Public Document Pack

Havering
LONDON BOROUGH

PENSIONS COMMITTEE AGENDA

7.00 pm	Tuesday 13 December 2022	Town Hall, Main Road, Romford

Members 7: Quorum 3

COUNCILLORS:

Conservative Group (3)	Havering Residents' Group (3)	Labour Group (1)
Robert Benham Dilip Patel Viddy Persaud	Julie Wilkes Philip Ruck (Vice-Chair) James Glass	Mandy Anderson (Chairman)

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:-

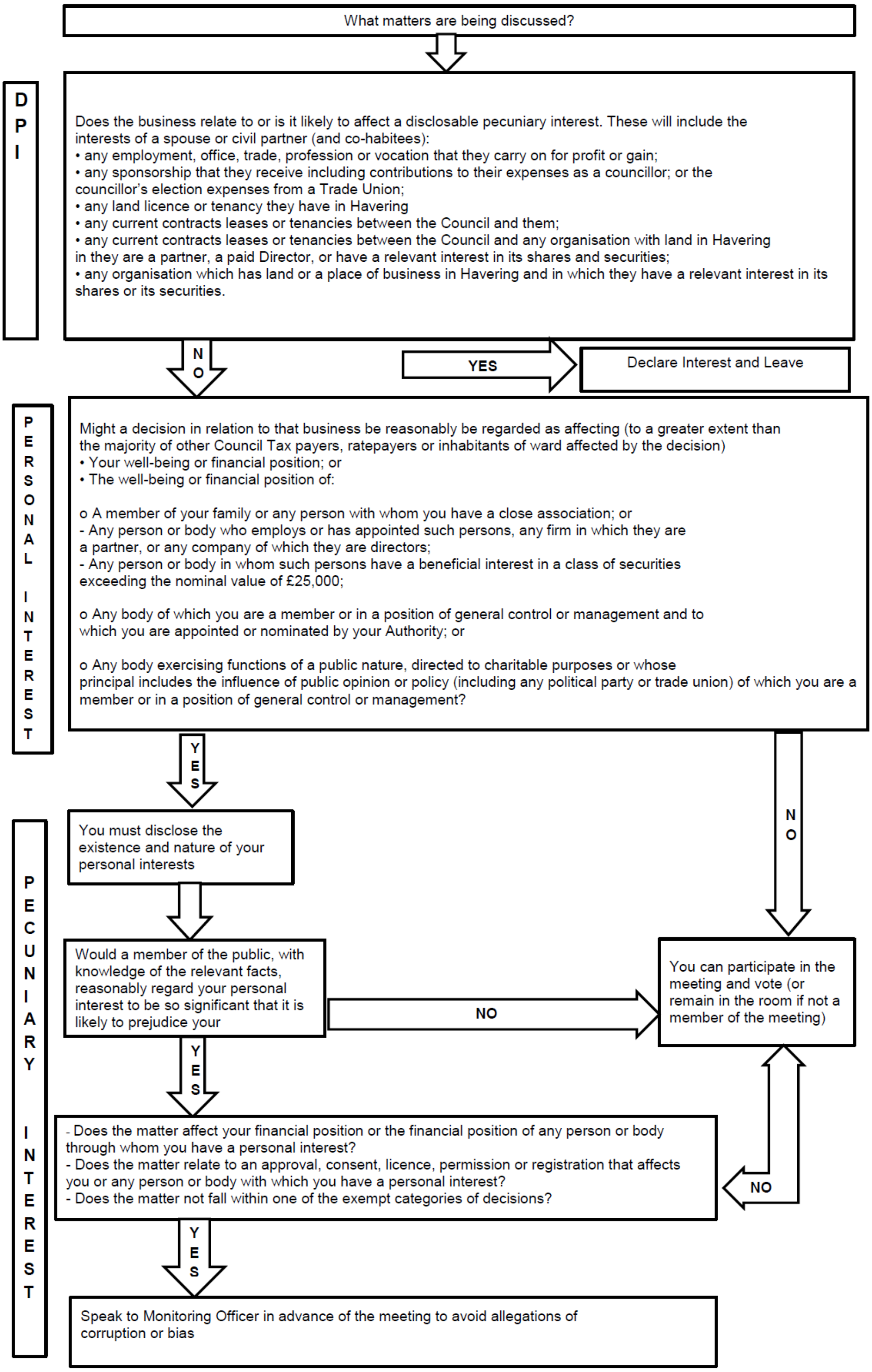
- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing, 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 NOVEMBER 8 2022 (Pages 1 - 4)

To approve as correct the minutes of the meeting held on 8 November 2022 and authorise the Chairman to sign them.

5 PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER (Pages 5 - 58)

Report and appendices attached.

6 INVESTMENT CONSULTANCY SERVICES PERFORMANCE REVIEW - 1 OCTOBER 2021 TO SEPTEMBER 2022 (Pages 59 - 78)

Report and appendices attached.

7 CLIMATE RISK MANAGEMENT PLAN PROGRESS REPORT (Pages 79 - 116)

Report and appendices attached.

8 PENSION FUND RISK REGISTER - UPDATED (Pages 117 - 148)

Report and appendices attached.

9 LOCAL PENSIONS BOARD ANNUAL REPORT - YEAR ENDING 31 MARCH 2022 (Pages 149 - 162)

Report and appendices attached.

10 MINUTES OF THE LOCAL PENSION BOARD 15 NOVEMBER 2022 (Pages 163 - 166)

To receive the minutes of the Local Pension Board.

Zena Smith
Democratic and Election Services Manager

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MINUTES OF A MEETING OF THE PENSIONS COMMITTEE
Town Hall, Main Road, Romford
8 November 2022 (7.04 - 7.56 pm)

Present:

COUNCILLORS

Conservative Group	Robert Benham, Dilip Patel and Viddy Persaud
Havering Residents' Group	Julie Wilkes
Labour Group	Mandy Anderson (Chairman) and Matthew Stanton
Admitted/Scheduled Bodies Representatives:	
Trade Union Observers:	Derek Scott

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

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

There were no apologies received. Councillor Philip Ruck attended virtually and therefore was recorded as absent.

258 **DISCLOSURE OF INTERESTS**

There were no disclosures of interest.

259 **MINUTES OF THE MEETING 20 SEPTEMBER 2022**

The minutes from 20 September 2022 were agreed as a correct record.

260 **REVIEW OF GOVERNANCE COMPLIANCE STATEMENT**

The Committee were presented with a report that informed members on the Council's duty to keep the Governance Compliance Statement under review, make revisions as appropriate and publish a report that outlined the extent of compliance against a set of best practice principles.

It was explained that the Governance Compliance Statement and the extent of compliance to guidance was set out in **Appendix A.**

Furthermore, Officers would be looking to source a consultant for this process.

The Committee **agreed** the recommendations.

261 **PENSION FUND ACTUARIAL SERVICES PERFORMANCE REVIEW - 1 OCTOBER 2021 TO 30 SEPTEMBER 2022**

The Committee considered a report that reviewed the service and performance of the Havering Pension Fund's ("the Fund") Actuary from the 1 October 2021 – 30 September 2022.

It was explained that Hymans Robertson ("Hymans") contract start date was due to end on the 15 July 2023 with an option to extend up to a further two years to 15 July 2025 if required. Extending the existing framework would be maintained at the same cost and did not breach any of the procurement rules within the Council.

The Committee **agreed** the recommendations and to extend the contract for a further two years to the 15 July 2025.

262 **PENSION FUND ANNUAL REPORT- YEAR ENDED 31 MARCH 2022**

The Committee were presented with a report on the Pension Fund Annual Report 2021/22 which had been prepared in accordance with Regulation 57 of the Local Government Pension Scheme Regulations 2013 which applied for reporting periods beginning 1 April 2014.

It was explained that the costing of the audit could only be estimated and based on prior year's fees. For example, if the fund value were to increase then performance fees would be higher and therefore there was an element of estimation involved that was difficult to predict the exact cost of the fees.

In regards to queries around pension pay administration and processes, Debbie would ask Caroline Guyon to outline the process and necessary improvements would be actioned.

The Committee **agreed** the recommendations.

263 **WHISTLEBLOWING REQUIREMENTS OF THE PENSIONS ACT**

The Committee were provided with a report that outlined the Whistleblowing Requirements of the Pensions Act.

It was explained that on the 6 April 2005 the whistle blowing requirements of the Pensions Act 2004 came into force. The basic requirement of this law was that nearly all persons who were involved with a pension scheme had a duty to report 'as soon as reasonably practicable' to the Pensions Regulator

(TPR) where they have 'reasonable cause to believe' that there has been a breach of law 'relevant to the administration of the scheme' which was 'likely to be of material significance to the Regulator'. TPR issued a Code of Practice (CP1) that set out guidance on how to comply.

Furthermore, the Code discussed each of these issues, in particular what the regulator sees as materially significant. For administering authorities and employers, an initial requirement was to establish procedures to identify any breaches, and then evaluate and if appropriate report to the Regulator. Part of the procedure was to undertake an annual review and the report represented the annual review for the year up to **30 September 2022.** No possible breaches of law were reported and therefore no reports had been made to TPR.

The Committee **noted** the results of the annual review and that no possible breaches of law had been reported.

264 **FUNDING STRATEGY STATEMENT 2022**

The Committee was provided with a report outlining the Statement of the Havering Pension Fund's ("the Fund") approach to funding its liabilities, focusing on how employer liabilities were measured, the pace at which these liabilities were funded and how employers pay for their own liabilities. It also incorporated the Fund's approach to cessation and contribution reviews as set out in associated policy documents.

It was explained that the FSS applied to all employers participating in the Fund.

The Committee **agreed** the recommendations.

265 **EXCLUSION OF THE PUBLIC**

Appendix A of the report was exempt from publication by virtue of paragraph 3 of the Access to Information Procedure Rules set out in the Constitution pursuant to Schedule 12A Local Government Act 1972, as amended, as it commercially sensitive until such time the committee approves the draft for consultation.

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Chairman

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Havering
LONDON BOROUGH

PENSIONS COMMITTEE 13 December 2022

Subject Heading:	**PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED SEPTEMBER 2022**
CLT Lead:	**Dave McNamara**
Report Author and contact details:	***Debbie Ford*** ***Pension Fund Manager (Finance)*** ***01708432569*** ***Debbie.ford@onesource.co.uk***
Policy context:	Pension Fund performance ("the Fund") 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 September 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 September 2022**. Significant events that occur after production of this report will be addressed verbally at the meeting.

The Fund increased in value by **£1.09m** (0.13%) over the quarter, it underperformed the tactical benchmark by -1.08% but outperformed the strategic benchmark by 7.91%.

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:

Stafford (Infrastructure)

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 Infrastructure Manager **Stafford** (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. Hymans report at Appendix A now includes a one-page summary highlighting key performance takeaways over the quarter.

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:

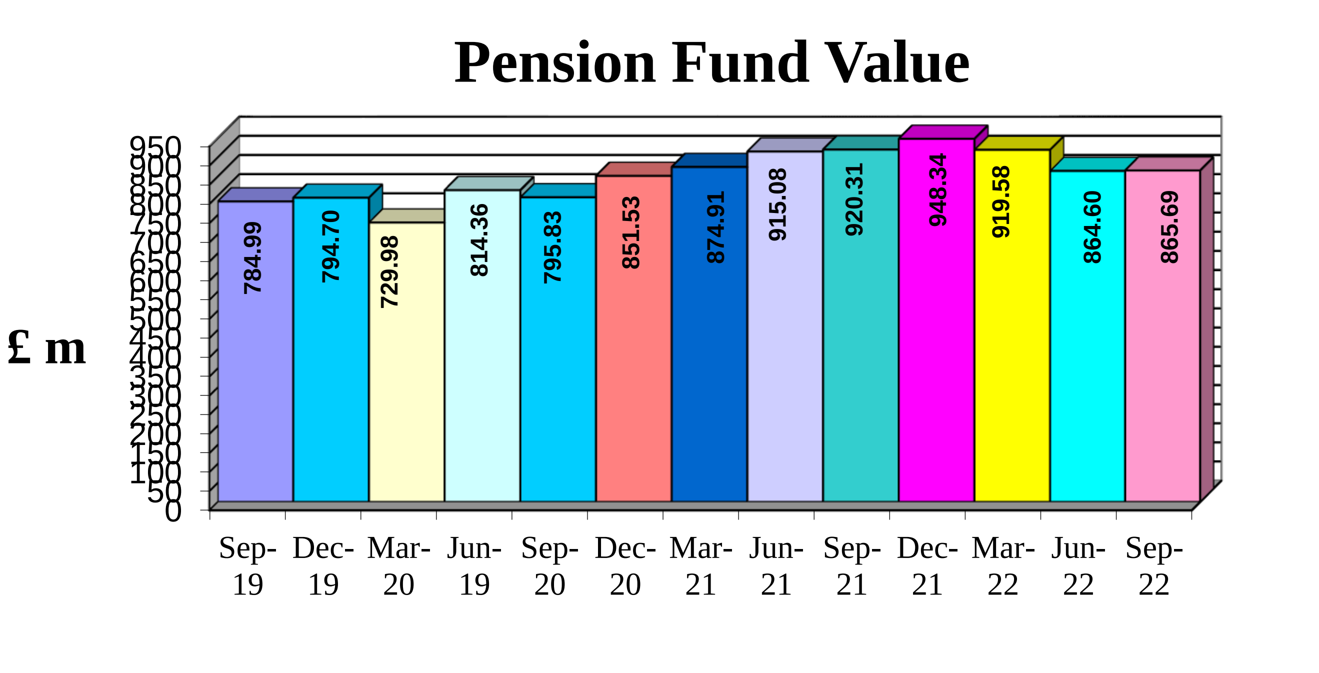
e. **Tactical Benchmark** - Each manager has been set a specific (tactical) benchmark as well as an outperformance target against which performance will be measured. This benchmark is determined according to the type of investments being managed. This is not directly comparable to the strategic benchmark 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 31 Sept 2022 was **£865.69m** compared with £864.60m at the 30 June 2022; an **increase of £1.09m**. This movement can be attributable to an increase in asset values of £0.51m and an increase in cash of £0.58m. Internally managed cash stands at **£14.124m,** an 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 30.09.22	**12 Months to 30.09.22**	**3 Years to 30.09.22**	**5 years to 30.09.22**
	%	**%**	**%**	**%**
Fund	-0.68	-6.76	4.01	4.88
Benchmark	0.40	0.03	4.72	5.46
*Difference in return	-1.08	-6.79	-0.71	-0.58

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 30.09.22	12 Months to 30.09.22	3 Years to 30.09.22	5 years to 30.09.22
	%	%	%	%
Fund	-0.68	-6.76	4.01	4.88
**Benchmark	-8.59	-23.94	-7.41	-0.30
*Difference in return	7.91	17.18	11.42	5.19

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 **£14.124m** follows:

Table 3: Cash Analysis

CASH ANALYSIS	2020/21 31 Mar 21	2021/22 31 Mar 22	2021/22 30 Sep 22
	£000's	£000's	£000's
Balance B/F	**-23,056**	**-15,963**	**-14,260**
Benefits Paid	38,874	37,632	20,556
Management costs	1,420	1,720	682
Net Transfer Values	14,251	333	532
Employee/Employer Contributions	-48,049	-49,112	-24,667
Cash from/to Managers/Other Adj.	723	11,173	3,053
Internal Interest	-126	-43	-20
Movement in Year	**7,093**	**1,703**	**136**
Balance C/F	**-15,963**	**-14,260**	**-14,124**

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 is held 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 Infrastructure Manager Stafford,** 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, within the total fund commitments approved by this committee: £2.22m Stafford IV, £1.043m London Collective Investment Vehicle (LCIV) Renewables Fund, £3.22m Churchill IV fund, £1.15m Permira PCS4 fund and £10.54m Permira PCS5 Fund.

b. Capital Calls were mainly funded by withdrawals from Royal London (Corporate Bonds mandate) and the LCIV Diversified Growth Fund, both of which were holding overweight positions against the strategic benchmark asset allocation, as agreed in the ISS.

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 the governance of our investments held with the LCIV 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)

- 30 September 2022 – LCIV Board meeting - contents included an update and noting of performance, financial update on 2022/23 budget and noted development of 2023/24 budget, an update to the current issue of two shareholders not agreeing to amending the Articles of Association and Shareholder agreement and Governance updates.

- 27 October 2022 - Shareholder meeting - discussions as set out in the Board meeting

- 27 October 2022 - Workshop covering Cost Transparency Initiative for Private Markets - attended by officers as this applies to the LCIV Renewable Infrastructure fund, in which the Fund invests.

- October 22 – published "Corporate Governance Handbook – to ensure that all staff, board members, shareholders and stakeholders are aware of the overall governance framework.

- Business update meetings (currently held virtually) – take place monthly. Meeting held on the 27 October 2022.

- 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:

- **Department of Levelling Up, Housing and Communities (DLUHC) –** summarised the 2022 return – shows the actual percentage pooled as 55% for March 2022, forecast as rising to 63% by March 2025. A pooling target of 70% by 2025 now looking unrealistic and pooling is progressing at a slower rate than anticipated.

- **Annual Reviews** – LCIV, as part of their on-going monitoring process, carry out annual reviews on its sub fund managers. Relevant to the Havering Fund investments, reviews have been completed for the Global Alpha Growth Paris Aligned Fund. Whilst performance has been disappointing (posting six consecutive quarters of negative relative returns there are signs of stabilisation and they remain confident that the investment manager retains its ability to recover losses. Reviews are in process for Diversified Growth Fund, although it should be noted that they currently remain under "normal" monitoring and as reported in the LCIV September quarterly reports, the manager has made adjustments to the mandate to cut risk but LCIV are of the view that this could have been implemented faster.

- **Medium Term activity** to focus on Strategy Roadmap 2023 project planning, Working Groups formed for Corporate Net Zero project and Impact Investing project, Investment Governance Document update and Securities lending.

- **Responsible Investment Update:**

  - Engagement is part of the LCIV's Net zero strategy and recently wrote to the CEO of Shell requesting the Board to set and publish short and medium term Scope 3 emission reduction targets that are consistent with the goal of the Paris agreement. They will also be sending out similar letters to their top 10 fossil fuels contributors in the upcoming months.

  - LCIV climate risk also gives consideration to biodiversity and deforestation. LCIV publishes deforestation risk exposure at around 5.92% of Assets under Management.

  - LCIV have also signed up to the Taskforce on Nature-related Financial Disclosure (TNFD) Forum where standards are still being developed.

- **New/Changes to Sub Fund Launches:**

  - *New:* Sterling Credit Fund – Stage 1 (Client demand). Due to client demand this fund is expected to launch in 2023. This is not an ongoing part of our strategy as the Havering Fund is selling down its credit allocation.
  - *New:* UK Housing Fund (Property) – Stage 2 (Implementation) – Manager selection is in progress and the fund is expected to launch fund in December 2022. 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 Private Debt Fund – LCIV have appointed and committed to a third fund. The Havering Fund is currently committed to private debt funds held outside the LCIV pool.
  - *Change:* LCIV Renewable Infrastructure Fund – Adding a new fund due to new client fund commitments and manager selection is in progress, expected completion in March 2023.

