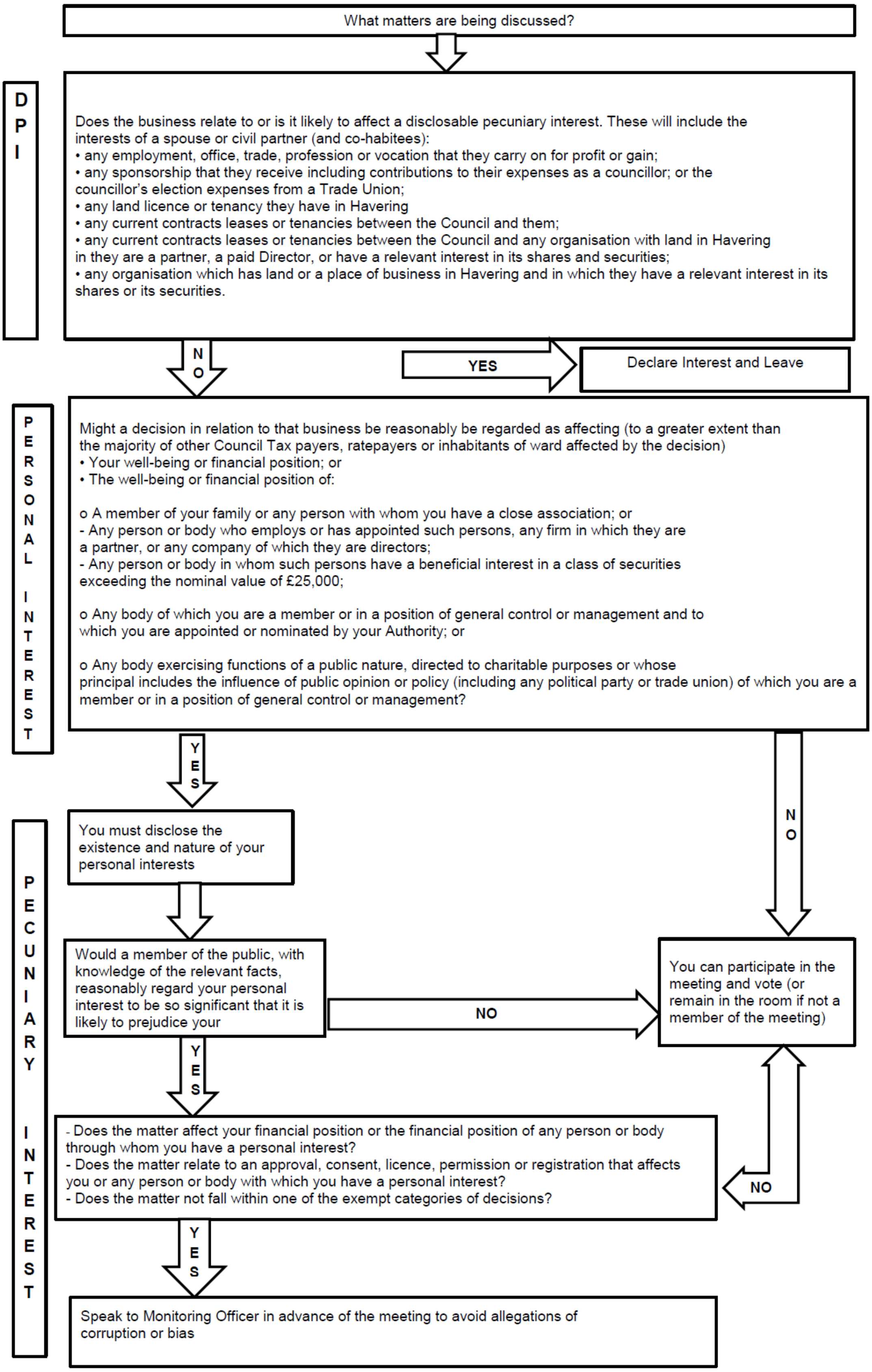
- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing, 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 26 JULY 2022 (Pages 1 - 4)

To approve as correct the minutes of the meeting held on 26 July 2022 and authorise the Chairman to sign them.

5 URGENT BUSINESS

To consider any other item in respect of which the Chairman is of the opinion, by reason of special circumstances which shall be specific in the minutes that the item should be considered at the meeting as a matter of urgency.

6 CLIMATE RISK PLAN PROGRESS REPORT (Pages 5 - 14)

7 PERFORMANCE MONITORING REPORT QUARTER ENDING JUNE 2022 (Pages 15 - 68)

8 MINUTES OF THE LOCAL PENSION BOARD (Pages 69 - 70)

To receive the minutes of the Local Pension Board.

Zena Smith
Democratic and Election Services Manager

MINUTES OF A MEETING OF THE PENSIONS COMMITTEE
Town Hall, Main Road, Romford
26 July 2022 (7.00 - 9.25 pm)

Present:

COUNCILLORS

Conservative Group	Dilip Patel and Viddy Persaud
Havering Residents' Group	Julie Wilkes
Labour Group	Mandy Anderson (Chairman) and Matthew Stanton
Trade Union Observers:	Derek Scott

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

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

Apologies for inability to attend the meeting were received from Councillors Robert Benham and Philip Ruck.

245 **DISCLOSURE OF INTERESTS**

There were no disclosure of interest.

246 **MINUTES OF THE MEETING - 15 MARCH 2022**

The minutes from 15 March 2022 were agreed as a correct record. It was suggested that the second last paragraph under item 241 BUSINESS PLAN – PC ANNUAL REPORT 2021-22 could be removed, as it was a duplicate of what had been written in the previous paragraph.

247 **PENSION FUND PERFORMANCE QUARTER ENDING MARCH 2022**

The Committee were presented with a report that provided an overview of how the fund's investments were performing, how the individual Investment Managers were also performing against their set targets and any relevant Local Government Pension Scheme (LGPS) updates for the quarter ending 31 March 2022. Any significant events that occurred after production of this report would be addressed verbally at the meeting.

It was explained that the Fund had reduced in value by 3.03% over this quarter, it underperformed the tactical benchmark by -2.51% and outperformed the strategic benchmark by 1.79%.

The general position of the Fund was considered and other matters including any current issues as advised by Hymans. Russell Investments attended the meeting.

Hymans discussed the fund's performance and the manager joined the meeting sharing their presentation and answered any questions. It was also explained that and as of today value had dropped a further £14.2 m due to market volatility.

The Committee **agreed** the recommendations**.**

248 **PENSION FUND ACCOUNT 2021/22**

The Committee were provided with a report that showed an extract of the Authority's Statement of Accounts for the year to 31st March 2022 showing the unaudited accounts of the Havering Pension Fund ("the Fund") as at that date.

It was explained that a review of the effectiveness of external audit and transparency of financial reporting in local authorities by Sir Tony Redmond included a recommendation that the deadline for publishing audited accounts was extended to 30 September from the 31 July each year with draft accounts published on or before the 1 August. This will cover two financial This will cover the two financial years 2021 and 2021/22.

The Committee **agreed** the recommendations in the report.

249 **TCFD REPORTING**

The Committee were presented with a summary of the Funds current position concerning the 11 climate-related disclosures under the scope of the Taskforce on Climate-related Financial Disclosures (TCFD), for the year ending 31 March 2022. The Committee's Business Plan for 2022/2023 included the development of a broader climate action plan.

Hymans took the members through each of the disclosures in the report.

The Committee expected to consider this as part of the evolution of its approach to the management of climate related risks over the coming year as part of its Climate Risk Plan. Elsewhere on the agenda was the Climate Risk Plan that will kick start the process of setting targets for the Fund.

The Committee **agreed** the recommendations.

250 CLIMATE RISK PLAN

The Committee was presented with a report that set out the next steps in developing the Fund's Plan for addressing climate risk within the Fund's investment portfolio. The Committee's Business Plan for 2022/2023 included the development of a broader climate action plan.

It was explained that the Fund's Investment consultant (Hymans) had set out the possible next steps in developing the Fund's plans for addressing climate risk in their report attached as Appendix A. Hymans discussed these possible next steps with the Committee to ascertain any additional actions that needed to be taken to meet the Fund's requirements.

The Climate Risk Plan followed on from a climate risk workshop. This Plan was to establish a baseline position for change and from then on, the Fund would focus on specific areas and frame objectives and targets for change. The Fund would be able to develop and implement a plan to address climate-related risks to monitor and report these over time.

The Committee **agreed** the recommendations.

Chairman

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PENSIONS COMMITTEE 13 September 2022

Subject Heading:	**CLIMATE RISK PLAN PROGRESS REPORT**
CLT Lead:	**Dave McNamara**
Report Author and contact details:	***Debbie Ford Pension Fund Manager (Finance)*** ***01708432569*** ***Debbie.ford@onesource.co.uk***
Policy context:	**Develop the Fund's plan for addressing climate risk**
Financial summary:	To date £7,500.00

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

Appendix A to this report sets out the progress made in developing the Fund's Plan for addressing climate risk within the Fund's investment portfolio.

RECOMMENDATIONS

That the Committee:

Consider and agree the next steps in developing the Fund's plans for addressing climate risk as set out in Hymans Report at **Appendix A.**

REPORT DETAIL

1. Hymans will discuss the progress made so far in assessing the Funds current position against a series of climate related metrics as at 31 March 2022. The aim being to set a baseline position for monitoring and address ongoing risk reporting requirement.

2. BACKGROUND

a. The Committee on the 29 July 2020 agreed and published a Statement of Investment Beliefs and a Responsible Investment policy, which are included in the Fund's Investment Strategy Statement (ISS). This reflects the broad views of committee members on investment, Environmental, Social, Governance (ESG), and climate matters.

b. The Committee belief - *"Climate change and the expected transition to a low carbon economy represents a long-term financial risk to Fund outcomes and should be considered as part of the Committee's fiduciary duty".*

c. Climate factors were a major consideration in developing the ISS, and in particular have already implemented the following:

- 16 March 2021- agreed to invest 2.5% in a *London Collective Investment Vehicle (LCIV) renewable energy infrastructure fund
- 14 September 2021 – agreed to switch assets from the LCIV Global Alpha Fund(15%) to the LCIV Global Alpha Paris Aligned variant
- 20 July 2021 – agreed to invest 10% of the Funds' assets into the Legal and General Investment Management (LGIM) Future World, which is an equity allocation with a climate-tilted focus.
- 03 December 2021 – Agreed to invest 5% of its passive equity investments the LCIV Passive Equity Progressive Aligned (PEPPA) Fund

d. The Committee's Business Plan for 2022/23, agreed at its meeting on the 15 March 2022, includes the development of a broader climate action plan.

e. The Climate Risk Plan follows on from the climate risk workshop held on 24 November 2021.

f. At the Pension Committee meeting on the 26 July, the Committee received a presentation from Hymans, the Fund's Investment Consultant, which included the possible next steps in developing the Fund's plans for addressing climate risk within its portfolio.

g. The Committee agreed to establish a baseline position for change deciding that the next step was for Hymans to collate data across the portfolio from each fund manager, the aim being to establish a 'starting point' for the Fund and to help inform any targets which may be subsequently set. This will identify gaps in data that may exist and flag the types of assets that are harder to measure.

h. **Appendix A** to this report sets out the progress made in developing the Fund's Plan for addressing climate risk within the Fund's investment portfolio and further steps.

IMPLICATIONS AND RISKS

Financial implications and risks:

Climate related risks and broader environmental, social and governance (ESG) factors are a source of financial and reputational risk.

The Committee has established and published a Statement of Investment Beliefs, which reflects the broad views of committee members on investment, ESG and climate matters. These beliefs are documented in the Investment Strategy Statement and include financial materiality of climate risk.