- *Change:* LCIV Infrastructure Fund – LCIV successfully negotiated better terms and reduced fees and new investment management agreement is being drafted and expected to be completed December 2022. Havering is not invested in this fund.
- *Change:* The London fund – Extension to close agreed by the London Fund Advisory Committee to 31 March 2023.

- **LCIV Staffing Updates**
  - The new Chief Executive Officer (CEO) – Dean Bowden will start on the 17th November 2022.

8.3 LGPS GENERAL UPDATES:

8.3.1 Governance and reporting of climate change risk consultation

a. On the 1 September 2022, the DLUHC launched a consultation called "Governance and reporting climate change risks".

b. The consultation seeks views on proposals to require administering authorities to assess, manage and report on climate risks, in line with the recommendations on the Taskforce on Climate-related Financial Disclosures (TCFD).

c. The consultation closed on 24 November 2022.

d. Havering Fund's response to the consultation, after it was agreed by the Statutory S151 officer and the Chair, was generally supportive of the proposal to embed climate risk governance and reporting requirements in the LGPS whilst proposing practicable solutions to their implementation, minimising cost and helping to produce meaningful reports that can drive real world change. The Consultation and Havering response was then shared with the Committee via email.

e. The Committee's current approach to addressing climate risk will mean that the TCFD requirements will largely be met, having produced its second TCFD report as agreed in July 2022, but can be tested against the final requirements and guidance once these are published

f. It is likely that the first mandatory TCFD report will cover the year 2023/24 and be published by 1 December 2024. The DLUHC is likely to publish Guidance in the new year and reporting requirements are set to commence on 1 April 2023.

8.3.3 Training Requirements - UPDATE

a. the Fund has subscribed 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.

b. The Fund will receive regular progress reports allowing it to easily evidence member's development and progress as at October 2022 can be seen in the table below:

LOLA Modules Summary						
Name	**Module 1**	**Module 2**	**Module 3**	**Module 4**	**Module 5**	**Module 6**
Pensions Committee						
Cllr Anderson	Complete	In progress				
Cllr Benham						
Cllr Patel						
Cllr Persaud	Complete	In progress				
Cllr Ruck	Complete					
Cllr Stanton	Complete	Complete	Complete	Complete	Complete	Complete
Cllr Wilkes	Complete	Complete	Complete	Complete	Complete	Complete
Derek Scott	Complete	Complete	Complete	Complete	Complete	Complete

c. 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. The six months' deadline will apply once members joining instructions have been issued – February 2023.

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

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London Borough of Havering Pension Fund

Q3 2022 Investment Monitoring Report

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

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

HYMANS ROBERTSON

Headlines

- This section outlines the key points included in this report.
- The tactical benchmark in the Fund performance table represents the aggregate performance target of the Fund's assets and is a measure of relative outperformance / underperformance from the asset managers.
- The strategic benchmark represents the expected rate at which the Fund's liabilities are growing (or falling) in value. The asset performance relative to the strategic benchmark performance gives an indication of whether the Funding level has improved or weaken over a given period.

Key takeaways

Equity markets were largely flat, but gilts and bonds fell significantly	The government's 'mini-budget' pushed gilt yields up significantly (meaning bond prices fell). The Fund was largely immune from the impact of this as it holds few assets which are directly sensitive to interest rates.
Short term inflation hit 10% but longer term inflation expectations only rose slightly	Energy prices continued to feed through into inflation although it is expected that this will be relatively short lived. Higher inflation increases the benefits being paid to Fund members next year by more than expected. A significant proportion of the assets have either a direct or indirect link to inflation providing a level of protection
Asset values didn't change much over the course of the quarter, adding about £1m to end at £866m	Whilst asset values were stable, the increase in gilt yields mean that the value placed on the liabilities fell significantly. The funding position (the ratio of the value of assets to the value of the liabilities) has therefore increased, meaning that the security of members benefits has improved
Property and bond managers underperformed over the quarter, but there are no immediate concerns	Absolute returns in both markets were negative. The small remaining allocation to corporate bonds was sold completing the strategy change. UBS underperformed over the quarter although have a good long-term track record albeit the overall outlook for UK property over the near term is weak. No immediate changes are proposed.
A weak pound meant returns from non-sterling assets were very positive. Cash was needed to settle currency hedging contracts	Many of the Fund's private market assets are non-sterling investments, meaning that they demonstrated a strong positive return when converted to sterling terms. Strategic currency hedging largely negated this but Fund did benefit from non-sterling exposures in equity assets.

Fund performance

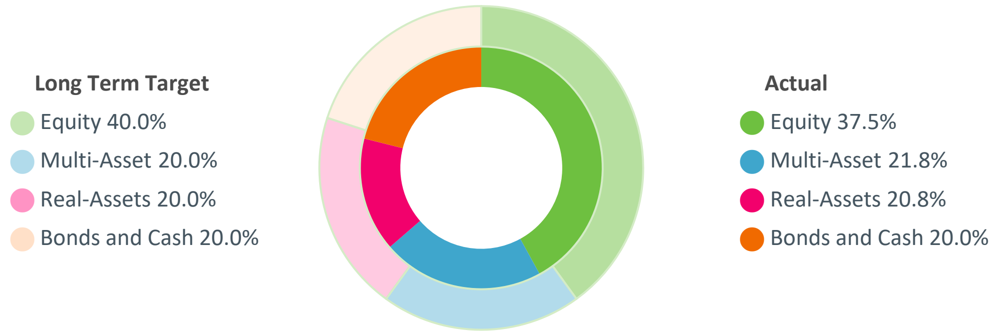
	Last 3 months (%)	Last 12 months (%)	Last 3 years (%)	Last 5 years (%)
Total Fund performance	**-0.7**	**-6.8**	**4.0**	**4.9**
Tactical benchmark	0.4	0.0	4.7	5.5
Strategic benchmark	-8.6	-23.9	-7.4	-0.3

Fund asset valuation

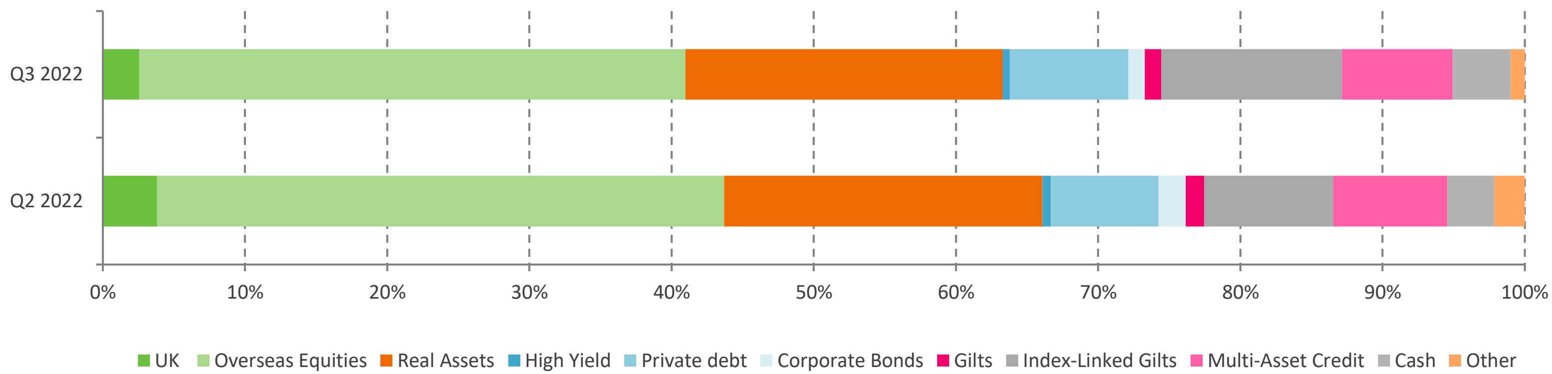
	Fund value (£m)
Q2 2022	**864.8**
Q3 2022	**865.7**

- 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 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.
- The chart below 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 slightly decreased over the quarter to c.41.0% as at 30 September 2022 (c.43.7% at 30 June 2022) – this was due to the LCIV Absolute Return Fund decreasing their equity allocation from 28.3% to 14.8% and increasing their index linked gilt allocation from 43.1% to 70.3% over the quarter.
- The allocation to private debt increased to c.8.4% as at 30 September 2022 (c.7.6% as at 30 June 2022) – this was due to the Fund's overall private debt assets performing positively over the quarter, weakened sterling and the continued drawdown over the period, coupled with the fall in value of other assets.
- The allocation to real assets marginally fell to c.22.3% as at 30 September 2022 (c.22.4% as at 30 June 2022) – this was due to the LCIV Diversified Growth Fund decreasing their allocation to infrastructure and property from 28.5% to 20.2% over the quarter.

Asset Allocation



Asset Class Exposures



Current Investment Implementation

The total value of the Fund's assets marginally increased by £1.0m over the quarter to £865.7m as at 30 September 2022.

Despite a rally in July 2022, global equities fell in the second half of the quarter as high inflation and subsequent higher interest rate expectations weighed on equity valuations.

The Fund's RLAM mandates continued to fall in value due to growing concerns about sustained high inflation and this being met with more aggressive action from central banks. As the UK government unveiled a substantial unfunded fiscal package in late September 2022, increases in UK government bond yields accelerated, causing the value of Index-Linked Gilts to fall.

UK investment-grade credit spreads rose from 0.4% p.a. to 2.4% p.a. due to rising UK government bond yields, which saw pension schemes liquidate their liquid assets in order to meet collateral calls on their interest-rate hedging programmes – negatively impacting the RLAM MAC and Corporate bond mandates.

The Fund paid the following capital calls during the quarter:

- c.£3.3m, c.£0.7m and c.£1.5m to the Stafford IV Fund
- c.£0.4m, c.£0.2m and c.£0.8m to the LCIV Renewable Energy Infrastructure Fund
- c.£1.4m, c.£1.3m and c.£1.0m to the Churchill IV Fund

Asset Allocation

Manager		Valuation (£m) Q2 2022	Valuation (£m) Q3 2022	Actual Proportion	Benchmark	Relative
Equity		**322.1**	**324.5**	**37.5%**	**40.0%**	**-2.5%**
LGIM Global Equity	LCIV aligned	32.1	32.5	3.8%	5.0%	-1.2%
LGIM Emerging Markets	LCIV aligned	36.8	35.9	4.1%	5.0%	-0.9%
LGIM Future World Fund	LCIV aligned	87.0	87.0	10.0%	10.0%	0.0%
LCIV Global Alpha Growth Paris Aligned Fund	LCIV	126.1	128.1	14.8%	15.0%	-0.2%
LCIV PEPPA Passive Equity	LCIV	40.2	40.9	4.7%	5.0%	-0.3%
Multi-Asset		**192.2**	**188.5**	**21.8%**	**20.0%**	**1.8%**
LCIV Absolute Return Fund	LCIV	114.3	116.4	13.4%	12.5%	0.9%
LCIV Diversified Growth Fund	LCIV	77.9	72.2	8.3%	7.5%	0.8%
Real-Assets		**172.3**	**179.9**	**20.8%**	**20.0%**	**0.8%**
UBS Property	Retained	63.8	60.2	7.0%	6.0%	1.0%
CBRE	Retained	36.0	38.8	4.5%	4.0%	0.5%
JP Morgan	Retained	38.3	39.9	4.6%	4.0%	0.6%
Stafford Capital Global Infrastructure SISF II	Retained	20.1	20.5	4.0%	3.5%	0.5%
Stafford Capital Global Infrastructure SISF IV	Retained	8.1	13.7			
LCIV Renewable Energy Infrastructure Fund	LCIV	6.1	6.7	0.8%	2.5%	-1.7%
Bonds and Cash		**178.1**	**172.8**	**20.0%**	**20.0%**	**0.0%**
RLAM Index Linked Gilts	Retained	32.1	29.0	3.4%	5.0%	-1.6%
RLAM Multi-Asset Credit	Retained	57.2	56.8	6.6%	7.5%	-0.9%
RLAM Corporate Bonds	Retained	16.7	10.1	1.2%	0.0%	1.2%
Churchill Senior Loan Fund II	Retained	23.8	25.6	4.6%	3.0%	1.6%
Churchill Senior Loan Fund IV	Retained	9.2	14.1			
Permira IV	Retained	28.0	27.9	3.2%	4.5%	-1.3%
Permira V	Retained	0.2	0.0			
Cash at Bank	Retained	14.5	15.0	1.7%	0.0%	1.7%
Currency Hedging P/L	Retained	-3.6	-5.7	-0.7%	0.0%	-0.7%
Total Fund		**864.8**	**865.7**	**100.0%**	**100.0%**	

Source: Northern Trust, Investment Managers

- 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 Fund's assets returned -0.7% over the quarter, underperforming its 0.4% benchmark return by -1.1%.
- The LGIM mandates continued to broadly track their respective benchmarks over the quarter.
- The LCIV Global Alpha Growth Paris Aligned Fund marginally underperformed its benchmark. However, in absolute terms the Fund returned positively as growth stocks marginally outperformed value stocks over the quarter. The Fund's 19.0 % allocation to the healthcare sector (its second largest sectoral allocation) dragged on the Fund's performance in a period when healthcare stocks returned negatively.
- The LCIV DGF underperformed its Cash + 3.5% p.a. benchmark over the quarter. This was primarily due to the Fund's allocation to infrastructure and property (due to decreasing capital values and a weaker outlook on growth forecasts), as well as UK government bonds (as yields significantly rose).
- The RLAM mandates delivered negative returns in both absolute and relative terms due to further increases in interest rates and UK government bond yields, as well as credit spreads continuing to widen 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	1.4	1.4	**0.0**	-3.7	-3.6	**0.0**	7.6	7.7	**-0.1**	11.2	11.3	**0.0**
LGIM Emerging Markets	-2.3	-2.2	**-0.1**	-8.8	-8.5	**-0.3**	2.7	3.0	**-0.2**	4.2	4.4	**-0.2**
LGIM Future World Fund	-0.1	-0.1	**0.0**	-3.1	-3.0	**0.0**	-	-	-	-5.1	-5.1	**-0.1**
LCIV Global Alpha Growth Paris Aligned Fund	1.6	2.1	**-0.4**	-22.9	-2.9	**-20.6**	5.2	7.8	**-2.4**	12.1	11.5	**0.5**
LCIV PEPPA Passive Equity	1.9	1.9	**0.1**	-13.4	-13.8	**0.5**	-	-	-	-13.4	-13.8	**0.5**
Multi-Asset												
LCIV Absolute Return Fund	1.8	1.4	**0.4**	3.3	4.7	**-1.4**	7.6	4.5	**3.0**	5.2	4.8	**0.5**
LCIV Diversified Growth Fund	-3.3	1.3	**-4.5**	-14.0	4.3	**-17.6**	-1.6	4.0	**-5.4**	2.3	4.0	**-1.6**
Real-Assets												
UBS Property	-5.2	-4.0	**-1.2**	14.0	13.2	**0.7**	8.4	7.6	**0.7**	7.2	7.8	**-0.6**
CBRE	7.8	2.8	**4.9**	30.8	15.2	**13.6**	14.4	9.5	**4.5**	12.5	8.8	**3.4**
JP Morgan	4.7	2.8	**1.9**	23.1	15.2	**6.9**	13.0	9.5	**3.2**	10.8	8.8	**1.8**
Stafford Capital Global Infrastructure SISF II	9.2	2.8	**6.3**	20.4	15.2	**4.5**	11.1	9.5	**1.4**	9.6	8.7	**0.8**
Stafford Capital Global Infrastructure SISF IV	2.0	2.8	**-0.8**	2.6	15.2	**-11.0**	-	-	-	22.8	11.6	**10.0**
LCIV Renewable Energy Infrastructure Fund	0.0	2.8	**-2.7**	1.1	15.3	**-12.3**	-	-	-	0.5	13.8	**-11.7**
Bonds												
RLAM Index Linked Gilts	-9.6	-10.6	**1.1**	-29.5	-29.3	**-0.3**	-	-	-	-9.9	-9.9	**0.0**
RLAM Multi-Asset Credit	-0.7	-0.3	**-0.4**	-12.3	-9.9	**-2.7**	-1.0	-1.1	**0.1**	6.3	5.8	**0.4**
RLAM Corporate Bonds	-18.0	-16.9	**-1.3**	-34.2	-34.1	**-0.2**	-	-	-	-11.9	-12.0	**0.2**
Churchill Senior Loan Fund II	9.2	1.4	**7.7**	25.6	4.7	**19.9**	11.1	4.5	**6.3**	8.7	4.6	**3.9**
Churchill Senior Loan Fund IV	9.1	1.4	**7.6**	-	-	**-**	-	-	-	23.6	3.7	**19.2**
Permira IV	0.6	1.4	**-0.8**	5.2	4.7	**0.5**	3.5	4.5	**-1.0**	3.5	4.5	**-1.0**
Permira V	0.1	1.4	**-1.3**	-	-	**-**	-	-	-	0.1	0.0	**0.1**
Total	-0.7	0.4	**-1.1**	-6.8	0.0	**-6.8**	4.0	4.7	**-0.7**	7.8	-	-

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 and 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. Permira V performance has been calculated by Hymans Robertson as End of Quarter Capital/Start of Quarter Capital (allowing for cashflows).

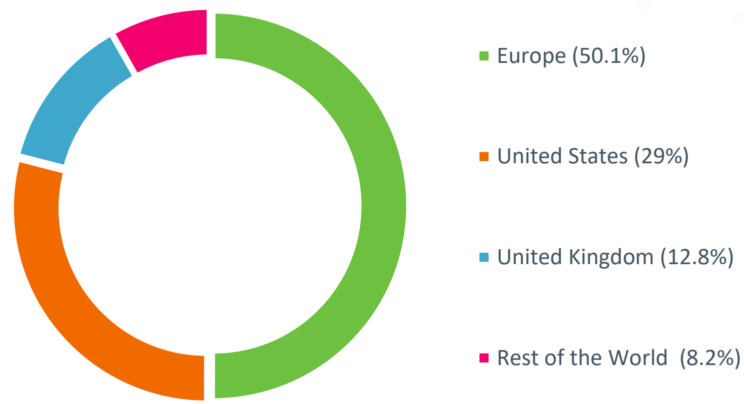
RLAM – Bond Mandates

- Royal London Asset Management (RLAM) was appointed in February 2005 to manage the Fund's bond mandate.
- RLAM now manage three separate portfolios: the existing portfolio consisting of index linked gilts, the addition of the MAC portfolio and a separate corporate bond portfolio currently being sold down to fund strategic changes across the rest of the Fund's wider asset allocation.
- The Fund's strategic allocation to corporate bonds is 0.0%, with allocations to index linked gilts and multi-asset credit of 5.0% and 7.5% respectively.
- The charts right compare the credit rating breakdown of the multi-asset credit and corporate bond portfolios at the end of the quarter.
- Concerns of sustained high inflation met with aggressive action by central banks (i.e. the Bank of England raising interest by a total of 1.0% p.a.), in addition to the UK government's unfunded fiscal package announced in late September 2022 as part of the mini budget) resulted in UK government bonds yields significantly rising over the period, alongside credit spreads continuing to widen, and as such portfolios contributed negative returns in absolute terms.