There will be a cost to the Pension Fund for the work carried out by Hymans to develop the Climate Risk plan. Costs will be charged as each stage progresses. Estimated costs to date for the Climate Risk Plan is £7,500.

The Climate Risk plan will evolve over time with the initial task being to identify data that can be collected and flag where there are any gaps. This will help inform subsequent target setting. Identifying metrics and setting targets will be a tool used to manage or better understand climate related risks facing the fund. These will also be used to fulfil our reporting requirement for Task Force Climate Related Financial Disclosures (TCFD). The primary consideration in the setting of any target will be the fiduciary impact and this report sets out a framework to ensure that requirement is met.

Legal implications and risks:

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

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

Climate Risk Plan – Baseline

Introduction

This paper is addressed to the Committee of the London Borough of Havering Pension Fund ("the Fund"). This paper gives an indication of the Fund's current positioning on a number of climate related metrics and is designed to help give reference to future net-zero related objectives which may be set. We accept no liability where the paper is used by, or released or otherwise disclosed to, a third party unless we have expressly accepted such liability in writing. Where this is permitted, the paper may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

Background

The Committee have a belief that: "*Climate change and the expected transition to a low carbon economy represents a long-term financial risk to Fund outcomes and should be considered as part of the Committee's fiduciary duty*."

To help manage this risk, the Committee are developing a climate risk management plan with the desire to link this to a broader net-zero goal. To help frame any objectives which may subsequently be set, this paper begins to establish a baseline for the Fund's current level of carbon exposure across the various investments and considers other climate related metrics that can also be considered. Establishing the baseline in the context of developing the wider climate risk plan is illustrated below.

In the context of a broader net-zero goal, it is appropriate to consider a range of climate related metrics, recognising that climate risk and opportunities cannot be described by a single measure. In particular, when framing such metrics, reference can be made to both the expected requirements of TCFD (which are yet to be published for the LGPS) and the broader, more comprehensive, Net Zero Investment Framework.

The objective of adopting a net-zero goal is to ensure that the Fund's assets both reflect and support the longer-term transition to a low carbon economy. Consequently, the baseline to be set should reflect a number of attributes including:

- **Current carbon emissions**: Given the goal is to reduce carbon emissions to net-zero, so this will reflect a key measure to be considered. Weighted Average Carbon Intensity and Carbon Footprint are key metrics to be considered here.
- **Potential pace of change in future carbon emissions**: To the extent that the Fund is invested in higher-emitting assets, what steps are being taken by managers and companies to reduce emissions. Forward looking, alignment type metrics are key here alongside measures of exposure to materially affected sectors.
- **Engagement goals**. Where there are investments in sectors with higher emissions, the extent to which the companies held are being challenged to do more is key. This reflects the exercise of stewardship by the Fund and its managers to ensure that efforts are being aligned. There are various ways this can be assessed, looking at manager commitments through to the individual companies being engaged.

- **Investment in solutions**. Whilst there is a need to decarbonise existing investments, capital can be committed to assets that facilitate the process of change (solutions). Exposure to such solutions can be monitored although the Fund should be clear on what constitutes a solution.

Data considerations

The baseline and objectives set by the Fund will reflect a number of these metrics. The starting point is to consider the extent to which these factors can be measured and to assess this, we have first considered the data that is already available to the Fund, rather than through undertaking any bespoke analysis. This data is set out in the table overleaf although we make the following observations:

- Reporting on climate related matters is in its early stages and there is still significant variation in the style and content of reporting produced by different managers and across different asset classes. This can be seen by the various gaps highlighted in the table below. Over time we expect there to be improvements in data being reported, particularly driven by regulatory requirements to report on specified metrics.
- Assets that are publicly listed are generally a lot easier to measure as the amount of available data on the underlying holdings is better reported and more transparent. This is part of the reason why there are more metrics shown below for the equity, multi-asset and RLAM bond mandates than for some of the private market mandates.
- As noted above, different metrics have different purposes. Building on the points set out above, we have sought to identify available data on four different data points. A formal definition of each is included in the appendix but at a higher level, the following
    - **Weighted Average Carbon Intensity** (“WACI”) gives an indication of where each portfolio is today and current positioning from a carbon exposure perspective. The lower the number, the less exposed to carbon, and therefore better positioned for the transition to a low carbon economy.
    - **% Portfolio with ties to Fossil Fuels** gives an indication of the current reliance of each portfolio on revenues related to fossil fuels and gives an initial assessment of exposure to materially affected sectors.
    - **Implied Temperature Rise** shows the projected temperature rise implied by the underlying assets held in each portfolio. A metric of 2°c suggests that the portfolio companies’ current emissions and management strategies are aligned with a 2°c climate change scenario. Over time we expect to see this score reduce as wider action is take across the industry to work towards the 1.5°c target included in the Paris Agreement.
    - **Exposure to Green Revenues / Climate Solutions** provides a measure of where mandates are investing in solutions type assets, with the higher the number indicating a greater proportion of the investment is related to the transition to a low carbon economy. As an example, the two Stafford infrastructure mandates have high scores on this metric given they have significant allocations to renewable energy infrastructure.
- We have sourced the data in the following table from investment managers. The methodology for calculating certain metrics may therefore differ slightly although we do not believe this to be a concern at this time.
- We have also included an indicator on whether each manager has made a formal “net zero” commitment in relation to their invested assets, measured as to whether they are a signatory to the Net Zero Asset Managers Initiative (NZAMI).

Baseline metrics

Mandate	Climate related metric				
	WACI (tCO2e / £m)	% of Portfolio with Fossil Fuel Ties	Implied Temperature Rise	Exposure to Green Revenues / Climate Solutions	NZAMI Signatory
MSCI ACWI	163	12%	3.4°c	5%	n/a
Equity					
LGIM All World	177	-	3.0°c	4%	Yes
LGIM Emerging Markets	380	-	3.4°c	7%	Yes
LGIM Future World	146	-	2.7°c	5%	Yes
LCIV BG GAPA	107	0%	-	-	Yes*
LCIV PEPPA	120	1%	-	-	Yes*
Multi-Asset					
LCIV Ruffer	266	15%	-	-	Yes*
LCIV BG DGF	441	14%	-	-	Yes*
Real Assets					
UBS	41	0%	-	-	Yes
CBRE	-	0%	-	-	Yes
JP Morgan	-	22%	-	-	Yes
Stafford II	-	21%	-	35%	Yes
Stafford IV	-	12%	-	32%	Yes
LCIV Renewable Infra	-	-	-	-	Yes*
Bonds					
RLAM MAC	127	2%	3.6°c	6%	Yes
RLAM Corporate Bonds	145	14%	2.7°c	20%	Yes
Churchill II	-	0%	-	-	No
Churchill V	-	0%	-	-	No
Permira	9	0%	-	-	No

**LCIV is not a signatory but each underlying manager is. Source: Investment managers.*

Comments

We make the following comments and observations regarding the above data:

- All managers are signatories to the Net Zero Asset Managers Initiative (see appendix for more detail) with the exception of Churchill, Permira and LCIV. However all underlying managers appointed to manage the LCIV funds (Baillie Gifford, Ruffer, State Street, BlackRock, Foresight, Stonepeak and Quinbrook) are signatories. LCIV has a commitment to become net-zero by 2040 and have an established plan to work towards this goal.
- The emerging markets equity allocation fund has a relatively high WACI. Emerging market countries are generally behind developed market countries with regard to climate policies and adopted practices, and therefore a high WACI is to be expected. However, a high WACI for this fund does provide more opportunity to influence change and reduce the WACI going forward than may be the case for developed market equities.
- The LCIV Global Alpha Growth Paris Aligned fund, LCIV PEPPA fund and LGIM Future World Fund all incorporate explicit climate considerations in their management and hence we expect to see lower reported carbon emissions. Further, the two LCIV equity funds seek greater alignment with the Paris Agreement and have explicit management interventions that will ensure that companies held are more clearly aligned with a net zero goal.

- The LCIV Diversified Growth Fund ("DGF") has a very high WACI. This is primarily down to the fund having a high allocation to renewable energy infrastructure. Although building renewable energy infrastructure is a fundamentally important part of transitioning away from fossil fuels, the physical process of building the infrastructure requires a lot of carbon intensive materials such as cement and steel and therefore reflects badly from a backward looking WACI perspective. Although not reported by the manager (and therefore not show in this table) we would expect this fund to have a higher contribution to climate solutions.
- The implied temperate rise of the portfolio where it has been calculated by managers is significantly above the 1.5°c level implied by the Paris Agreement for all funds measured. This highlights the rate of change the global economy will have to undertake over the coming years to achieve the target.
- Data in respect of bonds and real asset mandates is less complete with only RLAM and UBS having disclosed information on carbon emissions. Our broader research suggests that the collection and reporting on climate data within private markets mandates is less well developed and that asset owners should set clear expectations of asset managers in this regard ahead of framing more clearly defined net zero goals.

Next steps

The first aim for the Committee is to consider its objectives with particular regard to a net-zero ambition. As illustrated in the table, data is most comprehensive within equity and multi-asset mandates suggesting it will be easier to define goals for these asset classes first. As a starting point, for these asset classes, we suggest the Committee seeks to:

- Broaden the data available in respect of equity and multi-asset mandates through direct engagement with LCIV and LGIM to ensure consistency and completeness.
- Consider the potential implications of framing emissions reduction targets of 25-50% over the next 5-10 years and how this could be achieved.
- Consider the extent to which the engagement goals of both LCIV and LGIM are aligned with the Committee's climate aspirations and what each managers' priorities are.
- Drawing on this information, determine an initial net-zero aspiration.

As noted, data in respect of bond and real asset mandates is less complete and further information is necessary to be able to frame an appropriate baseline. The key action that Committee can take is to set out its expectations from managers on reporting. We recommend that Committee write to their managers in this regard as an initial stewardship action.

We look forward to discussing this with Pensions Committee at their forthcoming meeting.

Prepared by:-

Simon Jones, Partner
Mark Tighe, Associate Investment Consultant

For and on behalf of Hymans Robertson LLP

August 2022

Appendix

Weighted Average Carbon Intensity ("WACI")

A measure of a portfolio's exposure to carbon-intense companies. This is expressed in terms of tons of CO2 equivalent emitted per million dollars of revenue, weighted by the size of the allocation to each company. Is measured using scope 1 + scope 2 emissions. Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle. Scope 2 emissions are those caused by the generation of electricity purchased by the company.

% Of Portfolio With Ties to Fossil Fuels

The percentage of the portfolio invested in companies with an industry tie to fossil fuels (thermal coal, oil and gas), in particular reserve ownership, related revenues and power generation. It does not flag companies providing evidence of owning metallurgical coal reserves.

Implied Temperature Rise

The security's alignment temperature when referencing a combined approach which takes into account Scopes 1, 2, 3 and "cooling" potential (including emission reduction targets set by the firm). An ITR of 2°c suggested that the company's current emission and management strategies are aligned with a 2°c climate change scenario.

Exposure to Green Revenues / Climate Solutions

The weighted average % of revenue for portfolio companies derived from revenue generated by economic activities relating to the transition to net zero, which typically meet the requirements of the EU Taxonomy on Sustainable Finance.

Net Zero Asset Managers Initiative (NZAMI)

The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.

Paris Agreement

The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at COP 21 in Paris, on 12 December 2015. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

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Havering
LONDON BOROUGH

PENSIONS COMMITTEE 13 September 2022

Subject Heading:	**PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED JUNE 2022**
CLT Lead:	**Dave McNamara**
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 being met and to keep the committee updated with Pension issues and developments.
Financial summary:	This report comments upon the performance of the Fund for the period ended 30 June 2022

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 how the fund's investments are performing, how the individual Investment Managers are also performing against their set targets and any relevant Local Government Pension Scheme (LGPS) updates for the quarter ending **30 June 2022**. Significant events that occur after production of this report will be addressed verbally at the meeting.

The Fund reduced in value by **5.98%** over this quarter, it underperformed the tactical benchmark by -2.43% but outperformed the strategic benchmark by 10.98%.

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:

UBS (UK Property)

Hymans will discuss the fund's performance after which the manager will be invited to join the meeting, make their presentation and answer any questions.

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 Fund's Property Manager UBS (Appendix C – **Exempt**)
4) Consider the quarterly reports sent electronically, provided by each fund manager.
5) Note the analysis of the cash balances.

REPORT DETAIL

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

2. Where appropriate topical LGPS news that may affect the Pension Fund will 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:

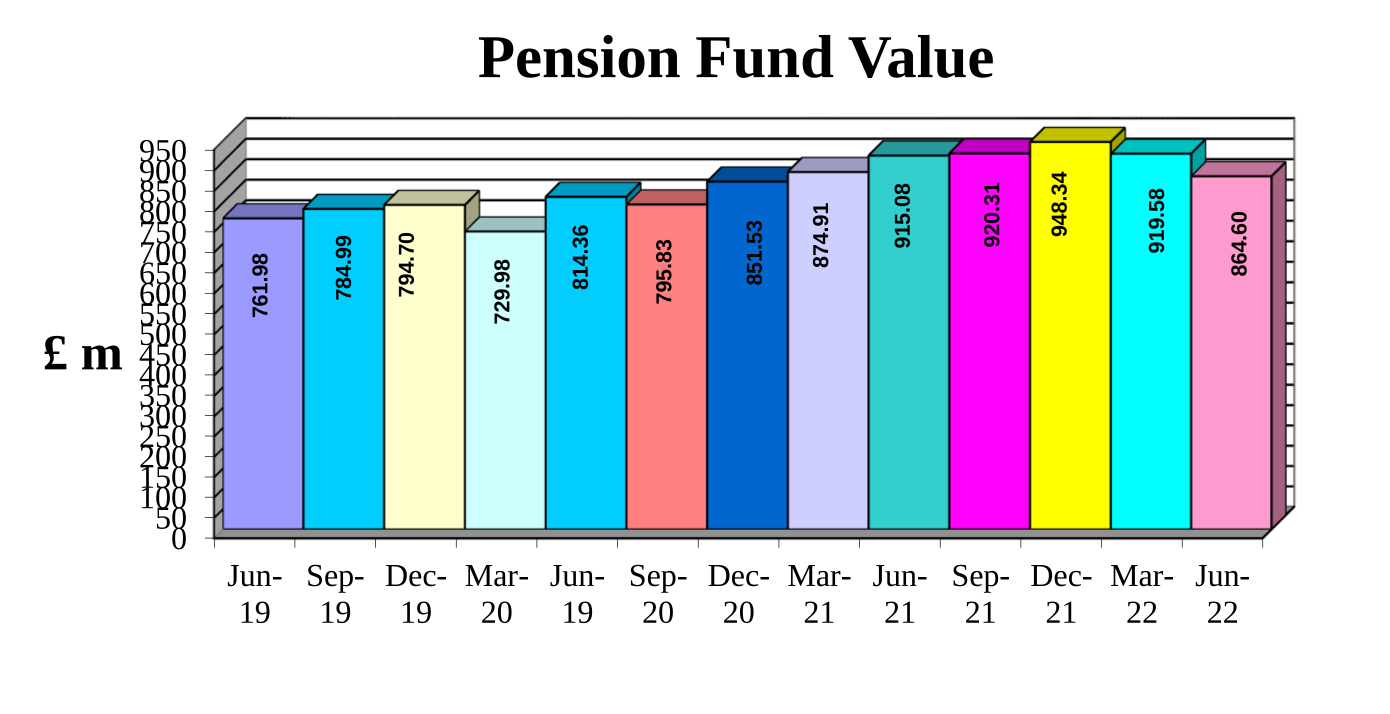
e. **Tactical Benchmark** - Each manager has been set a specific (tactical) benchmark as well as an outperformance target against which performance will be measured. This benchmark is determined according to the type of investments being managed. This is not directly comparable to the strategic benchmark 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% (net of fees) 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. As reported by the Fund's custodian Northern Trust, the total Fund value at 30 June 2022 was **£864.60m** compared with £919.58m at the 31 March 2022; a **decrease of** (**£54.98m) (5.98%)**. This contraction can be attributable to a decrease in asset values of (£52.90m) and a decrease in cash of £2.08m. This was primarily driven by the Fund's allocation to the LCIV Global Alpha Fund Paris Aligned Fund and its concentration in the consumer discretionary sector and its allocation to Technology that have been impacted by rising inflationary pressures. The Fund's RLAM bond would normally hedge the investment portfolio from a fall in public equities but increasing inflationary pressures and rising interest rate expectations have also had a negative impact on fixed rate bonds and index linked bonds. Internally managed cash stands at **£12.797m,** analysis follows in this report.

Chart 1 – Pension Fund Value



Source: Northern Trust Performance Report
**Quarter ending September 2020 includes a bulk transfer out of £40m*

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: Tactical Performance

	Quarter to 30.06.22	**12 Months to 30.06.22**	**3 Years to 30.06.22**	**5 years to 30.06.22**
	%	**%**	**%**	**%**
Fund	-5.90	-5.60	5.30	5.33
Benchmark	-3.47	0.72	5.53	5.56
*Difference in return	-2.43	-6.32	-0.23	-0.23

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: Strategic Performance

	Quarter to 30.06.22	**12 Months to 30.06.22**	**3 Years to 30.06.22**	**5 years to 30.06.22**
	%	**%**	**%**	**%**
Fund	-5.90	-5.60	5.30	5.33
**Benchmark	-16.88	-14.65	-2.09	1.45
*Difference in return	10.98	9.06	7.39	3.88

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

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 **£12.797m** follows:

Table 3: Cash Analysis

CASH ANALYSIS	**2020/21 31 Mar 21**	**2021/22 31 Mar 22**	**2021/22 30 Jun 22**
	£000's	£000's	£000's
Balance B/F	**-23,056**	**-15,963**	**-14,260**
Benefits Paid	38,874	37,632	10,335
Management costs	1,420	1,720	313
Net Transfer Values	14,251	333	226
Employee/Employer Contributions	-48,049	-49,112	-8,807
Cash from/to Managers/Other Adj.	723	11,173	-595
Internal Interest	-126	-43	-9
Movement in Year	**7,093**	**1,703**	**1,463**
Balance C/F	**-15,963**	**-14,260**	**-12,797**

b. Members agreed the updated cash management policy at their committee meeting on 17 September 2019. Main points are - target cash level to be £6m within a set parameter of £3m to £8m, income from the bond and property manager can be drawn down when required, any excess cash above the upper £8m parameter maybe considered for reinvestment/rebalancing within the investment strategy.

7. REPORTING ARRANGEMENTS

a. At each reporting cycle, the Committee will see a different fund manager until members have met them all unless there are performance concerns that demand they be brought back again for further investigation. Fund Manager Reviews are included within Hymans performance report at **Appendix A.**

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

c. The fund manager attending this meeting is the **Fund's Property Manager UBS,** their report is attached at **Appendix C (Exempt).**

8. FUND UPDATES:

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

a. Since the last report, the Fund has continued to fund capital draw down requests: £3.31m Stafford IV, £0.45m London Collective Investment Vehicle (LCIV) Renewables Fund and £1.34m Churchill IV fund.

b. Members at the Pensions Committee on the 20 July 2021 agreed an additional £12m be allocated to JP Morgan (Infrastructure) to rebalance its underweight position. The drawdown request was settled on the 1 April 2022, funded from an overweight position on Baillie Gifford Global Alpha Paris Aligned Fund

8.2 LCIV - In line with Central Governments' policy, it has been a mandatory requirement to pool assets since 2016. The LCIV is the appointed asset pool manager for the Fund and governance of our investments is now the responsibility of LCIV. It is crucial that regular communication and contact is upheld and activity updates will be covered here as follows:

8.2.1 LCIV meetings (since the last report)

a. The Shareholder Annual General Meeting (AGM) took place on the 14 July 2022, where they approved LCIV's statutory Annual Report and Financial Statements of the Company for the year to 31 March 2022, the Annual Review for the year ending 31 March 2022 and the Regulatory Capital Statement. The Fund's shareholder representative Councillor Mandy Anderson attended this meeting.

b. LCIV published two white papers: "The Case for Value" in June 2022 and "Multi Asset Funds" in July 2022.Both these papers explain the investment styles in detail and the range of products available on their platform.

c. July 2022 - LCIV published "Selection and Appointment of Investment Managers" Policy effective from 8 June 2022 – sets out the framework for the selection and appointment of Investment Managers (IM)

d. July 2022 - LCIV published "Termination Policy" effective from 6 July 2022. This sets out the escalation & governance process for the termination of an IM and other procedures, which may lead to an IM termination.

e. LCIV Annual Strategy & Responsible Investment Strategy Conference held on the 5th - 6th September 2022. The Chair will be attending the conference

f. Business update meetings (currently held virtually) – take place monthly. Meeting held on the 21 July 2022 and 18 August 2022

g. Each meeting includes an update from LCIV Chief Officers covering current fund offerings, fund performance; fund updates (including those funds for which enhanced monitoring is in place) and the pipeline for new fund launches. In addition, relevant topical issues are included as appropriate. Highlights as follows:

h. **Department of Levelling Up, Housing and Communities (DLUHC) -** Annual request for data has been received and Funds are required to submit their transition to pooling path over each of the next three years to 31 March 2025. Havering has submitted the projections for 2022 to 2025 based on the current allocation of 46% directly pooled with LCIV, 18% passive pooled giving an overall pooling total of 64%, leaving 36% un pooled. It is not expected that any changes over the next three years would result in a change to the proportion of assets that are pooled but his will be reviewed as part of the 2022 valuation asset liability modelling exercise.

i. **Deep dive reviews** – LCIV, as part of their on-going monitoring process, carry out in-depth reviews on its sub fund managers. The manager for the Global Alpha Paris Aligned Fund (Baillie Gifford), which the Havering Fund invests, took place in July 2022. The due diligence report is currently being drafted and available for release in early September. Any concerns following the deep dive will be reported back to members, although it should be noted that in the LCIV previous quarterly reports that the LCIV team remains confident on Baillie Gifford's ability to deliver the requirements of this mandate.

j. **Investment due diligence update** - LCIV undertook an investment due diligence on the LCIV Absolute Return Fund (Ruffer), in which the Havering Fund invests. LCIV have reported no change in monitoring status- Fund remains on 'normal monitoring. LCIV note that integration of Environmental, social and Governance (ESG) has been strengthened and expect to see further progress during 2022-23.

k. **Medium Term activity** to focus on product roadmap (upgrading reporting), Net Zero Strategy, High-Level impact investing paper to be produced and Investment Governance Document update.

l. **New/Changes to Sub Fund Launches:**

- *New:* Sterling Credit Fund – Stage 1 (Client demand). Survey was issued in December to ascertain client demand. The Seed Investor Group (SIG) have been meeting since 26 January 2021 and Fund development is in progress with an expected launch date in 2023. 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.
- *New:* UK Housing Fund (Property) – Stage 1 (Client Demand) – SIG meetings held since 22 March 2022 and Fund development is in progress. Currently gathering scale of demand to identify best launch date. Officers will not be involved in the SIG as the Fund is currently fully allocated to its Property target asset allocation but would consider a lift and shift of an existing manager if the commercial terms were favourable.
- *Change:* LCIV Multi Asset Credit (MAC) Fund – Fund restructured with an additional manager appointed to co-manage with existing manager – realignment expected to be completed in July 2022.