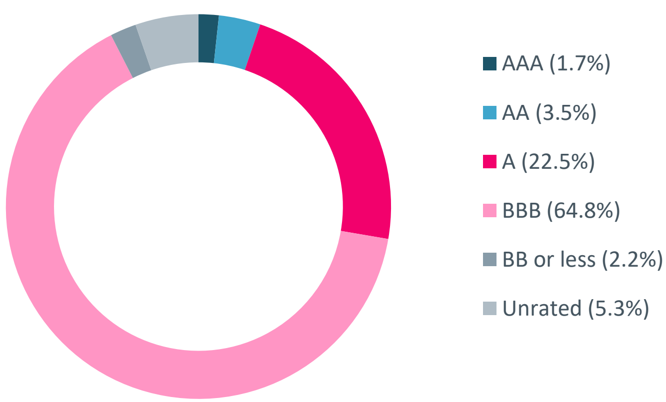
RLAM Fund Performance

	Last 3 months (%)	Last 12 months (%)	Since Inception (% p.a.)
RLAM ILGs	-9.6	-29.5	-9.9
Benchmark	-10.6	-29.3	-9.9
Relative	1.1	-0.3	0.0
RLAM MAC	-0.7	-12.3	6.3
Benchmark	-0.3	-9.9	5.8
Relative	-0.4	-2.7	0.4
RLAM Corporate Bonds	-18.0	-34.2	-11.9
Benchmark	-16.9	-34.1	-12.0
Relative	-1.3	-0.2	0.2

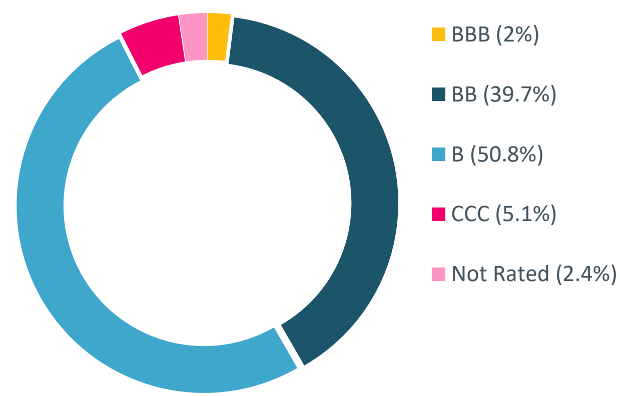
Regional Allocation (MAC)



Credit Allocation (Corporate Bonds)



Credit Allocation (MAC)



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.

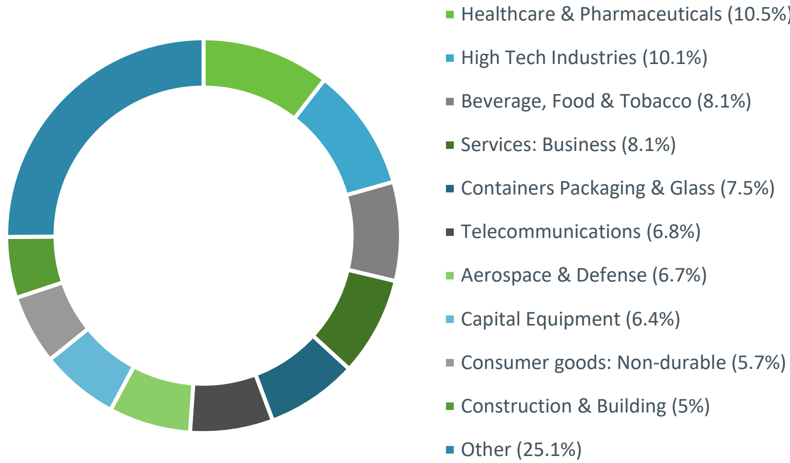
Churchill Private Debt

- The strategic allocation to the Churchill mandate is 3.0%. With the actual allocation being overweight to this by 1.6% as at 30 September 2022.
- Over the quarter, both the Churchill II and Churchill IV funds outperformed their respective benchmarks and contributed positively to the overall Fund return – with Churchill II contributing a relative return of 7.7% and Churchill IV contributing a relative return of 7.6%.
- Over the longer periods of 12 months and since inception, both Churchill II and Churchill IV also continued to outperform their respective benchmarks.
- As at 30 June 2022, Churchill II had 101 loan commitments and Churchill IV had 94 loan commitments.
- Over the second quarter of 2022, Churchill II completed 6 new transactions totalling $38.2m (c.£34.4m) and Churchill IV completed 16 new investments totalling $250.3m (c.£224.2m).

Churchill II Fund Performance

	Last 3 months (%)	Last 12 months (%)	Since Inception (% p.a.)
Churchill Senior Loan Fund II	9.2	25.6	8.7
Benchmark	1.4	4.7	4.6
Relative	7.7	19.9	3.9

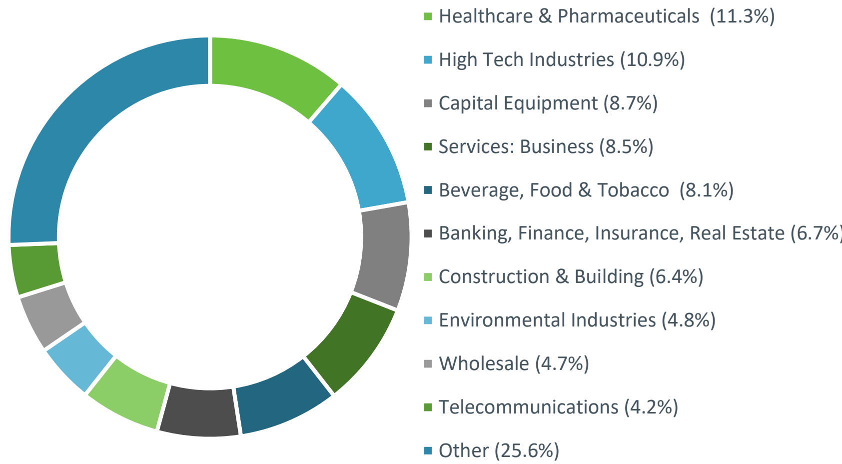
Churchill II Sector Allocation*



Churchill IV Fund Performance

	Last 3 months (%)	Last 12 months (%)	Since Inception (% p.a.)
Churchill Senior Loan Fund IV	9.1	-	23.6
Benchmark	1.4	-	3.7
Relative	7.6	-	19.2

Churchill IV Fund Sector Allocation*



Source: Northern Trust, Churchill
** As at 30 June 2022*

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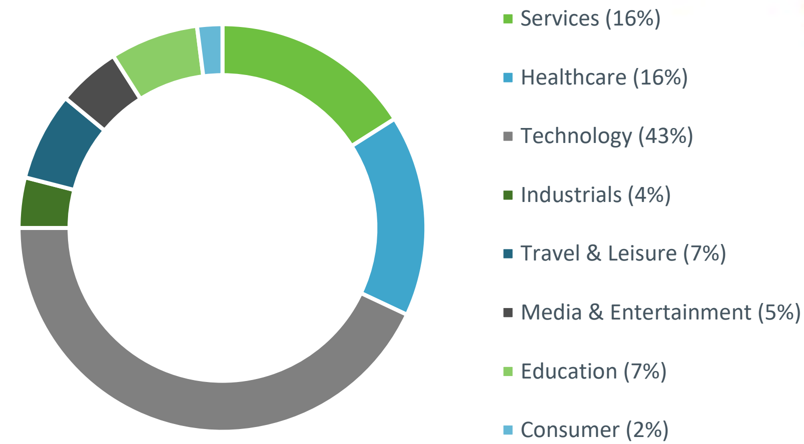
Permira Private Debt

- The strategic allocation to the Permira mandate is 4.5%. With the actual allocation being underweight to this by 1.3% as at 30 September 2022.
- Over the quarter, both the Permira IV and Permira V funds underperformed their respective benchmarks and contributed slightly negatively to the overall Fund return – with Permira IV contributing a relative return of -0.8% and Permira V contributing a relative return of -1.3%.
- However over the period of 12 months, Permira IV outperformed its respective benchmark. But over the longer period since inception, both Permira IV and Permira V continued to slightly underperform their respective benchmarks.

Permira IV Fund Performance

	Last 3 months (%)	Last 12 months (%)	Since Inception (% p.a.)
Permira IV	0.6	5.2	3.5
Benchmark	1.4	4.7	4.5
Relative	-0.8	0.5	-1.0

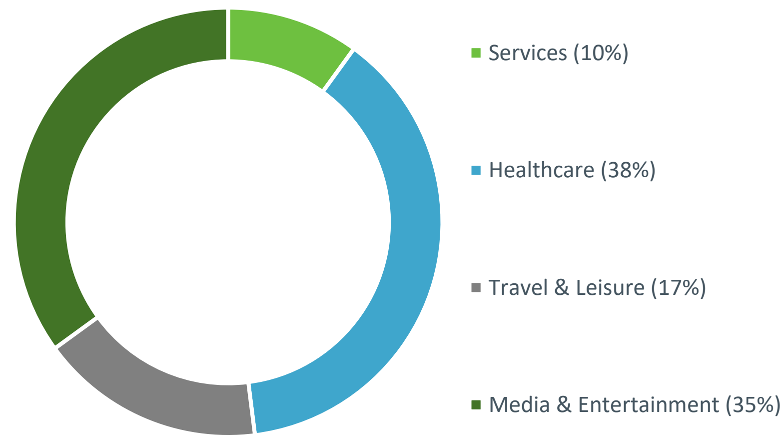
Permira IV Sector Allocation*



Permira V Fund Performance

	Last 3 months (%)	Last 12 months (%)	Since Inception (% p.a.)
Permira V	0.1	-	0.1
Benchmark	1.4	-	1.4
Relative	-1.3	-	-1.3

Permira V Sector Allocation*



Source: Northern Trust, Permira
** As at 30 June 2022*

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 where 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.

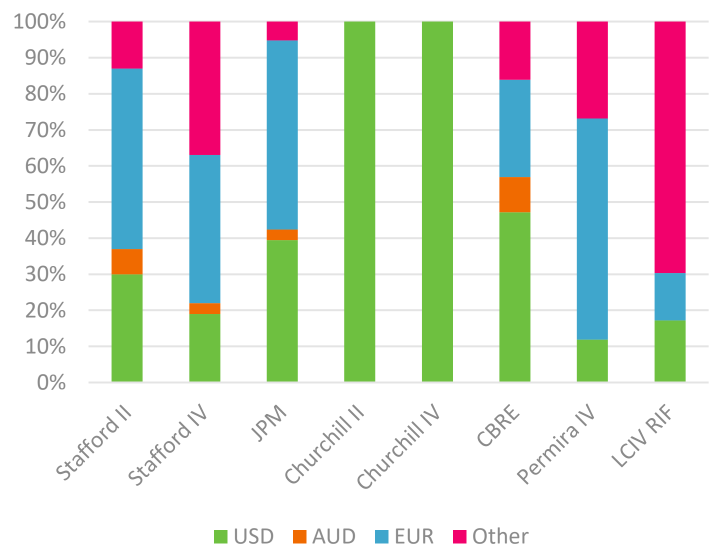
Q3 2022 Performance

	Asset Return (inc. FX impact)	Currency Return (via Russell mandate)	Asset Return (ex. FX impact)	BM Return	Relative Return (ex. FX impact)
Stafford II	9.2	-4.8	4.5	2.8	1.7
Stafford IV	2.0	-4.6	-2.6	2.8	-5.3
JPM	4.7	-5.5	-0.8	2.8	-3.5
Churchill II	9.2	-10.1	-0.9	1.4	-2.2
Churchill IV	9.1	-10.8	-1.7	1.4	-3.0
CBRE	7.8	-5.9	1.8	2.8	-0.9
Permira IV	0.6	-2.6	-2.0	1.4	-3.4
LCIV RIF	0.0	-2.0	-2.0	2.8	-4.6

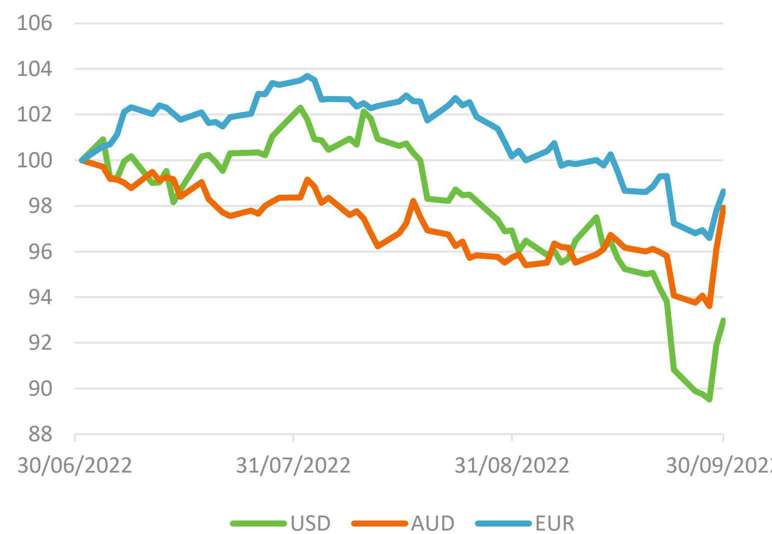
Performance Since Mandate Inception*

	Asset Return (inc. FX impact)	Currency Return (via Russell mandate)	Asset Return (ex. FX impact)	BM Return	Relative Return (ex. FX impact)
Stafford II	11.1	-3.1	8.0	8.7	-0.6
Stafford IV	22.8	-5.8	17.0	11.6	4.8
JPM	13.0	-4.0	9.0	8.8	0.1
Churchill II	11.1	-7.2	3.9	4.6	-0.7
Churchill IV	23.6	-18.4	5.2	3.7	1.4
CBRE	14.4	-4.1	10.4	8.8	1.4
Permira IV	3.5	-3.7	-0.2	4.5	-4.6
LCIV RIF	0.5	-5.6	-5.2	13.8	-16.7

Hedged Currency Exposure **



Sterling Performance vs. Foreign Currencies (Rebased to 100 at 30 June 2022)



Source: Northern Trust, Investment managers
** Since inception performance is since individual fund inception of inception of the currency hedging mandate, whichever is more recent. ** As at Q2 2022 (latest available).*

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- 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 September 2022.
- 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)	£25.0m	£26.3m	-	£27.8m	£23.7m	-
Net Capital Called During Quarter (Payments Less Returned Capital)	-	£5.5m	£1.4m	-	£3.8m	-
Net Capital Drawn To Date	£26.3m	£12.3m	£6.9m	£23.7m	£12.6m	£28.3m
Distributions/Returned Capital To Date (Includes Income and Other Gains)	£12.1m	£0.4m	-	£4.0m	£0.5m	£3.4m
NAV at Quarter End	£20.5m	£13.7m	£6.7m	£25.6m	£14.1m	£27.9m
Net IRR Since Inception *	9.9% p.a. (v. 8-9% target)	-	-	7.22%**	11.49%**	7.0%
Net Cash Yield Since Inception*	4.5% p.a. (v. 5% target)	-	-	-	-	-
Number of Holdings*	22 funds	10 funds	-	101 investments	94 investments	83 investments

*as at 30/06/2022 (latest available) **Refers to IRR of realised assets in the portfolio

Source: Investment Managers

Global investment-grade spreads ended the quarter slightly wider, while UK investment-grade credit spreads rose 0.4% p.a., to 2.4% p.a., as rising government bond yields saw pension schemes liquidate liquid assets to meet collateral calls on their interest-rate hedging programmes. US and European speculative grade credit spreads ended the quarter 0.4% p.a. and 0.2% p.a. below end June levels, at 5.4% p.a. and 6.3% p.a., respectively.

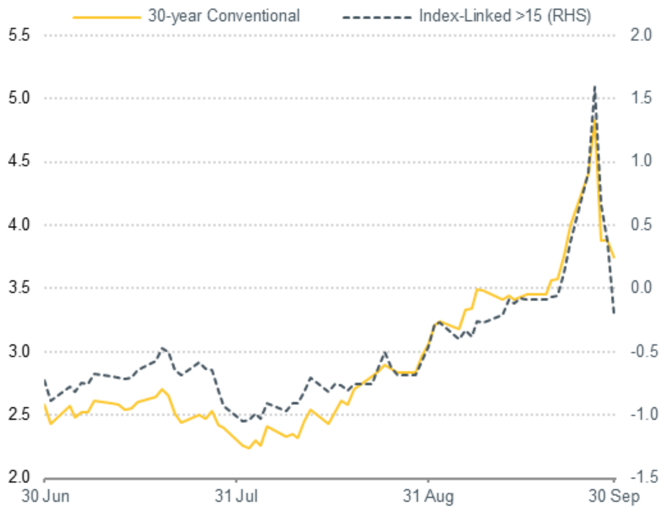
Despite a rally in July, global equities fell sharply in the second half of the quarter as high inflation, and subsequent higher interest rate expectations, weighed on both equity valuations and the fundamental outlook. The FTSE All World Index fell 4.8% (in local terms). Depreciation of sterling over the period resulted in a 1.4% return to unhedged UK investors. Performance was varied between cyclicals and defensives with telecoms, technology, and healthcare underperforming, while the energy and consumer discretionary sectors notably outperformed.

Regionally, Japanese and UK markets outperformed, both supported by currency weakness flattering the international earnings profile of their markets, and the UK also benefitting from an above-average exposure to the energy sector. Emerging and Asian markets once again underperformed.

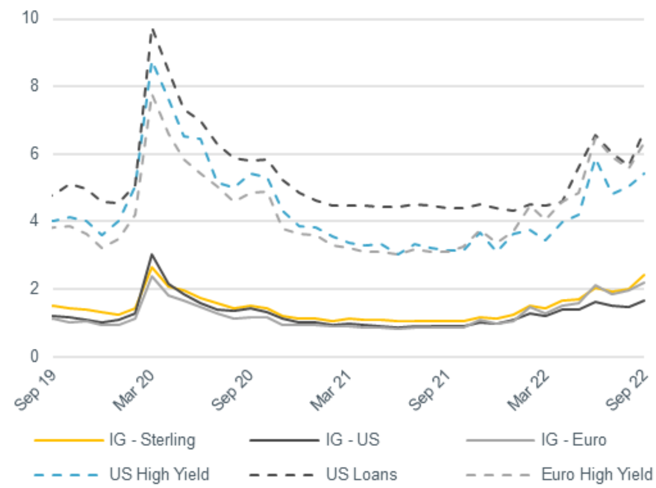
Global growth concerns were reflected in commodity markets, where energy and industrial metals prices led declines.