- *Change*: Global Equity Core Fund – Name change to Global Equity Quality fund. Investment objective moved to generate total return over a long-term period and has had ESG enhancement. Expected completion August 2022.
- *Change:* LCIV Global Bond Fund – Further integration of ESG criteria to its investment process. Fund restructure completed realignment completed 10 July 2022 expected August 2022.
- *Change:* LCIV Global Alpha Paris Aligned Fund – FCA application for approval to amend the benchmark has been agreed and change will be adopted July 2022
- *Change:* The London fund – Extension to close agreed by the London Fund Advisory Committee to 31 March 2023.

m. **LCIV Staffing Updates**

- Mike O'Donnell announced on the 5 April 2022 of his intention to move on from his role of Chief Executive Officer (CEO), providing the Board with 12 months' notice. On the 17th August 2022, LCIV issued a statement announcing the new CEO – Dean Bowden. He will join LCIV in November 2022 and spend a few weeks working with Mike O'Donnell before he takes over formally.

8.3 LGPS GENERAL UPDATES:

8.3.1 Academy Trust guarantee

a. In 2013, the Department for Education (DFE) introduced a guarantee to LGPS administering authorities that in the event of the closure of an academy trust any outstanding LGPS liabilities will not revert to the fund.

b. Although there is no end date to the guarantee, DFE committed to undertake assessments at regular intervals to determine whether the guarantee remains affordable.

c. On the 21 July 2022, the DFE confirmed that they would continue to provide this guarantee with a new increased annual ceiling of £20m. Since the guarantee was introduced, the DFE has never reached the set annual limit.

d. This commitment will provide comfort to the Fund going into the 2022 valuation in their covenant risk assessments of academy schools and the subsequent setting of employer contribution rates. (The Fund currently has 41 Academies in the Fund)

8.3.2 2016 Cost Cap Results published

a. The Public Service Pensions Act 2013 introduced a cost control mechanism to establish a fair balance of risks between scheme members and the taxpayer. The Government Actuary Body (GAD) are the appointed body to carry out the actuarial valuation of the LGPS, alongside the Scheme Advisory Board (SAB).

b. Cost control mechanism was set based on the 2013 valuation, setting an employer cost cap of 14.6% (note this is not a benchmark to set individual fund employer rates). If at subsequent valuations, the cost of the scheme fall outside a 2% corridor then action would need to be taken to bring in line with the target. Action could be to change member benefits or member contributions.

c. The Cost Cap calculations based on the 2016 valuations were paused whilst awaiting the outcome of a judgement in the MCloud/Sargeant case (judgement being that it has been ruled that younger members were discriminated against when transition protections were introduced, following reform of the public sector pension schemes in 2014),

d. In July 2020 the pause would be lifted and the costs of transitional protection remedy (outcome of McCloud/Sargeant judgment) would be taken into account

e. On 29 June 2022, the Governments Actuary Department (GAD) published the results of the 2016 cost cap valuation. Results show that the cost has remained within the 2% corridor, which means no changes to benefits or member contributions are needed.

f. Following a review and consultation on the cost control mechanism, regulations were amended to reflect an increase from 2% to 3%. This will be used as part of the 2020 valuation exercise.

8.3.3 Training Requirements - UPDATE

a. The need to demonstrate adequate levels of knowledge and skills for Officers and members of Pensions Committee (PC) and Local Pension Board (LPB) are set out in various documents, one of which is the Havering Council Constitution

b. Committee procedure rules, Paragraph 18 – A member appointed to the Pensions Committee shall have received, or shall within six months of appointment receive, training appropriate to its membership. If a member does not undertake the required training within six months of appointment, then that member shall not partake in the decision making of the Committee until their training has been completed

c. To meet this rule the Fund will subscribe to the LGPS Online Learning Academy (LOLA) Launched by our Actuaries (Hymans) – this is an online platform designed to support the training needs of Pensions Committees, Local Pension Boards and Officers. The training is split into a number of modules covering the CIPFA Knowledge & Skills Framework and The Pension Regulator's Code of Practice 14. Each module contains short 'video on demand' presentations of 20 minutes or less with supplemental learning materials and quizzes.

d. The Fund will receive regular progress reports allowing it to easily evidence member's development.

e. In addition to an induction training session, it is expected that members will complete the online training over a six-month period or sooner in support of meeting the Committee procedure rules.

f. **UPDATE**: Subscription to the LOLA system has now been completed and members should have received their activation instructions. The six months deadline will apply once members joining instructions have been issued.

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.

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

Q2 2022 Investment Monitoring Report

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

HYMANS ROBERTSON

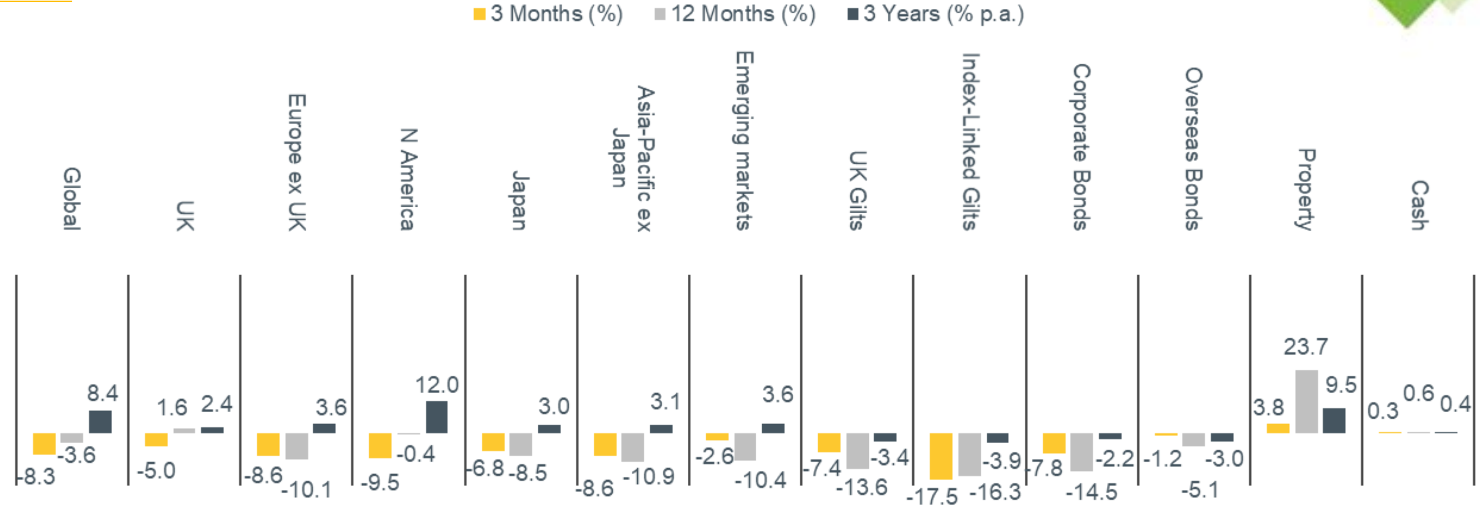
Soaring inflation and higher borrowing costs have continued to squeeze consumer's real incomes, with consumer confidence surveys plunging as a result. The persistence of these inflationary pressures, coupled with the prospect of tighter financial conditions, has given rise to fears of recession, and has resulted in revised consensus forecasts for global growth of 2.9% in 2022 and 2.8% in 2023 (down from 4.1% and 3.2%, respectively, at the start of the year.)

While headline inflation continues to rise across developed markets, year-on-year US and UK core inflation, which excludes volatile energy and food prices, eased slightly, but remained elevated, at 6.0% and 5.9%, respectively. While US and UK inflation pressures look more broad-based, a large proportion of eurozone inflation still owes to volatile energy and food prices, with Eurozone core CPI increasing 3.8% year-on-year.

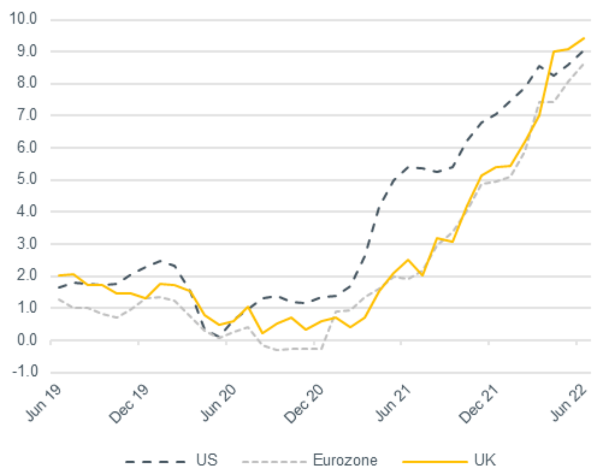
Despite severe supply side issues and risks to growth, central banks appear determined to bring down inflation. The Bank of England rose rates for the fifth consecutive time and the Fed delivered a bumper 0.75% p.a. increase, taking their base rates to 1.25% p.a. and 1.75% p.a., respectively. The European Central Bank have indicated a first rate hike is likely in July, and the end to negative rates by the end of Q3 2022.

Government bond yields rose as markets moved to price in significant further increases in interest rates, with UK 10-year gilt yields increasing 0.6% p.a. to 2.2% p.a. UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, fell 0.8% p.a., from 4.4% p.a. to 3.6% p.a. as real yields rose more than their nominal counterparts.

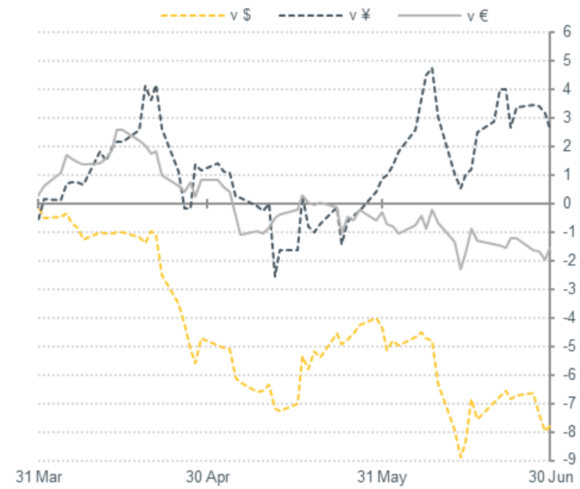
Historic returns for world markets [1]



Annual CPI Inflation (% p.a.)



Sterling trend chart (% change)



Source: DataStream. [1] Returns shown in Sterling terms. Indices shown (from left to right) are: 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, ICE BofA Global Government Index, MSCI UK Monthly Property; UK Interbank 7 Day

HYMANS ROBERTSON

With both inflation and growth concerns weighing on credit markets, global investment-grade credit spreads rose 0.5% p.a., to 1.8% p.a.; while US and European speculative-grade spreads both rose 2.4% p.a., to 5.9% p.a. and 6.4% p.a., respectively.

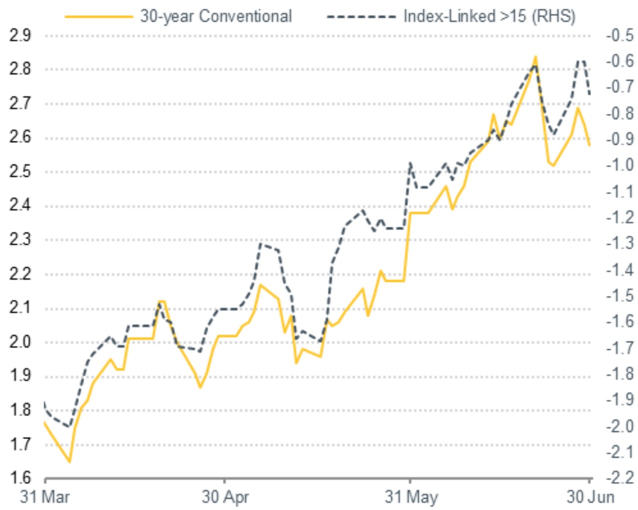
Commodity prices fell over the quarter, with expectations of lower demand leading to a fall in industrial metals prices as rising real yields weighed on precious metal prices.

Despite ongoing upwards revisions to consensus analyst earnings forecasts, global equities fell 8.3% over the quarter, as increases in expectations for the path of interest rates extended the recent decline in equity market valuations. The technology sector notably underperformed on the back of rising rates while returns within the consumer discretionary sector were impacted by a weakening consumer outlook. In contrast, consumer staples outperformed, as investors perhaps placed a premium on the sector's inherent pricing power.

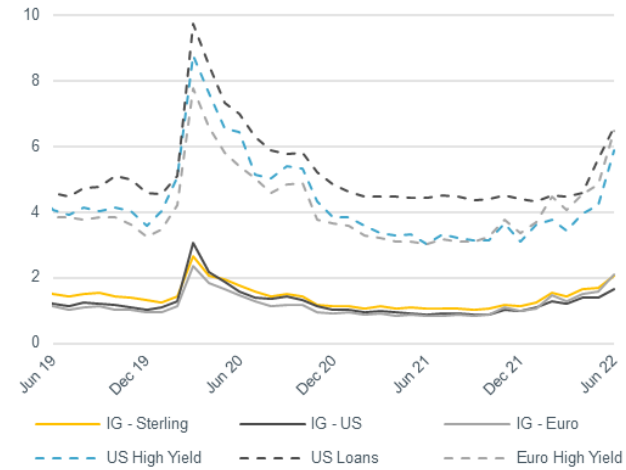
North America underperformed, owing to its large exposure to the technology sector. Meanwhile, above-average exposure to energy, metals, and miners, saw the UK continue its recent outperformance. The easing of lockdown restrictions in China provided some relative support to Emerging and Asian markets equities.

Property remained a relative bright spot, with the MSCI UK IPD total return index rising 9.6% year-to-date; largely owing to a 11.9% rise in industrial capital values. Return on the all-property index, including income, was 23.7% in the 12 months to end-June.

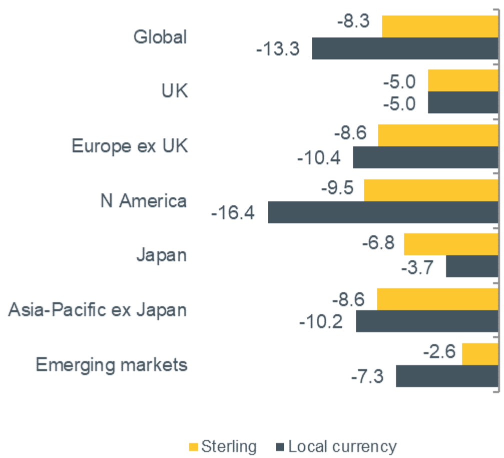
Gilt yields chart (% p.a.)



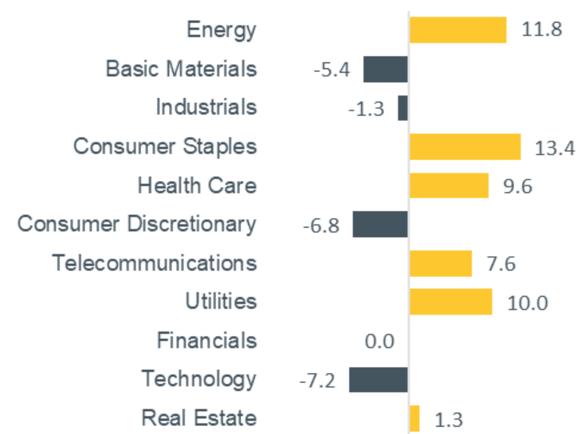
Investment and speculative grade credit spreads (% p.a.)



Regional equity returns [1]



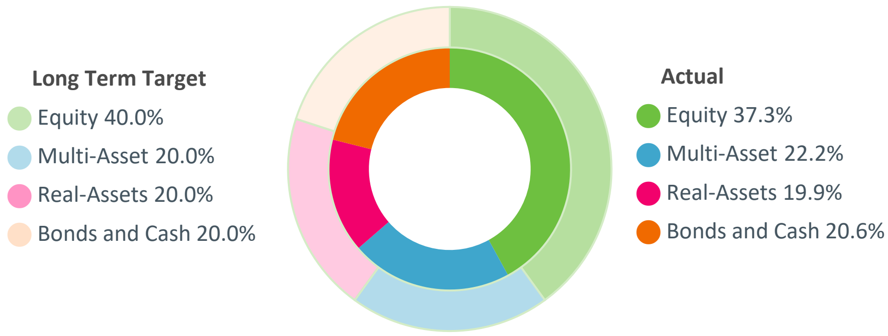
Global equity sector returns (%) [2]

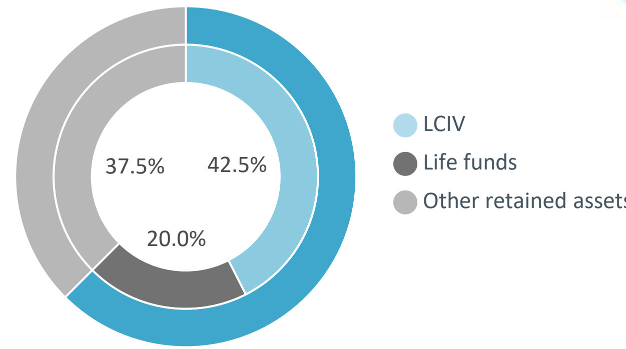


Source: DataStream, Barings, ICE [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World.

- The Fund's investment strategy is implemented through the London Collective 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 target allocation to LCIV and life funds totals 62.5% of Fund assets. Other retained assets will be delivered through external managers, with the position reviewed periodically.
- Further commitments were made to infrastructure and private debt in 2021 in order to retain exposure to these asset classes as the existing investments mature and begin repaying capital to investors. The new commitments will continue 'ramping up' in 2022.

Asset Allocation





Long Term Strategic Target

Asset class	Long term target	LCIV		Life funds		Other retained assets	
		Manager(s)	%	Manager(s)	%	Manager(s)	%
Equity	40.0	Baillie Gifford, SSGA	20.0	LGIM	20.0		
Multi-Asset	20.0	Baillie Gifford, Ruffer	20.0				
Property	10.0					UBS, CBRE	10.0
Infrastructure	10.0	Various	2.5			JP Morgan, Stafford	7.5
Private Debt	7.5					Permira, Churchill	7.5
Other bonds	12.5					RLAM	12.5
Total	**100.0**	**-**	**42.5**	**-**	**20.0**	**-**	**37.5**

Current Investment Implementation

The total value of the Fund's assets fell by £54.8m over the quarter to £864.8m as at 30 June 2022.

This was once again driven by equity assets. In a quarter where global equity fell 8.3% and growth stocks continued to underperformed, so the LCIV equity funds struggled. The Future World and EM equity funds performed slightly better, although still delivered negative absolute returns.

The Fund's RLAM mandates also continued to fall in value due to persistent upwards inflationary pressures and rising interest rates (with the expectation of tighter financial conditions in future). Following significant increases in interest rates, yields continued to rise causing the value of Index-Linked Gilts to fall. Credit spreads also continued to widen over the quarter impacting the RLAM MAC and Corporate bond mandates.

The Fund is now broadly in line with its strategic benchmark allocation to JP Morgan and infrastructure as the additional £12m committed to JP Morgan (funded from the LCIV Global Alpha Growth Paris Aligned fund) was drawn down over the quarter.

The Fund paid the following capital calls during the quarter:

- c.£12m to the JP Morgan Infrastructure Investments Fund
- c.£1.6m to the Permira Credit Solutions IV Fund
- c.£0.5m to the LCIV Renewable Energy Infrastructure Fund
- c.£1.2m to both the Churchill Senior Loan Fund IV and the Churchill Senior Loan Fund II
- c.£0.2 to the Permira Credit Solutions V Fund