The MSCI UK Monthly Property Index has returned 13.5% in the 12 months to the end of September, although monthly returns entered negative territory in the third quarter. Capital value declines have been observed across the three main commercial sectors but have been more pronounced in the industrial sector.

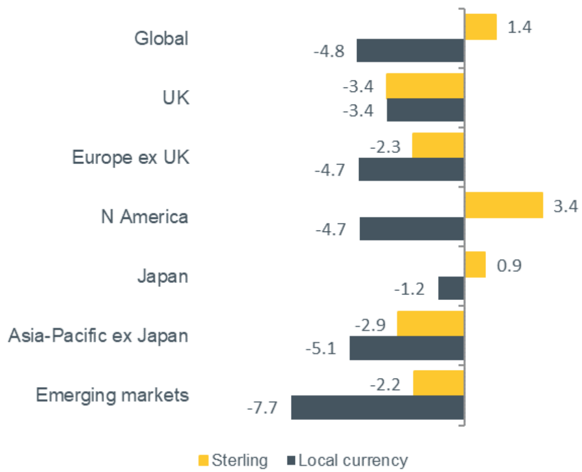
Gilt yields chart (% p.a.)



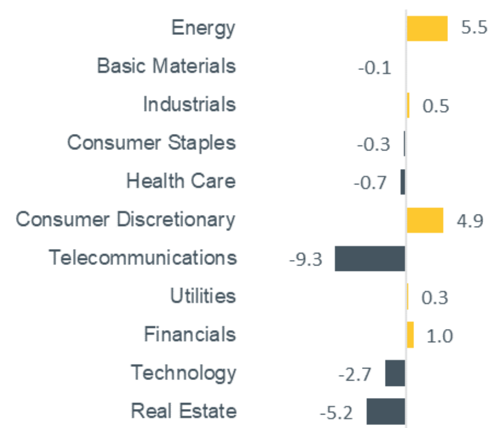
Investment and speculative grade credit spreads (% p.a.)



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.

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Higher current and forecast inflation, and subsequent expectations of tighter monetary policy, are weighing heavily on consumer and business sentiment, with growth forecasts continuing to see downwards revisions. Recessions are now forecasted in several key European economies and the US economy is also expected to slow substantially, increasing global recession risks.

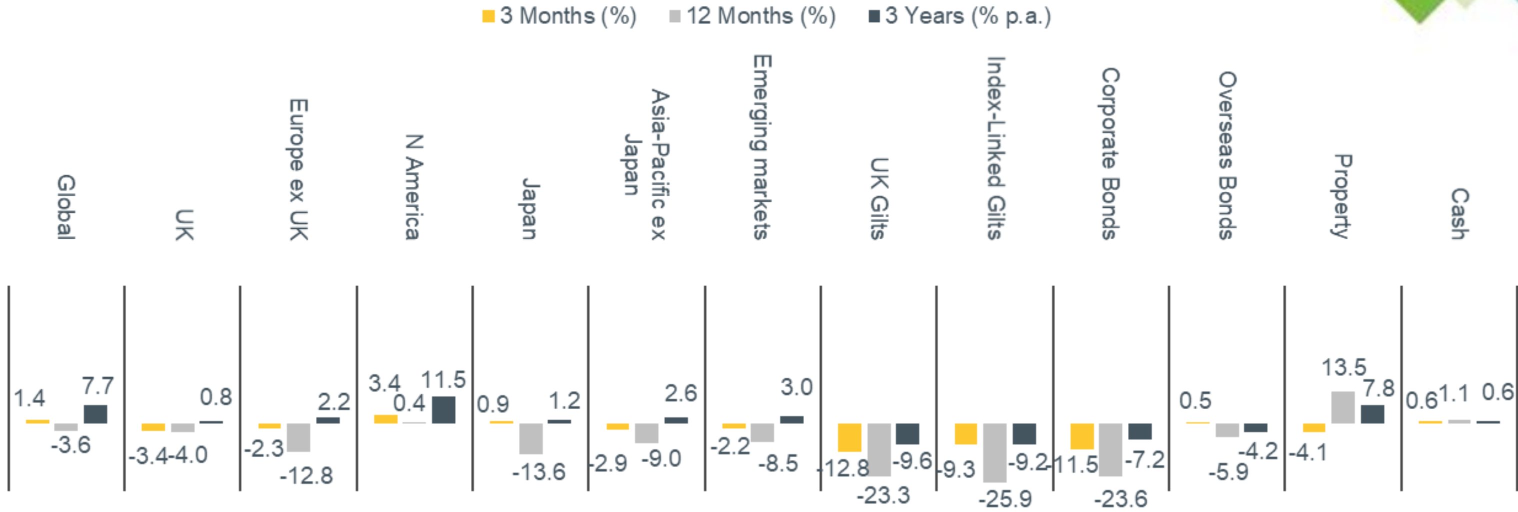
Year-on-year headline CPI inflation is running at 9.9%, 8.3%, and 9.1%, in the UK, eurozone, and US, respectively. Of more concern to central bankers, core inflation, which excludes food and energy prices, is also well above target, at 6.5%, 6.6%, and 4.8% in the UK, US, and eurozone, respectively.

Growing concerns about sustained high inflation were met with more aggressive messaging and action by central banks. The Fed raised interest rates by a cumulative 1.5% p.a. in Q3, while the Bank of England and the ECB raised rates by a total of 1% p.a. and 1.25% p.a., respectively.

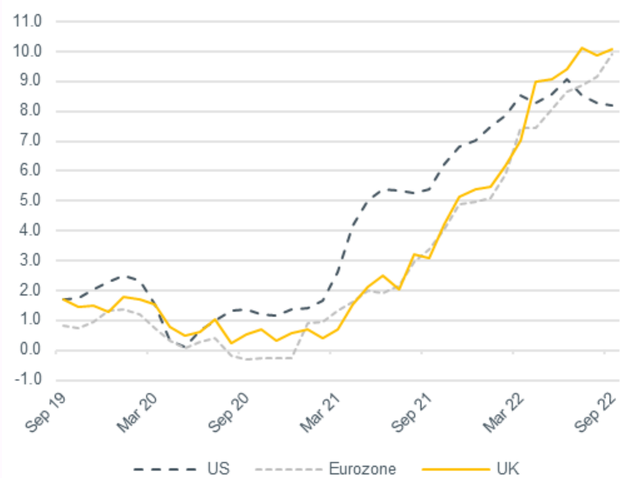
Against a global backdrop of high inflation and rising interest rate expectations, increases in UK government bond yields accelerated as the government unveiled a substantial unfunded fiscal package in late September. 10-year gilt yields ended the quarter at 4.1% p.a., 1.9% p.a. above end-June levels, while equivalent US and German yields both rose 0.8% p.a. over the same period, to 3.8% p.a. and 2.1% p.a., respectively.

UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, rose 0.4% p.a. to 4.0% p.a. Equivalent US implied inflation fell 0.2% p.a., to 2.2% p.a.

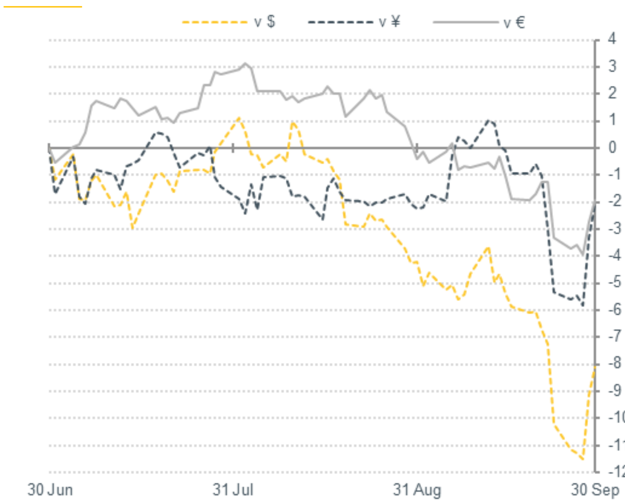
Historic returns for world markets [1]



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

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Capital Markets Outlook

Asset Class	Market Summary
Equities	• Equity valuations have continued to fall, with cyclically adjusted price-to-earnings ratios now modestly below long-term median levels. Earnings forecasts for 2022 and 2023 still point to reasonable real earnings growth, but average earnings momentum is poor, and the level of real earnings has started to fall. Although absolute valuations have improved, relative valuations look much less exciting as real yields move closer to long-term fair value.
Investment Grade Credit	• Investment-grade credit spreads have increased, rising well above long-term median levels. Coupled with higher risk-free rates, this makes all-in credit yields far more enticing. While global spreads may move wider in a recessionary environment, they are at reasonably attractive levels on a longer-term view. Corporate balance sheets are in reasonable shape relative to history but will likely come under pressure as the economic outlook deteriorates.
Emerging Market Debt	• High inflation, faster fed tightening, and dollar strength will continue to weigh on emerging market debt in the near-term. However, as global recession risks grow, 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	• Recessions risks surrounding several major global economies warrant a cautious outlook on speculative-grade corporates who will be particularly susceptible to a slowdown. Within speculative grade markets we currently hold a slight preference for high yield bonds over traded loans, particularly considering the susceptibility of loan fundamentals to potential interest rate rises.
Private Lending	• Defaults remain low but, as in the public speculative-grade markets, are expected to increase modestly, with risks to growth and earnings skewed to the downside (to the upside for defaults). Overall, we are more cautious on private loan markets versus high yield, as valuations remain relatively unattractive due to significant increases in margin spreads in the public market.
Core UK Property	• The UK commercial property market retains a degree of fundamental support – rising nominal rents, though lagging inflation, and a still-healthy occupational market. However, technical conditions in investment markets are deteriorating, with transaction volumes declining in the primary market and redemptions from property funds increasing dramatically. Against this backdrop, capital values have been falling since June, with the industrial sector most impacted.
Long Lease Property	• Many contractual long leases come with embedded inflation protection so rental growth should provide better protection against rises in inflation than the broader property market. On a relative basis the yield gap between core property and long lease has compressed as industrial yields across the broader market came down.
Conventional Gilts	• Valuations have improved materially but near-term fundamental challenges remain and technicals have deteriorated sharply, with gilt market volatility at unprecedented levels in the inflation-targeting era. Nominal yields look reasonably attractive relative to our assessment of longer-term fair value and, considering the path of forward nominal yields which fall sharply beyond 15 years, we retain a preference for the front-end of the curve.
Index-Linked Gilts	• A Even adjusting for the additional inflation protection (typically around 1.0% p.a. over the longer-term) afforded to index-linked gilts until RPI is aligned with CPIH in 2030, and high near-term inflation, long-dated implied inflation still looks a little expensive. The front end of the curve looks to offer better value.

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

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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.

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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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Havering
LONDON BOROUGH

PENSIONS COMMITTEE **13 December 2022**

Subject Heading:	**INVESTMENT CONSULTANCY SERVICES PERFORMANCE REVIEW – 1 October 2021 to September 2022**
CLT Lead:	**Dave McNamara**
Report Author and contact details:	***Debbie Ford*** ***Pension Fund Manager (Finance)*** ***01708432569*** ***Debbie.ford@onesource.co.uk***
Policy context:	LGPS (Management and Investment of Funds) Regulations 2016.
Financial summary:	Investment Consultant fees are met from 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

This report requests that Committee review performance of the Investment Consultant for the period 1 October 2021 to 30 September 2022 against strategic objectives previously set.

RECOMMENDATIONS

It is recommended that the Committee:

1. Note the views of officers on the performance of the Investment Consultant (Hymans) against the objectives and make any comment on the report which it considers appropriate **(Appendix A).**

REPORT DETAIL

1. Background

1.1 Regulation 9 (4) Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 state that the Fund must take proper advice in relation to the appointment and the terms on which the appointment [of an investment manager] is made.

1.2 The term Investment Consultancy Services is used to describe the provision of advice to the committee to support decisions on matters such as investment strategy, strategic asset allocation and manager selection. Hymans was appointed to provide Investment Consultancy services.

1.3 The Competition and Markets Authority (CMA) issued “The Investment Consultancy and Fiduciary Management Market Investigation Order 2019” (the ’Order’). Amongst other recommendations, it includes a requirement for trustees to set strategic objectives for their investment consultants (IC) (Part 7, Remedy 7). The Order took effect from the 10 December 2019.

1.4 The Committee has historically undertaken an annual assessment of the IC’s performance and at the Pensions Committee on 12 November 2019 agreed to adopt the CMA format and set objectives, measure(s) of success, expected outcomes and expected timescales for delivery.

1.5 It is anticipated that the obligation to set strategic objectives for Investment Consultants will be implemented as an amendment to the Investment Strategy Statement statutory guidance in due course.

1.6 Undertaking the service review ensures that this will meet the criteria set out under the CMA's "The Investment Consultancy and Fiduciary Management Market Investigation Order 2019" (the 'Order'). Part 7, Remedy 7)".

1.7 Monitoring the contract also meets post contract award procedures and ensures services are being delivered in accordance to the contract.

2 REVIEW OF THE INVESTMENT CONSULTANT SERVICE PERFORMANCE

2.1 Hymans was appointed to provide Investment Consultancy services using the "LGPS National Framework for Investment Management Consultancy Services" from the 1 April 2019. Contract duration is 5 years and expires on the 31 March 2024 with an option to extend by a further two years until 31 March 2026.

2.2 Hymans have provided investment advice to the Fund since April 2006.

2.3 The core services provided by Hymans includes: production of quarterly monitoring performance reports, attendance at least four Pension Committee meetings, provision of investment advice and performance monitoring of the Fund's investment managers.

2.4 Hymans performance has been reviewed against a set of objectives agreed by the Committee in November 2019, and the results of the review of performance over the year of review are set out in **Appendix A.**

2.5 The objectives have been set with reference to the services required as set out in the "LGPS National Framework for Investment Management Consultancy Services" and included within the contract for IC services provided to the Havering Pension Fund.

2.6 Officers met with Hymans on the 10 November 2022 where feedback from Committee members were discussed and areas of improvement were agreed. The outcome, any actions and service assessment are included within the Service review outcomes as attached at Appendix A.

2.7 Officers and members conclude that they are satisfied with Hymans service and have continued confidence in the advice being given. Hymans have provided advice through a period of unprecedented volatility in global markets caused by the pandemic and more recently the energy shocks and inflation surge caused by the war in Ukraine. Their advice though this challenging period has kept the fund on track in terms of its investment objectives.

IMPLICATIONS AND RISKS

Financial implications and risks:

Table 1 - Fees

	Apr 19 to Sep 19 £	Oct 19 to Sep 20 £	Oct 20 to Sep 21 £	Oct 21 to Sep 22 £	TOTAL TO DATE £
Net Cost	**33,440**	**78,030**	**78,049**	**64,707**	**254,226**

These costs have been charged in line with the hourly rate as set out in the contract.

Hymans were appointed using the **2017 Investment Consultancy Services Framework** and one of the advantages of this was the possibility to benefit from the cumulative rebate, based on the overall value of work awarded to a supplier under the Framework.

The Fund has received rebates, as follows:

Table 2 - Rebates

Rebate Year	£
2020/21	1,300.85
2021/22	2,829.73
Total	**4,130.58**

These rebates have been received and reflected in Table 1- fees above.

The costs of Hymans Services are met from the Pension Fund.

Legal implications and risks:

The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 referred to above can be enforced by the CMA against Pension Scheme Trustees. The CMA can give directions to anyone to take any necessary actions to comply with the Order, and has power to bring proceedings against a party who has not complied with it. It is also possible that a failure to comply with the Order might result in the Pensions Regulator considering that trustees do not have adequate internal controls in place.

In relation to the requirements to set objectives for providers of investment consultancy services, unless an exemption applies, the Trustees must not:

- enter a new contract, or
- continue to obtain investment consultancy services

unless the Trustees have set strategic objectives in relation to the services they are going to or are already receiving.

This prohibition is effective from 24 June 2019 and will apply to new and existing contracts for investment consultancy services.

The report at Appendix A sets out the strategic objectives and the consultants' performance against these objectives and there appear to be no further legal implications in considering this and making any appropriate comments as recommended.

Human Resources implications and risks:

There are no direct human resource implications and risk 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/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

Background Papers List

None

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OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
1. Demonstration of Value added			
Outcomes Expected:			
A. Help the Committee implement the Investment Strategy Statement (ISS)	Duration of the contract	Committee provided with advice allowing them to take effective decisions and implement strategic changes on a timely basis, including advice on the suitability of the Fund's strategic asset allocation and corresponding benchmarks, and risks associated with different approaches.	Since the latest review of the ISS in July 2020, Investment Consultant (IC) have been instrumental in progressing the periodic implementation of the strategy, with progress and recommendations for further implementation at meetings on the 1 October 2020, 16 March 2021, 20 July 2021 and 14 September 2021. We await the results of the results of the 2022 valuation before review of the ISS. Officers and the Committee welcome the progress made to date.
B. Increase the asset value of the scheme through tactical and asset allocation over the long term	Duration of the contract	Returns on the portfolio exceed the strategic benchmark over five-year rolling periods without excessive volatility. Returns on the Portfolio net of fees exceed the	Based on data from our performance measurers asset returns as at **September 2022** are as follows: **5 Year strategic return** Fund return: 4.88 Benchmark: -0.30 Relative Return 5.19 **3 year composite benchmark** Fund return: 4.01 Benchmark: 4.72 Relative Return -0.71

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
		composite manager benchmark over rolling three year periods	Returns - A measure of improvement can be demonstrated by looking at the Government Actuary Department (GAD) s13 report; Havering received an amber flag against the insolvency measure in the 2016 report, which was downgraded to white in the 2019 report. Over the longer term, returns are ahead of the long-term (absolute) return deemed sufficient to support an affordable and stable level of contributions.
C. Enable the Committee to implement scheme investments on a more competitive fee basis through negotiation on implementing and periodic benchmarking of fees	Duration of the contract	Where appropriate, the IC provide input on fee arrangements and proposes actions to reduce fees where possible	64% of the Funds' assets are held with the London Collective Investment Vehicle (LCIV) - competitive fee arrangements are one of the primary aims of investing via LCIV and therefore not considered a key role for the IC. No benchmarking of fees undertaken during the period for assets held outside the LCIV, however a cost transparency exercise was carried out during the year. This exercise compared actual management fees incurred against what was expected and also assessed the reasonableness of the other costs and expenses for each mandate. Conclusion being that level of costs are in line with expectations.
D. Help the Committee to implement an Investment Strategy, which	Duration of the contract	Committee feel adequately briefed on ESG and	IC prepared a report summarising the Fund's investment managers' compliance with the main

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
adds value through the integration of Environmental, Social and Governance (ESG) and stewardship considerations in investment manager appointments.		stewardship issues and understand its importance within the context of the prevailing strategy.	industry governance standards and their voting and engagement activities (where applicable) over the 12-month period to 30 June 2021 which was presented to the Committee on the 25 January 2022. This report is submitted annually to add value to the monitoring process as set out in the ISS. This report has helped the Committee to understand the managers voting and engagement activity.
		IC provides proactive advice on emerging trends in ESG issues	IC was instrumental in introducing ESG related investments as part of the implementation of the Investment strategy, in line with the Committee investment beliefs. As a result, the Committee now invests in: • London Collective Investment Vehicle (LCIV) Renewables Fund, • switch the existing LCIV Global Alpha Fund to the Paris Aligned version, • switch to a climate tilted Multi Factor passive equity fund – LGIM Future World Fund • LCIV Passive Equity Progressive Paris Aligned (PEPPA) Fund.