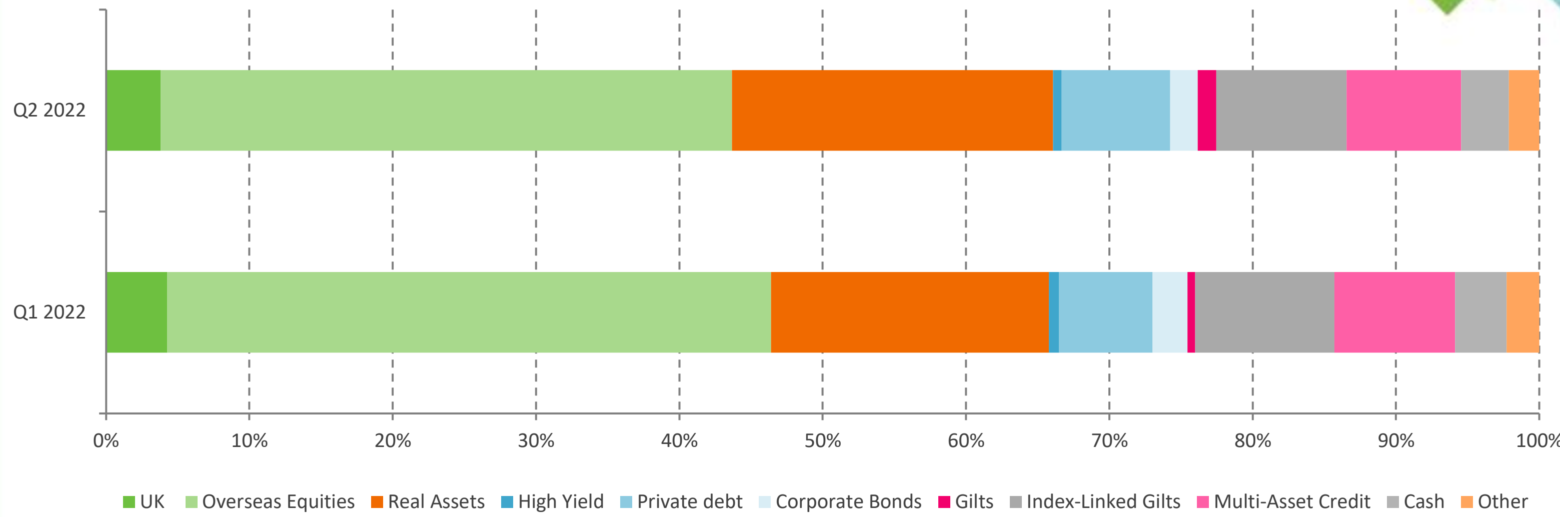
Asset Allocation

Manager		Valuation (£m) Q1 2022	Valuation (£m) Q2 2022	Actual Proportion	Benchmark	Relative
Equity		**366.2**	**322.1**	**37.3%**	**40.0%**	**-2.7%**
LGIM Global Equity	LCIV aligned	35.0	32.1	3.7%	5.0%	-1.3%
LGIM Emerging Markets	LCIV aligned	37.8	36.8	4.3%	5.0%	-0.7%
LGIM Future World Fund	LCIV aligned	93.4	87.0	10.1%	10.0%	0.1%
LCIV Global Alpha Growth Paris Aligned Fund	LCIV	155.3	126.1	14.6%	15.0%	-0.4%
LCIV PEPPA Passive Equity	LCIV	44.7	40.2	4.6%	5.0%	-0.4%
Multi-Asset		**204.8**	**192.2**	**22.2%**	**20.0%**	**2.2%**
LCIV Absolute Return Fund	LCIV	119.4	114.3	13.2%	12.5%	0.7%
LCIV Diversified Growth Fund	LCIV	85.4	77.9	9.0%	7.5%	1.5%
Real-Assets		**152.4**	**172.3**	**19.9%**	**20.0%**	**-0.1%**
UBS Property	Retained	62.1	63.8	7.4%	6.0%	1.4%
CBRE	Retained	32.3	36.0	4.2%	4.0%	0.2%
JP Morgan	Retained	23.3	38.3	4.4%	4.0%	0.4%
Stafford Capital Global Infrastructure SISF II	Retained	20.3	20.1	3.3%	3.5%	-0.2%
Stafford Capital Global Infrastructure SISF IV	Retained	7.5	8.1			
LCIV Renewable Energy Infrastructure Fund	LCIV	6.9	6.1	0.7%	2.5%	-1.8%
Bonds and Cash		**196.2**	**178.1**	**20.6%**	**20.0%**	**0.6%**
RLAM Index Linked Gilts	Retained	40.4	32.1	3.7%	5.0%	-1.3%
RLAM Multi-Asset Credit	Retained	63.3	57.2	6.6%	7.5%	-0.9%
RLAM Corporate Bonds	Retained	22.4	16.7	1.9%	0.0%	1.9%
Churchill Senior Loan Fund II	Retained	20.9	23.8	2.8%	3.0%	-0.2%
Churchill Senior Loan Fund IV	Retained	7.8	9.2	1.1%	0.0%	1.1%
Permira IV	Retained	26.5	28.0	3.3%	4.5%	-1.2%
Permira V	Retained	0.0	0.2			
Cash at Bank	Retained	16.5	14.5	1.7%	0.0%	1.7%
Currency Hedging P/L	Retained	-1.5	-3.6	-0.4%	0.0%	-0.4%
Total Fund		**919.6**	**864.8**	**100.0%**	**100.0%**	

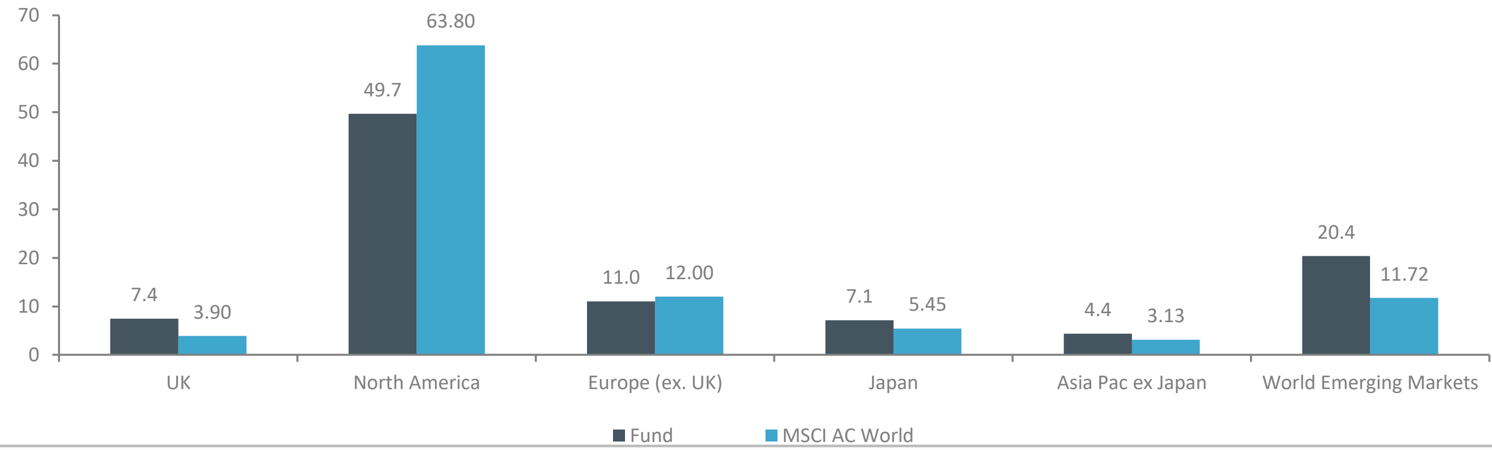
Source: Northern Trust, Investment Managers

- 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 overall allocation to equities decreased over the quarter to c.43.7% as at 30 June 2022 (c.46.4% at 31 March 2022) – this was primarily driven by the fall in equity values over the quarter.
- The allocation to private debt increased to c.7.6% as at 30 June 2022 (c.6.5% as at 31 March 2022) – this was due to the Fund's private debt assets performing positively over the quarter, coupled with the fall in value of other assets.
- The allocation to real assets increased to c.22.4% as at 30 June 2022 (c.19.4% as at 31 March 2022) – this was following the additional £12m commitment to JP Morgan (funded from the LCIV Global Alpha Growth Paris Aligned fund) drawn at the start of the quarter.

Asset Class Exposures



Regional Equity Allocation



Source: Investment Managers, Datastream

- Please note the early stage performance of the Fund’s private market investments can be very volatile using this method of performance measurement. This is to be expected and should not provide cause for concern.
- The LGIM mandates continued to broadly track their respective benchmarks over the quarter.
- The LCIV Global Alpha Growth Paris Aligned Fund underperformed its benchmark. As inflationary pressures rose, the cost of living squeeze negatively impacted discretionary spending. As such, the Fund’s 19.1% allocation to the consumer discretionary sector was one of the largest detractors from overall Fund performance. Similarly, the 15.3% allocation to technology, in a quarter when technology noticeably underperformed remained the largest detractor to the Fund’s performance.
- For similar reasons, the LCIV PEPPA mandate delivered negative absolute returns. Once again, the largest sectoral allocation to I.T. (c.22.2%) and the largest regional allocation to the US (c.65.8%), significantly dragged on overall mandate performance over the quarter.
- All the Fund’s property and infrastructure mandates performed positively in absolute terms, driven by improved fundamentals and increased valuations.
- The RLAM mandates delivered negative absolute negative due to rising interest rates and yields and credit spreads widening over the quarter.
- 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
Equity												
LGIM Global Equity	-8.3	-8.3	**0.0**	-3.6	-3.6	**-0.1**	8.4	8.4	**-0.1**	11.4	11.4	**0.0**
LGIM Emerging Markets	-2.8	-2.6	**-0.2**	-10.7	-10.4	**-0.3**	3.3	3.5	**-0.2**	5.2	5.4	**-0.2**
LGIM Future World Fund	-6.8	-6.7	**0.0**	-6.3	-6.3	**-0.1**	-	-	**-**	-6.3	-6.3	**-0.1**
LCIV Global Alpha Growth Paris Aligned Fund	-12.0	-9.1	**-3.2**	-24.9	-3.5	**-22.2**	4.8	8.3	**-3.2**	12.2	11.6	**0.6**
LCIV PEPPA Passive Equity	-10.1	-10.2	**0.1**	-	-	**-**	-	-	**-**	-15.0	-15.4	**0.4**
Multi-Asset												
LCIV Absolute Return Fund	-4.2	1.2	**-5.4**	2.0	4.3	**-2.2**	8.0	4.5	**3.4**	5.2	4.7	**0.4**
LCIV Diversified Growth Fund	-8.8	1.1	**-9.8**	-10.1	3.9	**-13.5**	0.2	3.9	**-3.6**	2.8	4.0	**-1.1**
Real-Assets												
UBS Property	3.5	3.9	**-0.4**	24.6	23.3	**1.1**	10.7	9.2	**1.3**	7.9	8.4	**-0.5**
CBRE	11.5	5.2	**6.0**	29.2	14.5	**12.9**	12.0	9.0	**2.8**	11.1	8.6	**2.2**
JP Morgan	8.5	5.2	**3.1**	18.9	14.5	**3.8**	12.3	9.0	**3.1**	10.2	8.6	**1.4**
Stafford Capital Global Infrastructure SISF II	7.8	5.2	**2.5**	12.8	14.5	**-1.5**	7.9	9.0	**-1.0**	7.8	8.5	**-0.7**
Stafford Capital Global Infrastructure SISF IV	9.6	5.2	**4.2**	25.5	14.6	**9.5**	-	-	**-**	25.4	11.6	**12.3**
LCIV Renewable Energy Infrastructure Fund	0.7	5.2	**-4.3**	0.6	14.4	**-12.1**	-	-	**-**	0.6	14.4	**-12.1**
Bonds												
RLAM Index Linked Gilts	-20.7	-19.8	**-1.0**	-20.1	-19.1	**-1.2**	-	-	**-**	-6.8	-6.4	**-0.5**
RLAM Multi-Asset Credit	-9.6	-7.3	**-2.5**	-10.7	-9.0	**-1.9**	1.6	1.6	**0.1**	6.5	6.0	**0.5**
RLAM Corporate Bonds	-13.0	-13.2	**0.2**	-21.0	-22.2	**1.6**	-	-	**-**	-5.1	-5.8	**0.8**
Churchill Senior Loan Fund II	9.5	1.2	**8.2**	19.6	4.3	**14.6**	8.2	4.5	**3.6**	6.6	4.5	**2.0**
Churchill Senior Loan Fund IV	9.3	1.2	**8.0**	-	-	**-**	-	-	**-**	13.3	2.3	**10.8**
Permira IV	1.3	1.2	**0.1**	6.3	4.3	**1.9**	-	-	**-**	3.6	4.4	**-0.9**
Total	-5.9	-3.5	**-2.5**	-5.6	0.7	**-6.3**	5.3	5.5	**-0.2**	7.9	-	**-**

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.

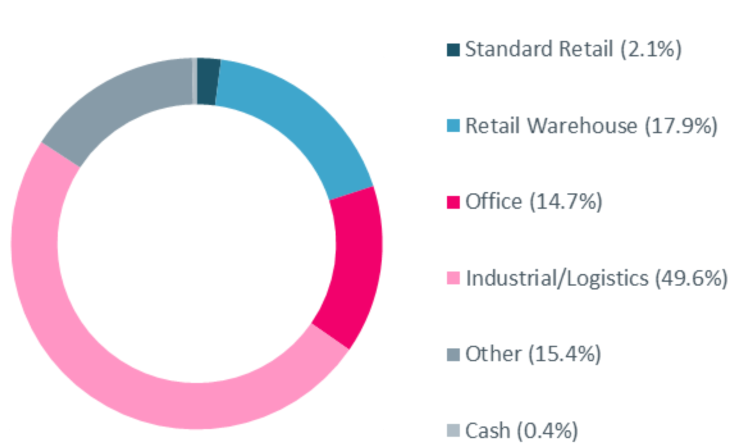
UBS Triton Property Fund

- The objective of the fund is to deliver returns broadly in line with a peer group of other UK property funds.
- During the quarter the fund returned 3.5%, slightly behind the peer group benchmark return of 3.9%. The fund remains comfortably ahead of benchmark over the 1 and 3 year periods, driven by taking an early underweight position to the traditional retail sector which has struggled over these periods.
- 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.
- Over the quarter, the Triton fund acquired two assets. Premier Farnell (a logistics development) in Leeds for an initial c.£7.8m and student accommodation in Bristol for an initial c.£18.5m.