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
			The consequences of making the above equity changes have been to reduce the Weighted Average Carbon Intensity of the Fund's equity portfolio by c.16%. Key focus for 2022 is the development of the Fund's plan for addressing climate risk within the Fund's investment portfolio. IC is instrumental is driving this forward – presenting 2 reports at both the 26 July and 20 Sept 2022 meetings. These reports mainly identified data that was able to collected and flag where there are gaps. This will help inform the identification of metrics and subsequent target setting, to better understand the climate risks facing the Fund and also to fulfil our reporting requirement against the Task Force Climate Related Financial Disclosures (TCFD) framework. The Funds second TCFD report produced by IC was presented to the Committee on the 26 July 2022, meeting the Committees desire to publish before it becomes mandatory.
E. Manage cash flows needs in a more cost effective manner	Annually	Development and regular review of cashflow policy.	IC produced a Cash Flow Management Policy for the Pensions Committee on the 17 September 2019, which the Fund is using as a monitoring tool. This will be reviewed when monthly

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
		Proactive response and advice where changes in cashflow requirements are identified.	outgoings increase by more than 20%. No review required to date. Officers consult with the IC regularly on the management of funding capital call requests as part of cash flow management. Officers did consult on cashflow concerns as a result of increasing FX losses. IC gave prompt advice and actions implemented.
2. Delivery of specialist Services			
Outcomes Expected:			
A. Work with the Fund Actuary to undertake asset liability modelling as required	Triennially	IC regularly confirms the strategy to be on track and carries out a full review of the appropriateness of the strategy after each actuarial valuation, including consideration of the risks associated with different approaches.	There were no recommendations to adjust the funding approach following the release of the 2019 triennial valuation report. The next valuation will take place-using data as at 31 March 2022 but the ISS is kept under review and modified as required. Asset liability exercise being undertaken as part of the 2022 valuation and scheduled to be discussed in October 2022.
B. Work with the Fund Actuary on an ongoing basis in respect of the integrated management of fund assets and liabilities	Duration of the contract		The IC liaises with the Fund Actuary on an ongoing basis to ensure the management of the Fund's assets are in line with the funding approach set out in the results of the triennial valuations.

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
C. Help the Committee to develop and define their investment beliefs	Duration of the contract	IC provides input and challenge on investment beliefs as appropriate IC facilitates discussion on beliefs and interprets the consequences of investment beliefs for the Committee.	The IC was instrumental in the production of the Committee's investment beliefs, which incorporates beliefs on responsible investment matters and these were agreed on the 10 December 2019 and subsequently incorporated into the ISS when it was reviewed and agreed at the Pensions Committee on the 29 July 2020. Reference to investment beliefs is now included as part of any ongoing investment decisions. Officers and the Committee acknowledge the assistance provided in the development of a statement of Investment beliefs; and the Fund benefits from having the Head of Responsible Investment at the IC as one of the consultants supporting the Fund.
D. Help the Committee develop and maintain an appropriate framework to track progress against strategic and tactical benchmarks	Duration of the contract	IC provides input on the monitoring regime for the Committee from time to time. Officers/Committee can understand and articulate the Fund's progress towards its objectives from an investment perspective	IC maintains a reporting process where a review of Fund performance includes tracking progress against the Strategic benchmark and individual fund manager performance. They have taken an active role at Committee meetings and acted as its advocate in challenging the fund managers on their performance/strategy and continue to have ongoing dialogue with Fund managers to keep up to date with developments. Reports are produced quarterly and meet the reporting requirements as set out in the contract.

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
			These reports are informative and help the committee understand whether the investment strategy is on track and fund manager objectives are being met.
3. Proactivity of Advice			
Outcomes Expected:			
A. Advise the Committee on new investment opportunities or emerging risks	Duration of the contract	IC proactively identifies potential investment opportunities or risks and communicates these too Officers/Committee for discussion	New investment opportunities are explored on an ad hoc basis and the IC has regular contact with LCIV to keep up to date with new products being offered and assess the suitability against the Funds Investment Strategy. Also participates in responding to questionaries' issued by LCIV when they are determining product demand IC provided feedback to officers and LCIV as part of the development of their PEPPA fund, resulting in the Fund making an initial allocation to this mandate.
B. Advise on any changes in the investment governance arrangements to enable the committee to best access emerging opportunities	Duration of the contract	IC proactively identifies potential improvements to the prevailing governance arrangements and communicates these too Officers/Committee for discussion	As appropriate the IC advise the Fund of the issuance of government consultations and legislation changes that impact on governance arrangements. Officers are appreciative of input from the IC
C. Deliver training to enable the Committee:	Duration of the contract	Committee has sufficient understanding of any new investment class and	Training and Development for members is incorporated as part of the committee meetings when reports are being presented.

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
• to be supported maintaining high standards of investment governance and compliance. • engage with new investment opportunities, emerging risks or opportunities to transfer risk		associated risks in which it is suggested they might invest	Specific training delivered: **24 November 2021** – Climate Risk Workshop • Why Climate change matters for pension funds • Introduction to TCFD • Current position • What LCIV has done • Overview of metrics & targets **19 July 2022 –** Induction training for new committee members • Outline of what is the investment strategy • Investment regulations/regulators • Risks to consider • Different asset classes • Implementation of the Investment strategy • LGPS Investment Pooling • ESG & Responsible Investment
4. Support with scheme management and compliance			
Outcomes Expected:			
A. On a quarterly basis , undertake investment manager performance monitoring and review for presentation to the Committee	Quarterly	IC delivers advice on a timely basis in accordance with the expectations of Officers	Each quarter IC produces a comprehensive monitoring report, which covers market analysis and the performance of the investment managers.

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
		IC consults with Officers on the development of agenda items for future meetings	They have attended each Committee meeting as required to discuss their report and have provided advice and guidance at these meetings. Timeliness of reports has improved enabling officers more time to review content.
B. Produce briefing papers and periodic investment advice in advance of committee meetings in a timely basis	Duration of the contract		IC produced the following papers/briefings: • Climate Risk Planning • Monthly market briefings Timeliness on receipt of reports has improved enabling officers more time to review content and provide feedback
C. Support the Fund in obtaining data required to report investment fees in line with the Code of Transparency.	Duration of the contract		Officers have been dealing directly with Fund Managers with regard to disclosing fee information in line with Code of Transparency to complete the 2021/22 exercise. Officers will work with the IC in developing the analysis of data going forward. A cost transparency exercise was carried out during the year. This exercise compared actual management fees incurred against what was expected and also assessed the reasonableness of the other costs and expenses for each mandate.
D. Review and update as appropriate the schemes Investment Strategy Statement	Duration of the contract		ISS was reviewed and agreed by the Pensions Committee at its meeting on the 29 July 2020.

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
			A lot of progress has been made implementing the strategy bringing asset allocations more in line with targets. ISS will be reviewed in conjunction with the 2022 valuation.
E. Ensure compliance of the schemes investment arrangements with developments in regulation and all legislation	Duration of the contract		As appropriate the IC advise the Fund of the issuance of government consultations and legislation changes that impact on governance arrangements, in particular over the last year preparation for TCFD reporting and climate Risk planning .
5. Relationship and service standards			
Outcomes Expected:			
A. Maintain fees in line with tender submission	Quarterly	Invoiced fees are in line with agreed budgets	IC fees are maintained in line with the tender submission and the IC provides detailed information against invoices to enable monitoring of costs against tender specification.
B. Agree fee budget with officers /Committee for any significant piece of work over £2,000 where the work and associated fees are not explicitly stated in the existing contract.	Duration of the contract	IC provides an annual business plan and budget proposal for agreement with Officers IC provides fee quotes for significant work items	Officers will continue to work with the IC to ensure that fee budgets are agreed prior to commencing significant piece of work. Hymans now send regular updates of work in progress and upcoming projects and associated fees.

INVESTMENT CONSULTANT OBJECTIVES APPENDIX A

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
C. Clear understanding of the Scheme's goals and objectives	Duration of the contract	Officers are satisfied with the knowledge and understanding of the IC with regard to the Fund's requirements	IC has a clear understanding of the goals and objectives through their input into the development of the ISS, cash flow requirements and ongoing monitoring
D. Appropriate quality and quantity of resourcing to meet the needs and requirements of the scheme	Duration of the contract	IC are able to support the needs of Officers and Committee at all times. IC seeks feedback on views of Officers/Committee.	The support arrangements in place are satisfactory
E. Maintain strong positive working relationship with the Committee members and officers	Duration of the contract	IC undertakes an annual business planning /review meeting	The communication and the relationship with the investment consultant are very good. Reports are well structured but members would like information made clearer and in plainer terms. Advice to be more concise and better communicated bearing in mind the audience is a new committee. Review meeting held on the 10 November 2022 where feedback from members and officers were discussed along with suggested areas of improvement
F. Work collaboratively with other advisors and provide effective support to the Committee when engaging with other stakeholders	Duration of the contract	Positive feedback on working relationship from other advisors and stakeholders	The IC has close working relationships to the Fund's actuary, which helps the understanding of the implications of different strategies on the Fund. The IC has been liaising with the Funds Actuary to ascertain if there are any strategic

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT
			changes/risks that the Fund need to prepare for in the 2022 valuation exercise.
G. Appropriate management and mitigation of any conflicts of interest	Duration of the contract	IC promptly notifies Officers and any conflicts arising and proposed appropriate mitigations	No conflict of interest has arisen during the year. We are confident that advice or comments provided to the Fund are independent, as they do not receive revenue from managers relating to our investments. The IC does not provide advice to LCIV.
6. Support with additional matters arising			
Outcomes Expected:			
A. Provide advice and assistance to the Committee on any other issues arising	Duration of the contract	IC demonstrates support for the Committee as needed	IC has also provided advice on the suitability of investments on offer via the London CIV covering suitableness to the investment strategy and the likelihood of engagement in their offered products. It is important that the Committee and officers receive expert advice on investment issues and how they affect the Local Government Pension Scheme. Officers to ensure that Hymans are sent a copy of Fund Manager presentations in order that they can provide tailored advice for the committee meetings.

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Havering
LONDON BOROUGH

PENSIONS COMMITTEE 13 December 2022

Subject Heading:	**CLIMATE RISK MANAGEMENT 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:	Set out in Appendix A as exempt

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 and further actions required in developing the Fund's Plan for embedding climate risk management within the Fund's investment portfolio.

Appendix A is (in part) not available for public inspection as it contains or relates to exempt information within the meaning of paragraphs 1 and 3 of Schedule 12A to the Local Government Act 1972 by virtue of which the public are likely to be excluded.

It is in the exempt part of the agenda because it includes financial information relating to the financial or affairs of the Fund's Investment Advisor (Hymans) and commercially sensitive.

RECOMMENDATIONS

That the Committee:

Consider the Hymans Report at Appendix A which sets out indicative plans/actions and timescales and agree what, if any, of the proposals should be progressed at this stage in developing the Fund's plans for embedding climate risk management into the Fund**.**

REPORT DETAIL

1. Hymans will discuss the key actions required over 2023 to embed climate risk management into the fund.

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 risk management action plan.

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

f. At the Pension Committee meeting on the 26 July 2022, 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. At the Pension Committee meeting on the 20 September 2022, the Committee was presented with a baseline assessment of several carbon metrics which identified gaps in data and set out those asset types where data is harder to collect and measure. Assessing the Fund's current position against a series of standard metrics will address ongoing reporting requirements.

h. The Committee requested that the development plan includes a full timeline of actions and costings and this is attached as **Appendix A** for consideration.

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 have agreed a climate risk management plan is a necessary part of its fiduciary duty.

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.

The Department of Levelling Up, Housing and Communities (DLUHC) is consulting on the implementation of Task Force on Climate related Financial Disclosures (TCFD) for Local Government Pension Schemes, which ends on the 24 November 2022. Guidance is expected to be published in the early part of 2023 with reporting requirements expected to start on 1 April 2023 and the first Climate risk annual report due December 2024

There will be a cost to the Pension Fund for the work carried out by Hymans to develop the Climate Risk plan, this is set out in Appendix A to this report. Officers have received a full cost breakdown of the planned activities and these will be monitored closely. The plan provides a full picture of the activities Hymans propose in developing a climate risk management plan that meets the needs of members. Climate risk management is evolving and once DLUHC guidance is published, new information becomes available and when members' views become clear through this process then it is possible that the component activities in Hymans plan may need change. Where that happens, members will be informed on the impact this will have on the overall Hymans cost estimate.

This plan will determine the form of ongoing climate risk monitoring of the investment portfolio that can be implemented for the Fund which will result in additional ongoing costs for the Fund. There are a number of potential suppliers of the data such as the LCIV, the Custodian and Hymans and officers will carefully evaluate those options nearer the time. These costs however need to be balanced with the benefits that embedding risk management into the Fund's investment portfolio will provide, not least in terms of minimising the risk of holding stranded assets but also helping to refocus the investment strategy towards exploiting the opportunities that transitioning to a low carbon economy provides.

The Committee's current approach to addressing climate risk will mean that the TCFD requirements will largely be met but can be tested against the final requirements once these are published.

Legal implications and risks:

The Authority does have a broad discretion under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946), after taking proper advice, to formulate an investment strategy which must include the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;

Therefore, the climate risk issues are relevant matters for the Committee to consider. However, there no other apparent implications 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

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London Borough of Havering Pension Fund

Embedding climate risk management into the Fund

November 2022

- Simon Jones, Partner
- Mark Tighe, Associate Investment Consultant

Executive Summary: Key actions over 2023 to embed climate risk management into the Fund

By 31 March 2023

- Completed the climate metrics baseline assessment
- Undertaken an education session on climate metrics
- Drafted a climate risk management policy

By 30 June 2023

- Agreed a net-zero target date and agreed the key climate metrics to be assessed
- Completed a gap analysis against the finalised LGPS TCFD requirements
- Finalised a climate risk management policy

By 30 September 2023

- Agree targets for individual metrics that will be set and developed actions to achieve the targets
- Completed the TCFD report for year to 31 March 2023
- Understood what strategy changes can be considered quickly to achieve the targets

By 31 December 2023

- Completed climate related engagement with at least two managers (LCIV + non-equity manager)
- Documented actions and expected outcomes for both managers
- Consider the form of ongoing monitoring that can be implemented for the Fund during 2024

The proposed overall budget for work over 2023 is [redacted]. Committee is asked to discuss and agree the proposed actions for 2023.

Introduction

- This paper is addressed to the Pensions Committee (“the Committee”) of the London Borough of Havering Pension Fund (“the Fund”). The purpose of this paper is to summarise the next steps with regard to developing the Fund’s Climate Plan, building on the actions already taken by the Fund to address climate risk.
- This paper should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation without our prior written consent. We accept no liability where this note 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 note may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.
- Committee has previously set a belief stating 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.”
- Over the last two years, the Fund has addressed climate risk in a number of manners:
    - Changes have been made to several equity portfolios to incorporate climate factors
    - A commitment has been made to invest in renewable energy infrastructure
    - Dialogue with asset managers has incorporated climate factors
    - An initial baseline assessment of several carbon metrics has commenced
    - Climate scenario analysis has been incorporated within the actuarial valuation exercise
    - The Fund has prepared TCFD reporting over the last two years
- As the Committee both looks to develop and implement a climate risk commitment for the Fund, and becomes subject to TCFD, so it is appropriate to ensure that all related considerations are embedded in activity

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The IIGCC net-zero framework defines a series of actions that asset owners can undertake to demonstrate compliance

Governance and strategy

- ❑ Commit to goal of net zero emissions by 2050 or sooner
- ❑ Define beliefs and set strategy/objectives for managers & others
- ❑ Undertake risk assessment in line with TCFD
- ❑ Publish clear action plan and disclose information in relation to net zero goal

Targets & Objectives

- ❑ Set medium term emissions reduction (<10 years)
- ❑ Set medium term climate solutions targets (<10 years) and define measurement basis
- ❑ Set asset class targets for % AUM in material sectors achieving or aligned to net zero
- ❑ Set engagement goal for % financed emissions in material sectors subject to stewardship

Implementation

- ❑ Use appropriate portfolio construction approaches to build climate aligned strategy
- ❑ Clear climate aligned engagement/voting plan with escalation
- ❑ Use of selective divestment based on climate related financial risks

Strategic Asset Allocation

- ❑ Update capital markets assumptions based on scenario analysis
- ❑ Use broader range of climate metrics to set objectives and strategy
- ❑ Set asset class mix with climate variants
- ❑ Review constraints to increasing alignment

Advocacy & Engagement

- ❑ Advocate for net zero policy, regulation, disclosure and shareholder rights
- ❑ Engagement with asset managers
- ❑ Engagement with other market actors

DLUHC is currently consulting on the implementation of TCFD for LGPS funds

- Proposals are expected to be effective from April 2023 with initial reporting due by end 2024
- Recommended approach largely follows the private sector framework although there are several key differences for the LGPS
  - Proposals establish the broad framework for TCFD although the detailed requirements will be embedded in statutory guidance which is yet to be published
  - Requirements will require monitoring of at least four metrics including absolute emissions, emissions intensity, data quality and a binary Paris Alignment metric
  - Reporting will be required annually with proposals for a Scheme wide report prepared by the SAB
- Committee's current approach to addressing climate risk will mean that the TCFD requirements will largely be met, but can test against final requirements once these are published in 2023
- Climate plan will need to ensure that all the requirements of TCFD are fully embedded in the Fund's processes

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Building on the previous outline plan and the actions taken to date, we can consider key deliverables over 2023/24

Build knowledge and understanding

November 2021 climate risk workshop and June 2022 Committee discussion

Baseline position for change

Started at September 2022 Committee meeting

Create focus areas and frame objectives / targets

Build and implement a plan

Areas of focus for 2023

Monitor, evolve and report

2024 onwards

Key deliverables for 2023 include:

- Clearly articulated climate policy setting out baseline position, broad ambition and objectives for change. Policy should also frame approach to risk management and consideration of climate related opportunities
- Defined suite of metrics that will be periodically measured including a baseline measurement against which change will be assessed. Should also define rationale for the selection of metrics, expectations for improvement in the metrics and the actions that will be taken to achieve this
- Initial form of reporting covering how metrics will be calculated and reported to Committee and what actions will be taken
- Programme for more detailed, granular consideration of portfolios and the actions that can be taken

Areas of focus over 2023 will directly address some of the elements of the net zero framework and begin to consider others

Governance and strategy	✓ Commit to goal of net zero emissions by 2050 or sooner ✓ Define beliefs and set strategy/objectives for managers & others ✓ Undertake risk assessment in line with TCFD ✓ Publish clear action plan and disclose information in relation to net zero goal
Targets & Objectives	✓ Set medium term emissions reduction (<10 years) ? Set medium term climate solutions targets (<10 years) and define measurement basis ? Set asset class targets for % AUM in material sectors achieving or aligned to net zero ? Set engagement goal for % financed emissions in material sectors subject to stewardship
Implementation	? Use appropriate portfolio construction approaches to build climate aligned strategy ? Clear climate aligned engagement/voting plan with escalation × Use of selective divestment based on climate related financial risks
Strategic Asset Allocation	× Update capital markets assumptions based on scenario analysis × Use broader range of climate metrics to set objectives and strategy × Set asset class mix with climate variants × Review constraints to increasing alignment
Advocacy & Engagement	× Advocate for net zero policy, regulation, disclosure and shareholder rights ✓ Engagement with asset managers × Engagement with other market actors

H1 2023: Focus on defining vision, framing overall ambition and developing policy

Areas of activity

- Initial work to establish net-zero goals and objectives. Net-zero target to be used to inform discussion at subsequent stages of the climate plan
- Education on climate metrics, what they mean and why they matter in the implementation of a climate informed strategy. Consideration of the actions that can be taken to pursue a target linked to each climate metric
- Finalisation of the initial baseline assessment to give a benchmark against which progress can be measured
- Understand implications for the Fund of the change required to achieve net-zero target, including potential areas of cost and potential benefits that may arise
- Developing goals and objectives so we frame our overall ambition, consider what this means for the Fund in terms of the changes that are needed in relation to our starting point which we are now being bale to tie down a bit and plot something of a trajectory towards the goal.
- Consider the different actions that the Committee could consider and the metrics against which progress will be monitored, with particular reference to TCFD requirements

Key deliverables

- Completed climate baseline assessment (by Q1, 2023)
- Education session on climate metrics (Q1, 2023)
- Agreed net-zero target date and agreement on key climate metrics to be assessed (Q2, 2023)
- Gap analysis against LGPS TCFD requirements (completed following publication of guidance)
- Finalised climate risk management policy (draft in Q1, 2023 for finalisation in Q2, 2023

Expected budget

- [redacted]

H2 2023: Focus on developing and implementing climate action plan

Areas of activity

- Agree short, medium and long-term actions that will be taken to work towards overall ambition. Prioritise ‘quick wins’ with a focus on actions which will lead to tangible improvements in climate objectives
- Focus on stewardship and agree how Committee will engage with and hold asset managers accountable on climate, primarily focusing on LCIV. Agree climate KPIs for managers
- Undertake deep dive into at least one equity (LCIV) and one non-equity mandate to consider more granular goals on material sector exposures and engagement priorities. This will assist in framing ancillary climate targets
- Consider other areas of risk management activity that need to be addressed to ensure TCFD requirements are met
- Agree future reporting framework and agree approach for future collection of climate metrics
- Agree climate objectives and evaluation criteria for other service providers

Key deliverables

- Agree targets that will be set and actions to achieve the target (Q3, 2023)
- Plan for short term changes in strategy that can be explored in more detailed over period to end 2024, aligning this with broader strategy review
- Completed engagement with at least two managers and have documented actions and expected outcomes for both (Q4, 2023)
- Complete TCFD report for year to 31 March 2023 (Q3, 2023)

Expected budget

- [redacted]

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2024: Focus on implementing the climate policy and monitoring and reporting progress

Areas of activity

- Continued implementation of changes to strategy
- Further deep dive evaluations of other managers to broaden understanding and build out activity and ensure KPIs in place for all managers
- Reporting to include agreed climate metrics to enable the Fund to monitor progress towards its net zero target - highlighting worst performing mandates to aid meaningful engagement with investment managers. ‘Deep dive’ review of key mandates carried out to further aid engagement process
- Annual assessment of climate metrics against baseline and evaluation of providers against KPIs
- Publication of first TCFD report under LGPS regulations
- Reassessment of initial progress against climate policy commitments

Summary of key deliverables for 2023

	Q1	Q2	Q3	Q4
Completed climate baseline assessment	Y			
Education session on climate metrics	Y			
Agreed net-zero target date and agreement on key climate metrics		Y		
TCFD gap analysis		Y		
Finalised climate risk management policy	Y	Y		
Agree targets that will be set and actions to achieve the target			Y	
Identify potential short term “quick wins”				Y
Deep dive with LCIV and agree expectations for manager			Y	
Deep dive with non-equity manager and agree expectations for manager				Y
Complete TCFD reporting for year to 31/3/23			Y	

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Appendix: Climate Baseline

Baseline Metrics - Update

Mandate	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	4%**	3.0°c	4%	Yes
LGIM Emerging Markets	380	6%**	3.4°c	7%	Yes
LGIM Future World	146	2%**	2.7°c	5%	Yes
LCIV BG GAPA	107	0%	Available at separate cost.	Available at separate cost.	Yes*
LCIV PEPPA	120	1%	Available at separate cost.	Available at separate cost.	Yes*
Multi-Asset					
LCIV Ruffer	266	15%	Available at separate cost.	Available at separate cost.	Yes*
LCIV BG DGF	441	14%	Available at separate cost.	Available at separate cost.	Yes*
Real Assets					
UBS	41	0%	Expected Q1 2023.	Date not yet confirmed.	Yes
CBRE	Date not yet confirmed	0%	Date not yet confirmed	Date not yet confirmed	Yes
JP Morgan	51**	22%	Date not yet confirmed.	31%**	Yes
Stafford II	93**	21%	Date not yet confirmed.	35%	Yes
Stafford IV	19**	12%	Date not yet confirmed.	32%	Yes
LCIV Renewable Infrastructure	Available at separate cost.	Available at separate cost.	Available at separate cost.	Available at separate cost.	Yes*
Bonds					
RLAM MAC	127	2%	3.6°c	6%	Yes
RLAM Corporate Bonds	145	14%	2.7°c	20%	Yes
Churchill II	Expected 2023	0%	Date not yet confirmed.	Date not yet confirmed	No
Churchill V	Expected 2023	0%	Date not yet confirmed.	Date not yet confirmed	No
Permira	9	0%	Date not yet confirmed.	Date not yet confirmed.	No

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

*** Previously not available in ‘Climate Risk Plan – Baseline’ paper produced in August 2022, now available following update from investment manager.*

Baseline Metrics

Weighted Average Carbon Intensity (“WACI”)
A measure of a portfolio’s exposure to carbon-intense companies. This is expressed in terms of tons of CO_2 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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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, investments 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 overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

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Havering
LONDON BOROUGH

PENSIONS COMMITTEE 13 December 2022

Subject Heading:	**PENSION FUND RISK REGISTER - UPDATED**
CLT Lead:	**Dave McNamara**
Report Author and contact details:	***Lilian Thomas*** ***Pension Fund Accountant*** ***01708 431057*** Lillian.thomas@havering.gov.uk
Policy context:	***Pension Fund Governance***
Financial summary:	***No direct financial implications***

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 updates the committee with the latest version of the Havering Pension Fund ("the Fund") Risk Register **(Appendix A),** which details the potential risks the Fund is exposed to, that the Pensions Committee should be aware of, and the controls in place to manage those risks.

RECOMMENDATIONS

The Pensions Committee is recommended to:

Approve the updated Pension Fund Risk Register September 2022 **(Appendix A).**

REPORT DETAIL

1. Background

1.1 Risk management is a key responsibility of those charged with Pension Fund Governance and the need for effective risk management is reflected throughout guidance and regulation in the Local Government Pension Scheme (LGPS), in the *Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 Regulation 7 (2) (c), Statutory guidance under Regulation 58 of the LGPS Regulations 2013,* The Pensions Regulator's (tPR) Code of Practice 14 (which includes a section on internal controls and managing risks) and in the CIPFA publication *Delivering Good Governance in Local Government Pension Funds (2016) and later version Managing Risk in the Local Government Pension Scheme (2018 Edition).*

1.2 Risk is also identified and managed within the following statutory documents:

- Governance Compliance Statement,
- The Funding Strategy Statement
- The Investment Strategy Statement
- Statement of Accounts and Pension Fund Annual Report
- Valuation results
- Taskforce on Climate-related Financial Disclosures (TCFD) (mandatory from 2024).

1.3 Other controls in place to manage risks is supported by our external service providers to the Fund such as our actuaries, advisors, auditors, custodian and system administrators, alongside our regulatory bodies as they have procedures in place to identify and managing risk.

1.4 The LGPS previous legislation *(Management and Investment of Funds) Regulations 2016* Regulation 7 states that administrating authorities must prepare and publish a statement which states the extent to which an administrating authority complies or does not comply with guidance issued by the Secretary of State. Where it does not comply it must state reasons for non-compliance. (This is known as the Myner's principles). Whilst it is no longer mandatory to comply with the Myner's principles the Committee continues to adhere to the best guidance principles to demonstrate good practice.

1.5 Myner's principle number three states that the Annual Report of the Fund should include an overall risk assessment in relation to each of the Fund's activities and factors expected to have an impact on the financial and reputational health of the Fund. This could be done by summarising the contents of a regularly updated risk register. An analysis of the risks should be reported periodically to the Committee, together with necessary actions to mitigate risk and assessment of any residual risk.

1.6 The effective management of risk is also an area which is covered within the CIPFA Knowledge and Skills framework recognising the importance that those charged with governance have an understanding of the risks that could impact on the Fund and steps taken to mitigate such risks.

2. Pension Fund Risk Register

2.1 In line with the LGPS Regulations and good practice the Fund has been maintaining a Pension Fund Risk Register since 2015, which was last reported to the Committee on the 09 November 2021.

2.2 The risk register complies with CIPFA 'Managing Risk in the LGPS" published in December 2018.

2.3 The risk register identifies the key risks that the Fund may face and the measures that can and have been put in place to mitigate those risks. Seven key risks have been identified and recorded in the risk register and summarised below are:

1. Inaccurate three yearly actuarial valuations - insufficient funding to meet liabilities
2. Incorrect/Inappropriate Investment Strategy - failure to meet strategic objectives by not reducing pension deficit
3. Failure of investments to perform in-line with growth expectations – potential loss of money
4. Failure to comply with legislative requirements – potential litigation/ reputational risk
5. Inability to manage the Pension Fund and associated services – negative impacts upon service provision
6. Failure to effectively enrol new employers/members – cash flow impacts and possible litigation
7. Pension Fund Payment Fraud – potential financial loss

2.4 It should be recognised that it may not be possible to eliminate all risks but accepting and actively managing risk is crucial to fulfilling the governance of the Fund.

2.5 The Risk Register is a 'live' document and therefore all risks are reviewed continually to ensure that they remain relevant and that the controls are in place to manage risks where feasible. With this in mind it was agreed that from April 2019 the Risk Register will be a standing item on the Local Pensions Board (LPB) agenda and for the LPB to consider and agree to make recommendations for changes.

2.6 The last update to the register was reported to the Pensions Committee on 9 November 2021. The following changes made since are as follows:

- Where applicable, updated any actions/recommendations to demonstrate progress.

- Risk No. 4.2 - Key Person dependency - Updated the Likelihood/Impact score from C2 (Likely and impact serious) to B1 (Very Likely and impact major to reflect the increase risk following early retirement of a key person in the oneSource Finance Pensions & Treasury team and the age profile of the current team.

- At the LPB Meeting of 6 September 2022 members recommended an update to the Risk Register to add:

  a) Risk No 6 - Risk of Failure to comply with Legislative requirements. No. 6.4 - Government white paper on academies, which sets out that it wants all Local Education Authority (LEA) schools to convert to academy status within the next 8 years**. (See Appendix A)**

2.7 The matrix within the register show that risk can be classified as having two measurements that need to be assessed to determine the scale of the risk i.e.

- **Likelihood** – the possibility that a risk will occur
- **Impact** – the consequences if the risk were to occur

2.8 The Fund uses a matrix to plot risk likelihood and impact. As seen on the attached register the 'green' shaded area on the matrix show the risks where there is adequate control. Risks in the 'amber' and 'red' zones are those over which closer control is required.

2.9 Officers have assessed that the Fund has adequate controls in place and are comfortable with the risks and the scores recorded in the risk register.

2.10 The benefits of successful risk management are in improved financial performance, better delivery of services, improved Fund governance and compliance.

IMPLICATIONS AND RISKS

Financial Implications and risks:

There are no immediate direct financial consequences arising as a result of this report. However, understanding the risks that are present in the Fund and how they are managed is essential to the overall strategic management of the Fund and the governance role of this Committee. Being able to assess the likely financial and reputational impact and whether a risk can be categorised as high, medium or low will impact on the decision making process of this Committee.

There are clearly some risks which would be difficult to manage, such as the impact that increased longevity will have on the liabilities of the Fund, but the understanding of such risks could well impact on other aspects of the decision making process to lower risks elsewhere. Not all risks are quantifiable from a financial perspective, but could impact on the reputation of the Fund and these also need to be taken into account.

Legal implications and risks:

There are no apparent legal implications in noting the Report although as stated above the inherent risks contained within the Risk Register, would have significant legal implications were they to occur.

Human Resources implications and risks:

None arising directly

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

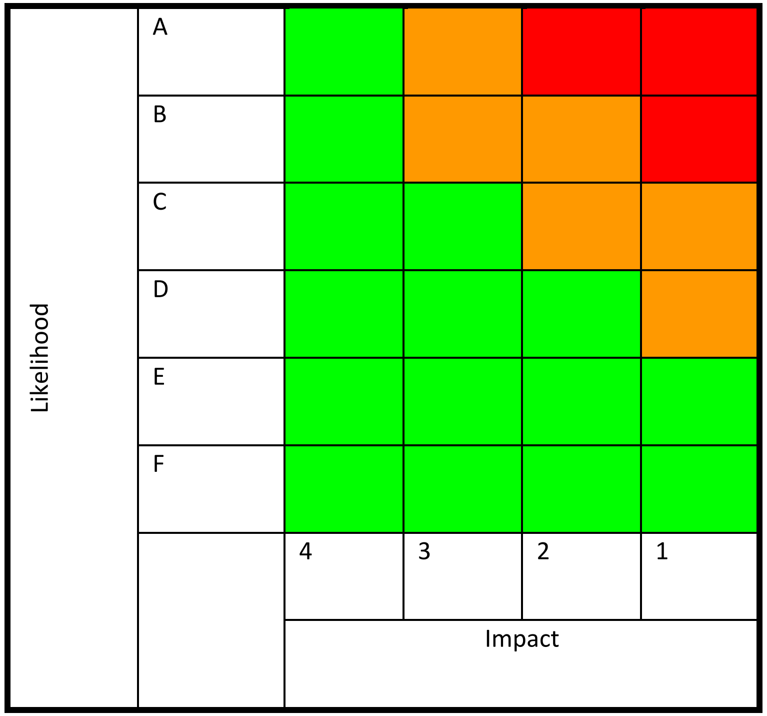
Havering Pension Fund

Risk Register

September 2022

Generic Pension Fund Risk Register

The pension fund uses a 4 x 6 matrix to plot risk likelihood and impact and has set its risk appetite. The Risk Likelihood/Impact score shows in the column “Risk Likelihood/Impact Prior to controls” and the column “Risk Likelihood/Impact Post Controls”. The green shaded area on the matrix shows the risks where there is good control and the Council is comfortable with the risk. Risks in the amber and red zones are those over which closer control is needed.



Risk Likelihood
F = Very Unlikely
E = Unlikely
D = Possible
C = Likely
B = Very likely
A = Certainty

Risk Impact
4 = Negligible
3 = Moderate
2 = Serious
1 = Major

Havering Pension Fund Risk Register **Appendix A**

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
	RISK TITLE **No 1. Risk of Inaccurate three yearly actuarial valuation**							
	Upper Level: S151 Officer/Director of Exchequer and Transactional Services							
1.1	Lower Levels: PFM	Inappropriate assumptions used by actuary in calculations for valuation.	Inappropriate investment risk may be adopted and deficit not reduced.	B/2	Assumptions for valuation are in compliance with regulation.	E/3		Risk and Controls Reviewed September 22. Valuation process is on going. Valuation training in place for pensions Committee members by Hymans in December 22.
					Actuarial assumptions are open to challenge by officers, members during training and as part of the Funding Strategy Statement consultation with stakeholders			
					Valuation results are checked for consistency across LGPS funds via GAD S13 report.			
					Local Government benchmarking/comparisons of assumptions. Asset/Liability review following Valuation and consideration by members			
			Potential for Council Tax increases to plug funding gap.		Valuation completed by a qualified professional actuary.			Risk and Controls Reviewed September 22. Current contract extended to 2025
					Robust, open procurement process in place for appointment of actuary.			
					Annual review of actuary performance undertaken by Pensions Committee.		Service Review submitted to	

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
							Pensions Committee 08 November 2022.	
1.2	PFM/CMO	Poor quality data provided /personal data not maintained (gaps/incorrect)	Poor quality or Incomplete data could result in an Increase to employer contributions/ inappropriate contribution percentages calculated.	B/2	Data cleansing/Controls in place to ensure accuracy and completeness of data.	E/3		Risk and Controls Reviewed September 22.
					Annual Data Improvement plan implemented with agreement from LPPA and regular checking of the Pensions Regulator data scores to identify areas to be fed into the plan			
					Pensions Administration Strategy implemented with effect from 01/10/21 to clarify employer responsibilities regarding data accuracy and timeliness			
	RISK TITLE **No 2. Risk of Incorrect / Inappropriate Investment Strategy**							
	Upper Level:S151 Officer							
2.1	Lower Levels: PFM	Lack of or poor professional investment advice given or not taken	Potential for financial loss.	C/2	Investment Advisor appointed to advise the Fund and is instrumental in setting Investment Strategy. Investmnt Advisor is FCA regulated so is required to evidence they meet the required standards	D/3		Risk and controls reviewed September 22. No changes required to current controls.
			Loss of investment opportunities and adverse performance.					