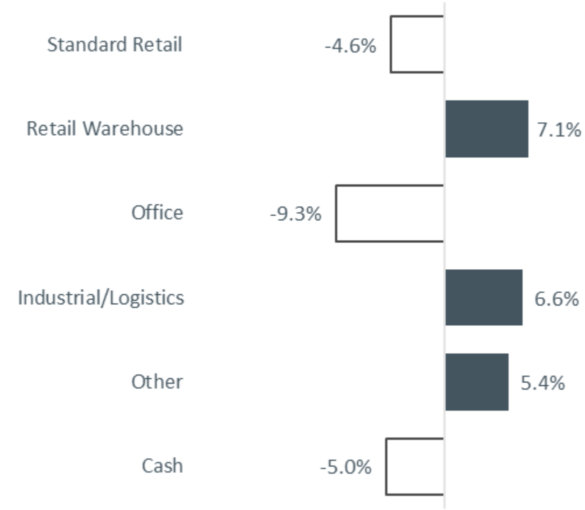
CBRE Global Alpha Fund

- The objective of the fund is to Outperform UK CPI inflation by 5% per annum (net of fees).
- The Global Alpha Fund is a global mandate and invests across a range of regions (as displayed in the chart, far right) rather than just the UK – as is the case with the UBS fund.

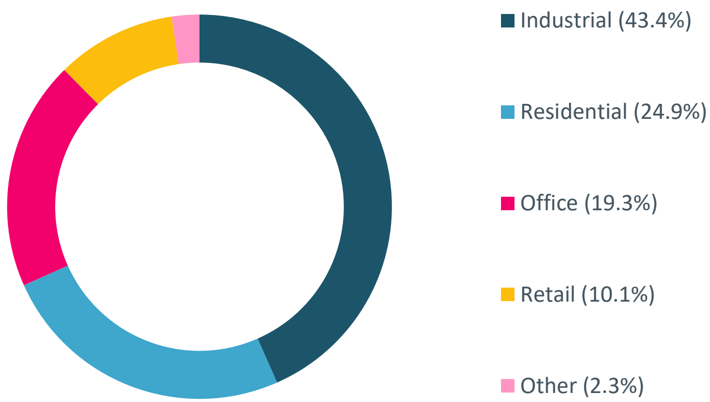
UBS Sector Allocation



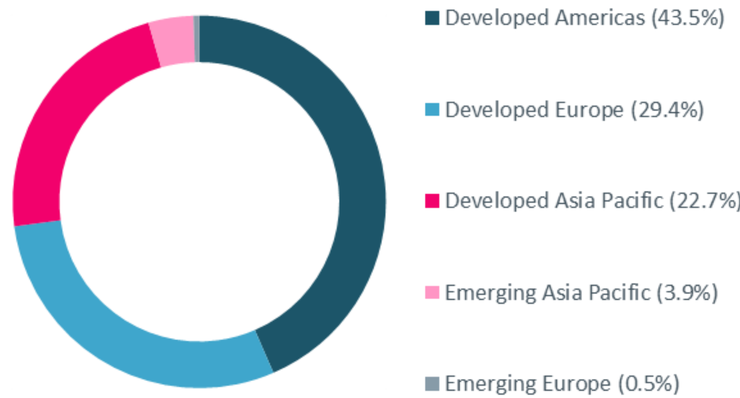
UBS Sector Allocation Relative to Benchmark



CBRE Sector Allocation*



CBRE Regional Allocation*



Source: Northern Trust, UBS, CBRE
**as at 31 March 2022 (latest available)*

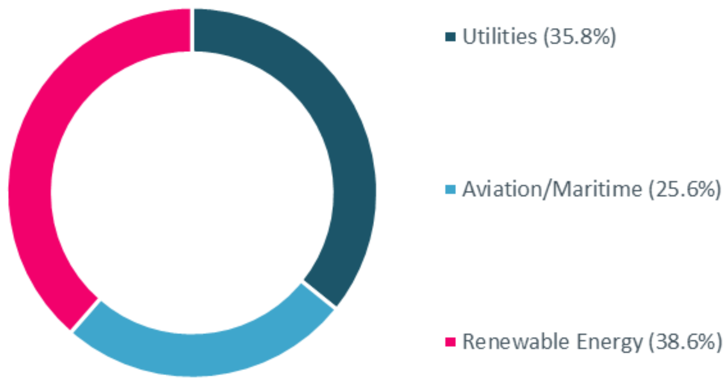
JP Morgan Infrastructure Fund

- The objective of the fund is to Outperform UK CPI inflation by 5% per annum (net of fees).
- At the start of the quarter, the additional £12m commitment to JP Morgan (funded from the LCIV Global Alpha Growth Paris Aligned fund) was drawn. The Fund is now broadly in line with its strategic benchmark allocation to JP Morgan and infrastructure.

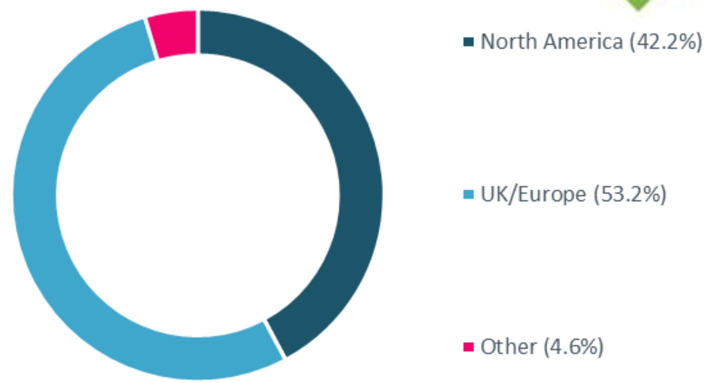
LCIV Renewable Energy Infrastructure Fund

- The objective of the fund is to Outperform UK CPI inflation by 5% per annum (net of fees).
- As a fund of funds, the table summarises the status of the LCIV Renewable Infrastructure Fund in terms of its commitments, their weights in the portfolio and their respective capital amounts called.

JP Morgan Sector Allocation



JP Morgan Regional Allocation



LCIV Renewable Infrastructure Fund Schedule of Investments*

Fund	Transaction Type	Weight	Local Currency	Commitment (£m)	31/12/2021 Fair Value (£m)	Capital Calls (£m)	Distributions (£m)	31/03/2022 Fair Value (£m)	Change in Unrealised Value
BlackRock Global Renewable Power III	Primary	12.5%	$	106.5	16.1	3.6	0.0	20.6	0.857
Quinbrook Renewable Impact Fund	Primary	11.7%	£	100.0	29.5	0.0	1.0	30.3	1.889
Stonepeak Global Renewables Fund	Primary	21.4%	$	182.6	8.8	2.8	0.0	14.3	2.661
Foresight European Infrastructure Partners	Primary	16.1%	€	137.3	21.4	6.5	0.0	28.7	0.833
BlackRock UK Renewable Income Fund	Secondary	12.7%	£	108.6	96.9	0.0	3.0	101.2	7.319
Total Investments		**74.4%**		**635.0**	**172.7**	**12.8**	**4.0**	**195.1**	**13.559**
Unallocated Commitments	-	**25.6%**	-	**218.5**	**2.9**	**-2.4**	-	**4.5**	-
Total		**100.0%**		**853.5**	**175.6**	**10.4**	-	**199.5**	-

Source: Northern Trust, JP Morgan, LCIV
**as at 31 March 2022 (latest available)*

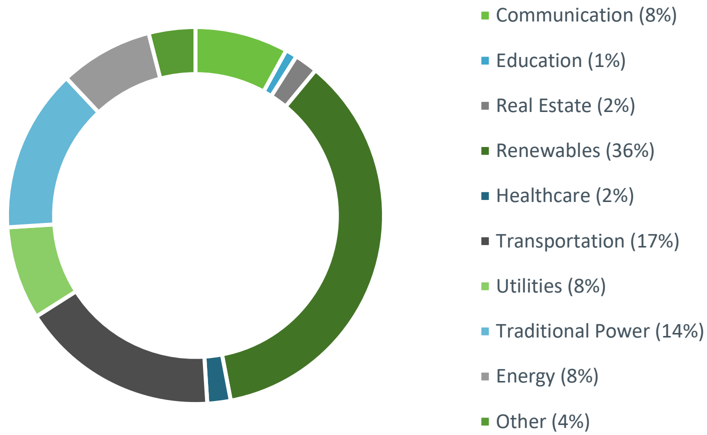
Stafford Capital Global Infrastructure SISF II

- The objective of the fund is to Outperform UK CPI inflation by 5% per annum (net of fees).
- The fund remains slightly behind its performance objective since inception, although this gap has closed in recent quarters as performance has been strong. As a reminder, we expect performance to be back loaded with the more attractive returns coming later in the funds life as the underlying investments mature.
- As at 31 March 2022, the fund is comprised of 22 funds, 14 co-investments and 329 underlying assets.
- As at 31 March 2022, the fund's top 10 assets accounted for 33.5% of the total portfolio.

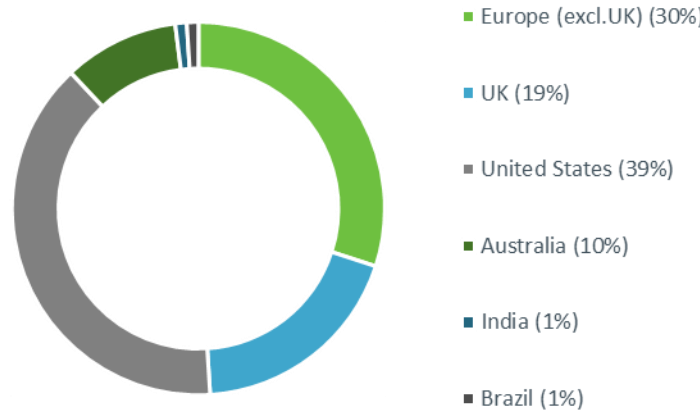
Stafford Capital Global Infrastructure SISF IV

- The objective of the fund is to Outperform UK CPI inflation by 5% per annum (net of fees).
- Over the quarter, the fund returned 9.6%, outperforming the performance benchmark of UK CPI + 5%. However, please note the early stage performance of the private market fund can be very volatile using the method utilised for performance measurement. This is to be expected and should not provide cause for concern.
- As at 31 March 2022, the fund is comprised of 8 funds, 1 co-investment and 150 underlying assets.
- As at 31 March 2022, the fund's top 10 assets accounted for 62.2% of the total portfolio.

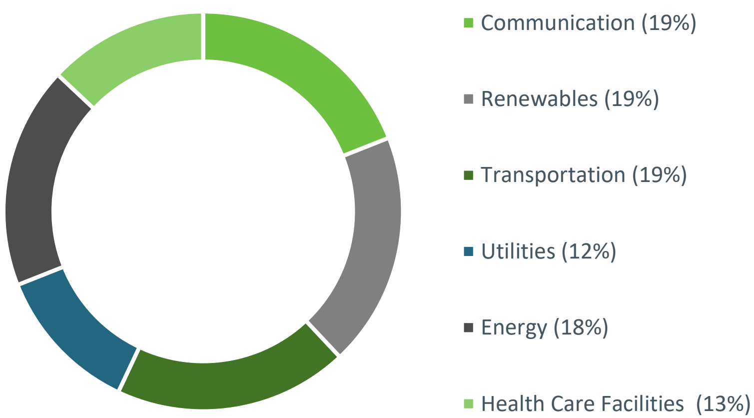
Stafford Capital Global Infrastructure SISF II Sector Allocation*



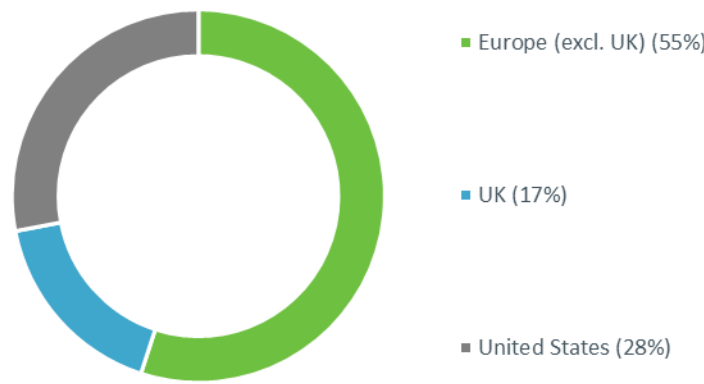
Stafford Capital Global Infrastructure SISF II Regional Allocation*



Stafford Capital Global Infrastructure SISF IV Sector Allocation*



Stafford Capital Global Infrastructure SISF IV Regional Allocation*



Source: Northern Trust, Stafford Capital
**as at 31 March 2022 (latest available)*

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 volatility of returns (measured as the standard deviation of quarterly returns since inception) is 4.8% to date when the impact of currency fluctuations is included and only 3.8% when currency movements are stripped out by the Russell currency overlay mandate. This continues to indicate that the Russell mandate is reducing overall volatility and increasing the predictability of returns, as intended.