Havering Pension Fund Risk Register **Appendix A**

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
			Growth opportunities are not maximised.					
2.2	PFM	Poor governance of Investment Advisor	Potential for financial loss.	C/2	Robust, open procurement process in place for appointment of Investment Advisor.	E/3	.	Risk and controls reviewed September 22. No changes required to current controls.
					Investment Advisor performance is annually reviewed by the Pensions Committee and conforms to Competetive Markets Order.			
					Option to appoint an Independent advisor to undertake a health check and add robustness to the investment strategy as required.			
2.3	PFM	Lack of understanding and awareness (Pension Committee)	More investment risk may be taken to bridge a gap that does not actually exist and could generate inefficiencies and unintended risks if not fully understood.	C/2	Investment strategy /risks continually assessed as part of the quarterly monitoring process by the Pensions Committee.	D/2		Risk and controls reviewed September 22. Signed up to Hymans onlone learning platform (LOLA) from August 2022. Completion of modules to be monitored
					Investment Advisor attends each quarterly Pension Committee meeting.			
					Knowledge and skills training of LPB and Committee Members/Inductions		Pensions Committee & LPB - Training /	

Havering Pension Fund Risk Register **Appendix A**

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
					carried out for new LPB and Pension Fund Committee member.		Awareness ongoing - working towards full compliance with CIPFA. Knowledge and Skills framework.	
2.4	PFM	Concentration risk by asset, region and sector/Lack of clear risk appetite.	Potential for a more risk averse Investment Strategy when more risk is required or more investment risk may be taken to bridge a gap that does not actually exist.	C/2	Investment Strategy Statement (ISS) /risks continually assessed as part of the quarterly monitoring process by the Pensions Committee. Diverse portfolio to reduce concentration. Members are informed of risk vs return consequences on any proposal to change the ISS	E/3		Risk and controls reviewed September 22. No changes required to current controls.
2.5	PFM	Based upon inaccurate actuarial valuation.	Pension deficit not reduced and potential for Council Tax increases.	C/2	Liabilities analysed during inter-valuation period in addition to every three years.	E/3		Risk and controls reviewed September 22. No changes required to current controls.
					Close working relationship is encouraged between actuaries and investment advisor in the development of the investment strategy. Made easier as both services undertaken by the same firm.			

Havering Pension Fund Risk Register **Appendix A**

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
	RISK TITLE **No 3. Risk of Failure of Investments to Perform In-Line with Growth Expectations**							
	Upper Level: S151 Officer							
3.1	Lower Levels: PFM	Poor Fund Manager selection.	Potential for losses to be incurred.	C/2	Fund Manager selection now undertaken by LCIV. LCIV is FCA regulated Product reviews and due diligence undertaken by Investment Advisor before the Fund invests. Robust, Fund Manager selection process in place (Non LCIV where required)	E/3		Risk and controls reviewed September 22. No changes required to current controls.
			Reputational risk from poor investments.					
3.2	PFM	Underperformance by Fund Manager	Deficit reduction targets not met/Increased employer contributions.	C/2	Fund Managers and LCIV attend Pension Committee to present quarterly performance reports and challenge by the Committee and Fund Investment Advisor.	D/3		Risk and controls reviewed September 22. No changes required to current controls. None of the funds invested in LCIV are classified as either 'on

Havering Pension Fund Risk Register   Appendix A

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
								watch' or 'enhanced' monitoring, all on 'normal' monitoring.
3.3	PFM	Poor investment advice provided to the Fund or not taken.	Deficit reduction targets not met.	C/2	Investment Advisor performance is annually reviewed by the Pensions Committee and close working relationship maintained with officers.	D/3	Service Review submitted to Pensions Committee 13 December 2022	Risk and controls reviewed September 22. No changes required to current controls.
3.4	PFM	Negative financial market impacts/external factors/increased market volatility (i.e. Recession, COVID 19 Pandemic, inflation)	Economy downturn could result in general fall in investment values.	B/1	Diverse portfolio to reduce effects from market volatility.	D/3		Risk and controls reviewed September 22. No changes required to current controls.
					Close monitoring of Markets by the Fund's investment Advisor in particular during COVID19 pandemic			
					Investment Advisor produces monthly market updates.			
3.5	PFM	Delays in the implementation of the strategy will reduce the effectiveness of the strategy and may impact growth.	The Fund's assets are not sufficient to meet its long term liabilities.	C/2	Investment advisor/Pensions Committee and officers review fund performance and asset class targets quarterly.	D/3		Risk and controls reviewed September 22. No changes required to current controls.

Havering Pension Fund Risk Register **Appendix A**

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
3.6	PFM	Delays in compliance with capital calls/FX Hedges on new illiquid mandates could result in penalty payments.	Penalty payments are charged to the Fund.	D/3	Robust processes in place to ensure capital calls/FX cash settlements are funded in a timely manner.	D/4		Risk and controls reviewed September 22. No changes required to current controls.No penalty charges or missed capital calls to date
3.7	PFM	Underperformance of LCIV Fund manager. Failure to achieve Asset Under Management (AUM)Target.	The Fund's assets are not sufficient to meet its long term liabilities.	C/1	Monitoring meetings are held with Officers from Havering and LCIV client relations team regularly.	D/3		Risk and controls reviewed September 22. No changes required to current controls.
					LCIV arrange regular meet the manager sessions that is open to Officers and Committee members.			
					LCIV run monthly business meetings to ensure the Fund is up to date with LCIV events. Summaries are reported back to the Pensions Committee quarterly.			
					LCIV attend Pension Committee, as part of the reporting cycle, to report on sub fund manager performance and LCIV updates. Open to challenge by the Committee and Fund Advisor.			
			Failure to meet AUM target may		Development charges and ad valorum fees are reported at the LCIV General			

Havering Pension Fund Risk Register **Appendix A**

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
			impact LCIV sefvice delivery Annual charges may not decrease in line with MTFS expectations.		Shareholder meetings - attended and challenged by shareholder reps i.e. Councillors from each borough, SLT..			
3.8	PFM	Fund Managers – noncompliance to the Code of Transparency.	Failure to disclose full management fees in the Pension Fund Annual Report and accounts and being overcharged.	C/3	Fund Managers complete the Code of Transparency compliance template annually. Officers have access to the Byhiras client portal to check submission of templates.	D/3	All fund managers now submit data so further analysis can be undertaken	Risk and controls reviewed September 22. No changes required to current controls.
3.9	PFM	Climate Risk /ESG Considerations.	Failure to consider the extent of climate change could impact negatively on financial outcomes e.g. stranded assets, carbon taxes etc. Could also result in the Fund missing out on investment opportunities	C/2	The Committee have developed a set of Investment beliefs that recognises that climate change and the expected transition to a low carbon economy represents a long –term financial risk to Fund outcomes. Investment beliefs incorporated as part of the ongoing implementation of investment strategy and some funds have switched to less carbon intensity products.	D/2	Climate Risk Plan is currently being developed. Two reports considered at the 26 July and 20 Sept 22 Pensions Committee meeting	As part of the ogoing development of the Climate Risk plan, the Committee will be considering actions including: • Identifing gaps in data • measurement against matrix • Broaden data collation for

Havering Pension Fund Risk Register **Appendix A**

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
			associated with Climate change.		The Pensions Regulator has set up a working party to consider guidance for pension schemes. The SAB is also expected to incorporate climate change considerations into its guidance for LGPS funds during 2020. climate scenario stress testing is now included in the contribution modelling exercise for the local authority as at the 2022 valuation.		Consultation "LGPS Governance & Reporting of Climate change Risk" now issued – deadline to respond 24 Nov 2022. Officers will monitor progress of regulations and guidance	reporting against relvent matrix. • Escalating engagement with investee companies on climate-related topics. • Further training
3.10	PFM	Risk that MATS Consolidate existing Pension Fund memberships funded within various Local Authorities into a Pension Fund outside Havering.	If a request to transfer out from the Fund is granted by DLUHC, this could set a precedent for the sector and the potential wider impact on other employers who may also seek to transfer out. There will be	C/2	The Fund has responded to the consultation issued by DLUHC opposing the transfer on the grounds of the wider risks faced by the Fund. If the Transfer request is granted the Fund will ensure data is correct and work with the actuary to ensure that the settlement of the transfer is valued correctly for exit.	C/2	To monitor DLUHC actions re Transfer request from Oasis Community Learning. To ensure contact with the Actuary regarding transfers and exit valuations.	DLUHC continuing to consider the Oasis application but do not expect there to be a final decision before Autumn 2022.

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
			an impact on cash flow and Investment Strategy as it is estimated that c10% of the Fund's assets and liabilities would transfer out if all existing MATS followed precedent					
	RISK TITLE **No 4. Risk of Failure to comply with Legislative requirements**							
	Upper Level for All Risks S151 Officer/Director of Exchequer and Transactional Services							
4.1	Lower Levels: PFM/CMO	Lack of appropriate skills/knowledge of tPR, DLUHC and CIPFA Guidance, Financial Regulations and accounting standards. Unaware of legislative changes/Poor/inac	Potential for breach of legislation resulting in incurring financial penalties from the tPR/legal challenges/ Reputational Damage.	C/1	Local Pension Board in place to oversee adherence to the Regulations and guidance.	E/3		Risk and controls reviewed September 22. No changes required to current controls
					Statutory policy documents reviewed annually to ensure compliance with legislation.			
					Officers are members of the CIPFA Pensions Network and participate in the CIPFA Pensions Network/Peer forums to share knowledge & awareness.			

Havering Pension Fund Risk Register

Appendix A

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
		curate interpretation of the regulations.			Active participation in Legislative Consultations where appropriate. Legislative changes are reported to the Pensions Committee where required.			
					Induction carried out for new Pension Fund Committee and Local Pension Board members.			
					External and in house training provided where required. Continual personal development for all Committee/LPB members and Officers.		Personal development for all Committee/LPB members and officers is on-going	
							Training matrix in place however cannot be fully applied until all CIPFA K&S questionnaires are completed by Local Pension Board and Pensions Committee members.	Signed up to Hymans onlone learning platform (LOLA) from August 2022. Completion of modules to be monitored
					Access to specialist pension media sources.			

Havering Pension Fund Risk Register **Appendix A**

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
					Financial requirements are subject to external and internal audit with no qualifications.			Risk and controls reviewed September 22. No changes required to current controls
4.2	PFM/CMO	Key person dependency	Loss of corporate knowledge expertise in both administration and finance management.	B/1	Experienced personnel in place at present.	D/2	One Source is undergoing a Review exercise. Succession planning scheduled	OneSource review ongoing
4.3	PFM/CMO	Failure/inability to administer the pension scheme in accordance with regulations.	Non-compliance could result in an adverse external audit report.	C/2	Local Pension Board in place to oversee adherence to the Regulations and guidance.	E/3		Risk and controls reviewed September 22. No changes required to current controls
					tPR undertook a review of the Fund’s day-to-day practices and operations in 2019 with no overall concerns and officers have since implemented recommendations arising from their review.			Continued monitoring against tPR recomendations
					Experienced personnel in place.			Risk and controls reviewed September 22.
					Attendance at seminars/training to ensure up to date regulatory requirements.			

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
					Financial statements are subject to external and internal audit with no qualifications.			No changes required to current controls
	RISK TITLE **No 5. Risk of inability to Manage/Govern the Pension Fund and Associated Services.**							
	Upper Level for all Risks: S151 Officer/Director of Exchequer and Transactional Services.							
5.1	Lower levels: PFM /CMO	Staffing issues: Loss of corporate knowledge/expertise. Long-term sickness absence. Increase in staff turnover. Lack of resource (Staffing/financial). No knowledge base to store experiences/information.	Negative impacts upon service provision. Potential for Time delays and . Increased costs due to “buying in” external expertise.	B/1	The London Borough of Havering delegated the pension administration service to Lancashire County Council who have engaged the Local Pensions Partnership Administration (LPPA) to undertake their pension portfolio.	D/2		Risk and controls reviewed September 22. No changes required to current controls
					LPPA have case type dedicated teams to ensure expertise is maintained			
					Continuous pension training for LPB, Pensions Committee members and staff.			Signed up to Hymans onlone learning platform (LOLA) from August 2022. Completion of modules to be monitored
					Participates in the CIPFA Pensions Network/ Peer forums to share knowledge & awareness.			Risk and controls reviewed September 22.

Havering Pension Fund Risk Register **Appendix A**

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
					Onesource has introduced a knowledge sharing platform (the Finance Academy)			No changes required to current controls
					Guidance from external agencies (some will be at a cost).			
					Members of Local Authority Pensions Web.			
5.2	PFM	LCIV resourcing – LCIV staff turnover.	Undermines investor confidence in the LCIV.	C/2	Continued monitoring of LCIV in place.	D/3		Risk and controls reviewed September 22. No changes required to current controls.
5.3	PFM/CMO	ICT failure/Disaster Recovery.	Loss of infrastructure. Failure of all ICT services.	B/1	ICT/ Disaster Recovery in place. Constant security upgrades to computer systems at both Havering, Pensions & Treasury and LPPA.	D/3		Risk and controls reviewed September 22. No changes required to current controls
					Implementation of COVID-19 working restrictions has maintained service continuity.			
					Use protected portals to send personal information.			
					Internal Firewalls recommended.			
					GDPR good practice is undertaken.			
5.4	PFM/CMO	Cyber Security Risk.	Ransomware risk.	B/1	Internal Audit for oneSource Cyber Security carried out in Oct 2018.	D/3		Risk and controls reviewed September 22.
					LPPA hold a current Cyber Essentials Certificate, issued 13/07/2021. They			

Havering Pension Fund Risk Register **Appendix A**

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
					also undertake regular penetration testing with a CREST accredited company with any vulnerabilities being remediated			No changes required to current controls
5.5	PFM/CMO	Functionality of Oracle Cloud causes pension fund system issues.	Pension Fund Accounts system malfunction.	C/2	Oracle team aware of Pension fund system requirements.	D/2	Monitoring ongoing with regard to system reconciliations and balance sheet requirements.	On going meetings with Reconciliations Manager
					Systems tested at each stage of implementation. Pension Finance Staff undertook testing of General Ledger Revenue codes.			
5.6	CMO	Poor Pension fund administration by the outsourced service LPPA.	Service Delivery failure leading to client/customer complaints and Reputational damage.	B/1	Formal agreement in place with administrator, including SLA's.	E/3		Risk and controls reviewed September 22. No changes required to current controls
					CMO in post to monitor the administration work of LPPA.			
					Service is subject to external auditor report of pension's admin processes. LPPA supply an annual internal assurance report where the control objectives link in to the Pensions Regulator Code of Practice 14.			
5.7	CMO	Poor administration by the employers/payroll providers in the fund.	Service delivery failure leading to client/customer complaints and Reputational damage.	C/2	Local Pension Board is in place to assist the administering authority in effective and efficient governance of the Havering Pension Fund.	E/3		Risk and controls reviewed September 22. No changes required to current controls
					Pensions Administration Strategy in place to clarify the responsibilities of			

Havering Pension Fund Risk Register Appendix A

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
					scheme employers and provide timescales for the submission of data.			
					LPPA have a programme of employer training and a dedicated employer engagement team to provide support.			
					CMO maintains regular contact with scheme employers to provide support			
			Inaccurate data provided give rise to inaccurate data and financial reputational consequences such as actuary to set contribution rates with a high margin of error.		CMO in post to monitor the administration work of LPPA.			
					Actuary undertake data checks/cleaning as part of triennial review process.			
					Data cleanse checks undertaken as part of the year end pensions administration process			
					Annual data improvement plan implemented with agreement from LPPA and regular checking of the Pensions Regulator data scores to identify areas to be fed into the plan			
			Pension costs and payments delayed or incorrect.		Monthly reconciliations to monitor cash flow carried out.			
					CMO monitors benefit payments from the Fund			
			Admission agreements not		Employer onboarding process in place Service handover completed when process of admitting bodies to the		Strengthen the process for onboarding new	New staff member appointed September 2022

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
			completed by the transfer date.		fund transferred from LPPA to in-house on 1 April 2021.		employers and Bond reviews	
					Bond or guarantee reviews in place and reviewed every three years as part of valuation process.			
5.8	PFM	Failure/inability to undertake the accounting of the pension scheme appropriately.	Qualified opinion on the accounts by external auditor.	C/2	Pension Fund accounts subject to external audit.	E/3	Eternal audit of accounts not been carried out for 2020/21 and 2021/22. Keep under review	Risk and controls reviewed September 22. No changes required to current controls.
					Experienced personnel in place.			
					Pension Fund uses the service of an external custodian to verify asset values and performance.			
					Fund Managers performance is monitored quarterly. Fund Managers present at Pension Fund Committee meetings.			
					Monitoring of internal control reports of fund managers to ensure operations administered correctly.			
					Attendance at accounting seminars/training to ensure adherence to guidance and regulations.			

Havering Pension Fund Risk Register **Appendix A**

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
5.9	PFM/CMO	Poor communications with stakeholders.	Disaffection and actions against the Council.	C/3	The Council has in place a complaints system to address complaints via the website that goes all the way up to the pension's ombudsman.	E/3		Risk and controls reviewed September 22. No changes required to current controls.
					The Pension Fund has a communications strategy that is updated annually and reviewed every 3 years. The strategy is reviewed by the local pensions board and approved by the pensions committee			
					LPPA has an LGPS dedicated website that contains all relevant information for scheme members and employers.			
					The Fund has a pensions dedicated page within the Havering Council website where fund specific information is published and the Fund publishes an Annual Report			
5.10	PFM/CMO	Excessive charges by suppliers.	Fund incurring unnecessary costs	C/2	Third Party Fee Invoices checked prior to payment.	E/4		Risk and controls reviewed September 22. No changes required to currect controls.
5.11	CMO	The Data migration from Altair to UPM (Universal Pensions Management) in	Member's records may not be accurate which would leave LPPA	B/1	LPPA have a dedicated project team and robust project plan in place that includes rigorous testing of data migration and calculations.	D/2	LPPA are providing regular updates to clients and employers as to	Havering data migrated to UPM in November 2022. Continued

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
		November 2022 is not complete and accurate.	unable to calculate the correct level of pension benefits		The project risk register has been presented to the local pensions board		the progress of the project.	monitoring in place to ensure accurate transfer
	RISK TITLE **No 6. Risk of failure to on board or exit employers/members effectively.**							
	Upper Level for all Risks:S151 Officer/Director of Exchequer and Transactional Services							
6.1	Lower Levels: PFM/CMO	Delays in internal processing of documentation/ admission agreements.	Contribution delays from the employers & members until onboarding has been completed impacts cash flow	C/2	Monthly contribution schedules maintained by the Havering Pensions Team.	E/3		Risk and controls reviewed September 22. No changes required to currect controls
					Reconciliations between General Ledger and contribution schedules undertaken monthly.			
					Reconciliations between General Ledger and Altair undertaken quarterly with any queries referred to LPPA/CMO for investigation.			
					Pensions Administration Strategy in place to clarify the responsibilities of scheme employers and provide timescales for the submission of contribution payments.			
			Late payments of pension benefits		CMO works closely with LPPA. Carries out spot checks to review LPPA work on a regular basis.			

Havering Pension Fund Risk Register **Appendix A**

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
					Pensions Administration Strategy in place to clarify the responsibilities of scheme employers and provide timescales for the submission of data			
			Adverse External Audit Opinion on internal controls.		Service handover completed when process of admitting bodies to the fund transferred from LPPA to in-house on 1 April 2021.			
					LPPA performance report presented to the Local Pension Board at every meeting.			
					Escalation to Heads of Service where required.			
6.2	PFM/CMO	Poor communications with stakeholders/ lack of understanding by employers with regard to their responsibilities.	Potential breach of regulations and member entitlement. Potential for litigation.	C/2	Script in place to deliver to new Academy employers, with feedback process in place.	E/3		Risk and controls reviewed September 22. No changes required to currect controls
					Admission policy and manual completed in November 2017			
					TUPE manual completed in November 2017.			
					Pensions Administration Strategy in place to clarify the responsibilities of scheme employers			
					CMO maintains contact with employers to provide dedicated point of contact.			
					Database maintained on all contact details for LGPS communications.			

Havering Pension Fund Risk Register **Appendix A**

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
			Employer's liabilities may fall back onto other employers and ultimately local taxpayers.		Actuarial assessment completed for all new admission requests to assess the level of financial risk.			
					Bonds and suitable guarantees put into place to protect the Fund in case of default.			
6.3	CMO	Member data incomplete or incorrect.	Incorrect member data causes processing delays.	B/2	LPPA raise queries with scheme employers.	E/3		Risk and controls reviewed September 22. No changes required to currect controls
					Member self-service – online tool for members to check and update personal data.			
					Annual data cleansing and checks are undertaken as part of the year end administration process			
					Data is reviewed as part of the triennial valuation exercise.			
					Reconciliations between General Ledger and UPM undertaken quarterly identifies member mismatches.			
6.4	PFM/CMO	Government white paper on academies, which sets out that it wants all LEA's to convert to academy status within the next 8 years.	There are 42 schools currently with the LEA that may need to convert, which could impact existing resources to onboard and administer.	D/3	To monitor development of Government plans	D/3	Havering to liaise with LPPA to have appropriate plans in place to review resources for implementation and ongoing monitoring.	Risk and controls reviewed September 22. No changes required to currect controls

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
			Cost implications for the Administration contract due to increased levels of employers and employees to manage.					
RISK TITLE **No 7. Risk of Pension Fund Payment Fraud**								
	Upper Level for all Risks: S151 Officer/Director of Exchequer and Transactional Services.							
7.1	Lower Levels: CMO	Pension overpayments arising because of non-notification in change of circumstances.	Financial loss. Reputational damage of Pension Administration and Council.	C/3	Participate in the National Fraud Initiative (bi-annually).	E/4		Risk and controls reviewed September 22. No changes required to currect controls
					Signed up for DWP database Tell us Once – DWP inform Havering of deaths relating to members of the Havering LGPS fund. Monitored on a daily basis			
					September 20 – Mortality Screening outsourced to an external supplier.Checks carried out monthly			
					Address checked for deferred pensions prior to payment.			

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood/ Impact prior to Controls	Controls/Mitigations	Risk Likelihood/ Impact post Controls	Actions/ Recommendations	Review of Actions taken to date and further actions identified
					Process is in place to investigate return of payment by banks.			
					Internal audit checks carried out.			
7.2	PFM/CMO	Internal staff fraud/ Staff acting outside of their levels of authorisation.	Potential for financial loss.	C/2	Segregation of duties.	E/3		Risk and controls reviewed September 22. No changes required to currect controls
					Pension Fund bank account reconciled to General Ledger monthly.			
					Internal audit checks carried out.			
					Internal disciplinary process in place.			
7.3	PFM/CMO	Conflict of interest.	Inappropriate decision making.	C/2	Register of interests declarations covered at each Local Pensions Board/Committee meetings.	E/3		Risk and controls reviewed September 22. No changes required to currect controls

Havering Pension Fund Risk Register **Appendix A**

CMO	Contract Monitoring Officer - Caroline Guyon
CIPFA	Chartered Institute of Public Finance and Accountancy
DLUHC	Department for Levelling UP,Housing & Communities
DWP	Department for Work and Pensions
ESG	Environmental,Social and Governance
FCA	Financial Conduct Authority
GAD	Government Actuary's Department
ICT	Information and Communications Technology
LCIV	London Collective Investment Vehicle
LGPS	Local Government Pension Scheme
LPB	Local Pension Board
LPPA	Local Pensions Partnership Administration
PFM	Pension Fund Manager – Finance – Debbie Ford
SAB	Scheme Advisory Board
SLA	Service Level Agreement
SLT	Society of London Treasurers
TCFD	Task Force on Climate-related Financial Disclosures
tPR	The Pensions Regulator

Havering
LONDON BOROUGH

PENSIONS COMMITTEE

Subject Heading:	Local Pensions Board Annual Report – Year ending 31 March 2022
SLT Lead:	Dave McNamara
Report Author and contact details:	Caroline Guyon Pensions Projects and Contracts Manager caroline.guyon@havering.gov.uk 01708 4323185
Policy context:	The report has been produced in line with guidance issued by the Scheme Advisory Board
Financial summary:	The report notes the budget set for the period April 2019 to March 2023 as agreed by the S151 Officer

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 presents the Local Pension Board Annual Report 2021/22 which includes the work covered by the Board during the year and the future work plan.

RECOMMENDATIONS

1. The Committee to note the 2021/22 Local Pension Board Annual Report

2. The Committee to agree the Local Pension Board Annual Report will be published electronically.

REPORT DETAIL

1. The Local Pension Board Annual Report 2021/22 has been produced in line with the guidance issued by the Scheme Advisory Board.

2. It is considered good practice to present the annual report to the Pensions Committee to evidence the work the Board has undertaken during the year and to present the future work plan.

3. The annual budget for the running of the Local Pensions Board is £27,900, which includes a training budget of £10,000 shared with the Pensions Committee. The actual spend during 2021/22 was £3,390.

IMPLICATIONS AND RISKS

Financial implications and risks:
There are no financial implications regarding this report

Legal implications and risks:
As this report is for information only there are no direct legal implications

Human Resources implications and risks:
The recommendations made in this report do not give rise to any identifiable HR risks or implications that would directly, or indirectly, affect either the Council or its workforce.

Equalities implications and risks:
There are no direct equality implications regarding this matter.
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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LONDON BOROUGH OF HAVERING
LOCAL PENSION BOARD

ANNUAL REPORT
2021/22

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Opening remarks.

This is my second Annual Report of the Local Pension Board for the Havering Local Government Pension Scheme (LGPS). This report covers the period from 1 April 2021 to 31 March 2022, to align with the Fund's Annual Report.

Scheme Members should be assured that the LGPS is a defined benefit pension arrangement that will pay a retirement income based on your salary and the number of years you have worked for the employer, rather than the amount of money you have contributed, a comforting reminder during these times of turmoil. The Fund invests the contributions it receives into long term investments, and though the market fluctuations of this year have affected investment performance, this does not affect Members pensions.

Last year the Board was worried that the pandemic could present an opportunity for scammers to pray on those in vulnerable situations, however we are pleased that there have been no such cases to report. Transfers out and refund requests have remained stable, and we continue to encourage all Scheme Members to carefully consider their situation when transferring their pension to another scheme as not to put them at financial risk.

Ultimately the focus of the Board has been to ensure that the Fund's governance complies with Public Service Pensions Act, the LGPS Advisory Board, the Chartered Institute of Public Finance and Accounting and The Pensions Regulator, which we have continued to achieve. Importantly, the opinion of the Board is that we do not have any concerns about the LGPS or its Administration. I would like to place on record the Board's appreciation for the support and transparent advice of officers and personally, my thanks go to the members of the board that continue to give their time freely and who play a valuable role in supporting the oversight and scrutiny of the Fund. This Annual Report is just a short precis of our work during the year and I hope it reflects the variety of issues we have considered during another busy year and that you enjoy reading it.

Andrew Frater
Chair of the Local Pensions Board

Introduction

1. Local Pension Boards are constituted entirely under the Public Service Pensions Act 2013 and are not local authority committees.

2. The role of each Board is to help ensure each scheme complies with governance and administration requirements. They may have additional duties, if scheme or other regulations so specify.

3. Pension Boards need to have an equal number of employer and member representatives. They may also have other members, such as independent experts. All Pension Board members have a duty to act in accordance with scheme regulations and other governing documents.

4. Scheme regulations (or scheme-specific guidance) may provide further detail on the scope of the Pension Board and how it should operate, for example how many Pension Board members need to attend a meeting to be quorate and how often it should meet.

5. This Annual Report has been established to ensure Pensions Committee are aware of work undertaken during the year and the future work plans.

Role of the Local Pension Board

1. The role of the Local Pension Board, as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to: -
    - Assist the London Borough of Havering Administering Authority as Scheme Manager:-
    - To secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
    - To secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
    - In such other matters as the LGPS regulations may specify;
    - Secure the effective and efficient governance and administration of the LGPS for the London Borough of Havering Pension Fund;
    - Provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.
2. The Pension Board will ensure it effectively and efficiently complies with the code of practice of the governance and administration of public service pension schemes issued by the Pension Regulator;
3. The Pension Board will also help ensure that the London Borough of Havering pension Fund is managed and administered effectively and complies with the code of practice

on governance and administration of public service pensions schemes issued by the Pension Regulator;

4. The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively;
5. In support of its core functions the Board may make a request for information to the Pensions Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing;
6. In support of its core functions the Board may make recommendations to the Pensions Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Membership of the Board

The Board consists of 6 voting members, three representing employers and three representing scheme members.

Board members are appointed for a fixed term of 4 years, which can be extended for further periods subject to re-nomination.

Substitute members are not permitted.

Each Board member should endeavour to attend all Board meetings during the year and are required to attend at least 4 meetings each year, one of which must be the Annual Meeting.

In the event a Board member failed to attend three consecutive meetings, that individual would automatically be disqualified, unless failure was due to some reason approved by the Board before the date of the third consecutive meeting.

The Board membership as at March 2022 consisted of Denise Broom, Andrew Frater and Joanne Sladden, Employer representatives, and Mark Holder, Yasmin Ramjohn and Dionne Weekes, Scheme Member representatives.

Board Meetings

The Board met on five occasions up to the end of the financial year.

Meetings took place on 22 June 2021 (AGM), 3 August 2021, 28 September 2021, 8 February 2022 and 29 March 2022.

Matters discussed by the Board

The following matters have been discussed by the Board:

- Review of work plan
- Support for the Board
- Details of the Board's budget
- Pensions Committee meeting updates
- The Pensions Regulator compliance checklist
- Performance of the Pensions Administration Service
- The Risk Register
- Legislation Changes
- Data Improvement Plan
- Pensions Administration Policy
- Impact of Covid 19
- Change to the Pensions Administration Software
- Recruitment of an Independent Chair

There have been no conflicts of interest involving any of the work undertaken by the board or during any agenda items. Minutes of the meetings can be found on the Havering website.

Risk management

There are no specific risk management implications arising from this report.

Training

The Board members are committed to the legal requirement to acquire the appropriate knowledge and skills and to demonstrate and evidence these legal requirements. To do this the Committee and the Board jointly adopted the CIPFA Knowledge and Skills Framework (KSF) in 2015. The Administering Authority maintains a register of the training and development that has been undertaken. The extract of training undertaken during 2021/22 can be found in Appendix 1.

To summarise:

- Members have completed a variety of externally provided courses and seminars and online learning.
- All members have undertaken a training needs analysis.
- Further training events will be organised once the training requirements of the pension committee have been assessed.

Financial Position

Local Government Pension Scheme Governance Regulations 2015 section 106(9) states that the expenses of a Local Pension Board (LPB) are to be regarded as part of the costs of administration of the fund held by the administering authority.

Guidance issued in January 2015 suggested that it is appropriate for the LPB to be given adequate resources to fulfil its task.

Terms of reference adopted by Governance Committee on the 11 March 2015 and then the Council meeting on the 25 March 2015 also states that the LPB is to be provided with adequate resources to fulfil its role.

The estimated budget agreed by the Administering Authority's Statutory Section 151 officer and costs incurred for 2021/22 are shown in the following table:

Description	**2019/20 Estimate £**	**2019/20 Actual £**	**2020/21 Estimate £**	**2020/21 Actual £**	**2021/22 Estimate £**	**2021/22 Actual**	**2022/23 Estimate £**
Members Allowance & Travelling	3,000	946	3,000	391	3,000	2,665	3,000
Support Services – Internal Recharge	1,000	640	1,000	360	1,000	725	1,000
Printing, Stationary & Office Expenses	3,400	0	3,400	0	3,400	0	3,400
Communication & Computing	500	0	500	0	500	0	500
Professional Advice	10,000	0	10,000	0	10,000	0	10,000
*****Training & Development	10,000	295	10,000	**325	10,000	0	10,000
Total	**27,900**	**1,881**	**27,900**	**1,075**	**27,900**	**3,390**	**27,900**

*****Training costs of £10,000 is to be shared with the Pensions Committee to keep officer time and training costs to a minimum. The amounts shown above represent the LPB share of the costs.
******Includes charge for February 2020 training, invoiced in 2020/21

Budgets have been set to cover a four year period from 2019/20 to 2022/23 to reflect the period of term that the LPB appointees will serve. 2021/2022 is the seventh operational year of the LPB.

The LPB is accountable to the Administering Authority and prior approval was sought from the Section 151 officer to amend budgets. It was agreed by the board that the 4 year budget be reduced by £7,000 from £34,900 to £27,900 as a reduction in support service recharges had resulted in low costs year on year.

The cost for the LPB is met from the Havering Pension Fund and approved by the Administering Authority's Statutory Section 151 Officer.

The Future

A new 18/24 month work plan for 2022/23 has been agreed.

The list below are the areas being considered:

1. To ensure that the Pensions Regulator and Scheme Advisory Board compliance checklist has been completed and is reviewed regularly.
2. To ensure that a process is in place to make any items that have been identified as being non-compliant or partially compliant from the Pension Regulator and Scheme Advisory Board compliance checklist are made fully compliant within agreed and acceptable timescales. Any items that cannot be made fully compliant are added to the risk register with a clear explanation as to the reasons why. The risk register is to be reviewed by Board as a standing item on each agenda.
3. To request that the scheme manager provide evidence that the Administering Authority is meeting the pension regulators requirements in any areas that we require further assurance.
4. To regularly review the key performance indicators and statistical information relating to the administration of the scheme and ensure an action plan is in place for indicators that are not meeting the agreed target.
5. To ensure that investment managers disclose all their fees and charges and are progressing towards the local government pension scheme cost transparency code.
6. To ensure that the scheme manager fully plans for any new legislation and we are compliant with all aspects of any new legislation.
7. Report regularly to the pensions committee on the work of the pension board and ensure that there is good communication between the two boards
8. To have an oversight of the transition to the new administration software platform and the review any risks that are involved.
9. To review any impact COVID-19 had on the scheme.

The Work Plan is a live document and subject to change as necessary with a formal review at least every two years

APPENDIX 1 - LOCAL PENSION BOARD MEMBER TRAINING 2020/21

Date	Topic Covered	Location	Cost	Attended By
19 October 2021	Refreshing and Redesigning a 'One Pension Team'- an LGPS case study	Virtual - Webinar	No Fee	Denise Broom
10 January 2022	New Local Pension Board Member Induction Training	Virtual via MS Teams	No Fee	Yasmin Ramjohn Dionne Weekes

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MINUTES OF THE MEETING OF THE
LOCAL PENSION BOARD
Virtual via TEAMS
15 November 2022 (4.00 - 4.59 pm)

Present:

Mark Holder (Scheme Member Representative), Ramjohn (Scheme Member Representative), Sladden (Scheme Employer Representative) and Weekes (Scheme Member Representative)

Officers: Debbie Ford, Caroline Guyon, James Grafton, Sam Kemp, Alexandra McMahon, Lilian Thomas

126 **CHAIR'S ANNOUNCEMENTS**

The Chairman advised members of actions to take if they are disconnected from the video call.

127 **APOLOGIES FOR ABSENCE**

Apologies for inability to attend the meeting where received from Denise Broom and Andrew Frater.

128 **DISCLOSURE OF INTEREST**

There were no disclosures of interest.

129 **MINUTES OF THE MEETING 6 SEPTEMBER 2022**

The minutes of the meeting of 6 September contained errors and the following needed to be corrected before they could be accepted as a true and accurate record:

- Borough was spelled incorrectly
- There were notes in the wrong sections

Once these changes were enacted the minutes were to be accepted as a true and accurate record.

130 **PENSIONS COMMITTEE MINUTES 22 SEPTEMBER 2022**

The Pensions Committee minutes of 22 September 2022 were noted.

131 **LLP QUARTERLY PERFORMANCE REPORT UPDATE**

It was reported that the annual benefit statement was sent out 1st August 2022.

Refunds were low but there was a 60% increase in caseloads.

Retirement satisfaction scores were shown on Page 30 along with data quality common and conditional data. **Action Point – LLP to explain what the errors are on that**.

132 **LOCAL PENSIONS BOARD RISK REGISTER**

The Risk register did not go to the Pension's Committee however it would be at next Committee meeting in December.

133 **PENSIONS ADMINISTRATION STRATEGY**

It was explained that the administration system was doing what it should be. A few things were in progress on the data improvement plan.

The Performance report was done based on all data and now the new system would need to be examined to make sure that the data scores had dropped.

All employers were receiving their log-in details and Communication was being sent to members. The link was on the website and everyone would know about the new system change by the week commencing 5th December 2022. If nothing arrived by then Members were to let Caroline know.

134 **LPPA ANNUAL INTERNAL CONTROL ASSURANCE**

The report was from the LLP and it was requested that the Committee should look if there were any points that needed clarification and Janet could clarify further.
Action Point – Look and feedback questions. Janet to come in and talk through, members prepare questions beforehand. Then this would be taken to internal auditor and come back to the committee.

135 **PENSION FUND ANNUAL REPORT**

It was explained that the Guidance on Good Practice did not go through the LPB before publication because the meeting in early November was deferred and the timings were not conducive to reviewing; however, the information and the chance to review was still currently possible because the publication was unaudited and therefore if errors were found there was still an opportunity to do so.
Action point – Members were to come back to Debbie if errors were found or to submit any further feedback.

136 **COP14 COMPLIANCE CHECKLIST**

The item was noted by Members.

137 **POSITION OF CHAIR**

No one applied. **Action Point - Caroline would go back to individuals who had been interested for feedback.**

138 **AOB**

Debbie would send out employer contribution rate.

Action Point - Agendas would contain what must be read and what was just for information on large agendas to make it easier for Members to prepare for meetings.

Chairman

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