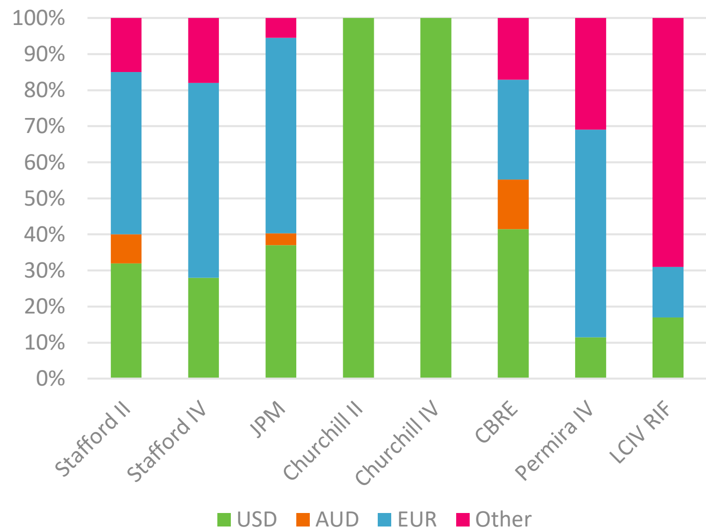
Q2 2022 Performance

	Asset Return (inc. FX impact)	Currency Return (via Russell mandate)	Asset Return (ex. FX impact)	BM Return	Relative Return (ex. FX impact)
Stafford II	7.8	-3.4	4.3	5.2	-0.8
Stafford IV	9.6	-3.7	5.9	5.2	0.7
JPM	8.5	-4.5	4.0	5.2	-1.1
Churchill II	9.5	-8.3	1.2	1.2	0.0
Churchill IV	9.3	-8.2	1.1	1.2	-0.1
CBRE	11.5	-3.9	7.6	5.2	2.3
Permira IV	1.3	-1.9	-0.6	1.2	-1.8
LCIV RIF	0.7	-3.6	-3.0	5.2	-7.8

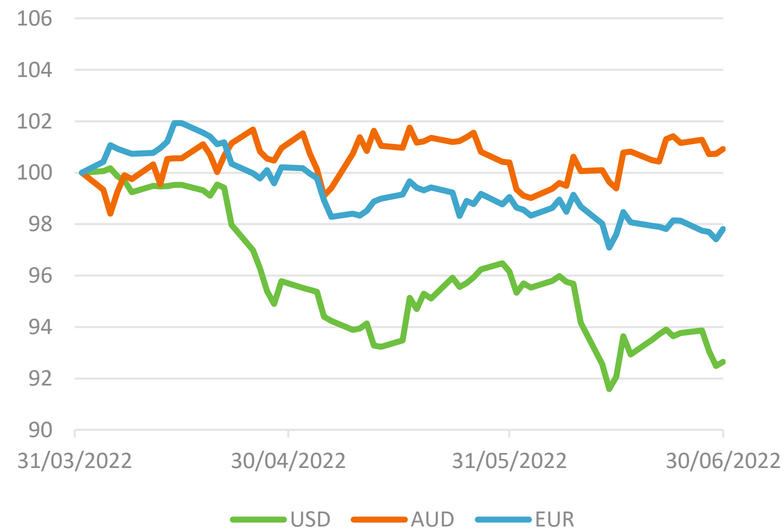
Performance Since Mandate Inception*

	Asset Return (inc. FX impact)	Currency Return (via Russell mandate)	Asset Return (ex. FX impact)	BM Return	Relative Return (ex. FX impact)
Stafford II	7.8	-3.6	4.1	8.5	-4.0
Stafford IV	25.4	-4.2	21.2	11.6	8.6
JPM	10.2	-5.5	4.6	8.6	-3.7
Churchill II	6.6	-9.4	-2.8	4.5	-7.0
Churchill IV	13.3	-8.6	4.7	2.3	2.4
CBRE	11.1	-5.2	5.9	8.6	-2.5
Permira IV	3.6	-1.1	2.5	4.4	-1.9
LCIV RIF	0.6	-3.7	-3.2	14.4	-15.3

Hedged Currency Exposure **



Sterling Performance vs. Foreign Currencies (Rebased to 100 at 31 March 2022)



Source: Northern Trust, Investment managers
** Performance shown since 31 December 2019 which was the first month end after inception.*
*** As at Q1 2022 (latest available).*

- Since March 2018, the Fund has made commitments to seven private markets funds as outlined right. The table provides a summary of the commitments and drawdowns to 30 June 2022.
- The additional £12m allocated to JP Morgan (funded from the Baillie Gifford Global Alpha Growth Paris Aligned Fund) was drawn down at the start of the quarter.
- There are outstanding commitments of approximately £55m to the remaining funds which will be funded from the RLAM corporate bond mandate and the LCIV Diversified Growth Fund alongside capital being returned from other mandates.

Mandate	Infrastructure			Private Debt		
Vehicle	**Stafford Infrastructure Secondaries Fund II**	**Stafford Infrastructure Secondaries Fund IV**	**LCIV Renewable Energy Infrastructure Fund**	**Churchill Middle Market Senior Loan Fund II**	**Churchill Middle Market Senior Loan Fund IV**	**Permira Credit Solutions IV Senior Fund**
Commitment Date	25/04/2018	18/12/2020	30/06/2021	12/2018	29/09/2021	12/2018
Fund Currency	EUR	EUR	GBP	USD	USD	EUR
Gross Commitment	€28.5m	€30m	£25m	$31.0m	$26.5m	£36 m
Gross Commitment (GBP estimate)	£24.5m	£25.8m	-	£25.5m	£21.8m	-
Net Capital Called During Quarter (Payments Less Returned Capital)	-	-	£0.5m	£1.2m	£1.2m	£1.6m
Net Capital Drawn To Date	£18.8m	£11.5m	£7.4m	£20.5m	£7.6m	£28.2m
Distributions/Returned Capital To Date (Includes Income and Other Gains)	£10.7m	£0.4m	-	£3.8m	£0.5m	£3.1m
NAV at Quarter End	£20.3m	£7.5m	£6.9m	£20.9m	£7.8m	£26.5m
Net IRR Since Inception *	8.7% p.a. (v. 8-9% target)	-	-	7.25%**	-	9.3%
Net Cash Yield Since Inception*	4.5% p.a. (v. 5% target)	-	-	-	-	-
Number of Holdings*	22 funds	8 funds	-	95 investments	78 investments	92 investments

**as at 31/03/2022 (latest available) **Refers to IRR of realised assets in the portfolio*

Source: Investment Managers

Capital Markets Outlook

Asset Class	Market Summary
Equities	• Equity valuations have fallen significantly and, for the first time since the market recovery took hold, no longer look stretched versus longer-term averages. However, earnings forecasts look increasingly vulnerable to downwards revisions and valuations may not yet fully reflect growing downside risks.
Investment Grade Credit	• With high inflation and waning central bank support weighing on investor sentiment, global investment-grade credit spreads have widened materially. At current spread levels, investment-grade credit looks attractive relative to nominal gilts. Slowing corporate earnings growth and rising interest rates will weaken credit fundamentals, but corporate balance sheets are starting from a relatively strong position.
Emerging Market Debt	• While a backdrop of high inflation, a stronger US dollar, and higher US Treasury yields makes for a more challenging fundamental backdrop, the valuation and technical picture has improved. Local currency yields and hard currency spreads are near the top-end of their long-term range. A weakening of the US, and developed market, outlook may slow further rises in the US dollar and treasury yields, helping to stabilise EM sentiment.
Liquid Sub-Investment Grade Debt	• The economic outlook has weakened, but speculative-grade credit spreads are at levels which should provide compensation against a material increase in defaults from current very low levels. We are broadly neutral between high yield bonds and traded loans.
Private Lending	• Defaults remain low but, as in the public speculative-grade markets, are expected to increase modestly. Valuations, relative to the traded loan markets, are unattractive due to significant increases in margin spreads in the public market.
Core UK Property	• UK core property market fundamentals continue to improve and, while rents have not kept pace with inflation, demand for real assets remains a technical support. However, valuations look stretched in absolute terms and, increasingly, on a relative basis as bond and equity prices have fallen.
Long Lease Property	• Long lease properties will benefit from rental growth across the market and have good inflation protection characteristics. While absolute yields are low, the yield gap between core and long lease is improving.
Conventional Gilts	• Despite the risk of higher than anticipated rates, nominal yields have risen significantly and are at levels where bonds could provide some downside protection should recession risks materialise, provided inflation moderates. Nominal yields are at, or near, our assessment of longer-term fair value. Due to inflation risks and the shape of the forward curve, we retain a preference for the front-end of the curve.
Index-Linked Gilts	• A rise in real yields, and fall in implied inflation, has presented a more attractive entry point to index-linked gilts, offering both a hedge against inflation and a drop in real growth. This makes us more neutral between nominal and index-linked gilts.

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 vs. 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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MINUTES OF THE MEETING OF THE
LOCAL PENSION BOARD
Zoom
29 March 2022 (4.00 - 5.00 pm)

Present:

Members: Denise Broom (Scheme Employer Representative), Frater (Scheme Employer Representative), Mark Holder (Scheme Member Representative) and Dionne Weekes (Scheme Memebr Representative)

Officers: Caroline Berry and Debbie Ford (Finance & Procurement) and Luke Phimister (Clerk)

104 **CHAIR'S ANNOUNCEMENTS**

The Chairman explained the procedure to take if they were to disconnect from the call.

105 **APOLOGIES FOR ABSENCE**

There were no apologies for absence.

106 **DISCLOSURE OF INTEREST**

There were no disclosures of interests.

107 **MINUTES OF THE MEETING**

The minutes of the meeting held on 8th February 2022 were agreed as a correct record.

108 **TO RECEIVE FEEDBACK FROM RECENT MEETINGS OF THE PENSIONS COMMITTEE**

The Board received an update from the previous Pensions Committee meeting.

109 **ANNUAL INTERNAL CONTROL ASSURANCE REPORT**

The Board noted there had been 3 audits in 2020-21 from Deloitte and will not outsource internal audits from 1st April 2022.

The Board noted the report.

110 **CYBER SECURITY ASSURANCE STATEMENT - RESPONSE TO QUESTIONS FROM LAST MEETING**

Members of the Board noted that staff use personal routers for their work but are connected to the Havering VPN, there is a risk but not high.

111 **PENSIONS BOARD VACANCIES**

The Board noted an independent chair had not yet been put in place but officers were hopeful one would be in place for the next meeting.

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Chairman