



# Havering

LONDON BOROUGH

## PENSIONS COMMITTEE AGENDA

**7.00 pm**

**Tuesday  
5 November 2024**

**Council Chamber -  
Town Hall**

Members 6: Quorum 3

**COUNCILLORS:**

**Conservative Group  
( 2 )**

Joshua Chapman  
Viddy Persaud

**Havering Residents' Group  
( 3 )**

James Glass  
Jacqueline Williams  
Stephanie Nunn (Vice-Chair)

**Labour Group  
( 1 )**

Mandy Anderson (Chairman)

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**Trade Union Observers:**

Derek Scott  
Andy Hampshire

**(No Voting Rights) (2)**

**Admitted/Scheduled Bodies  
Representative**

**(Voting Rights) (0)**

**For information about the meeting please contact:**

**James Moore  
james.moore@havering.gov.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:-

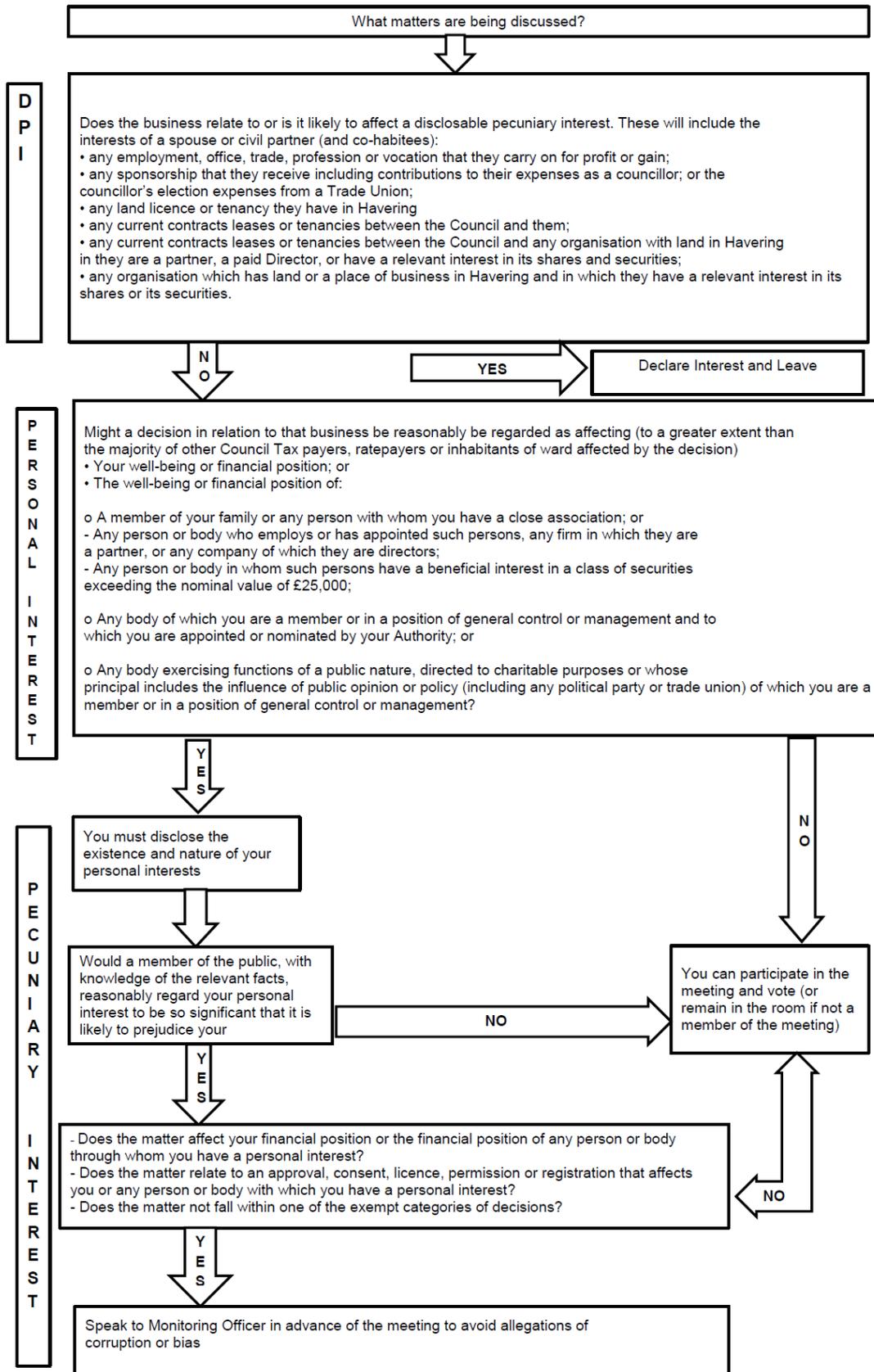
- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing,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

To follow, if available.

### 5 PENSION FUND ANNUAL REPORT - YEAR ENDING 31 MARCH 2024 (Pages 7 - 114)

Report and appendices attached.

### 6 INVESTMENT CONSULTANCY SERVICES PERFORMANCE REVIEW - 1 OCTOBER 2023 TO 30 SEPTEMBER 2024 (Pages 115 - 144)

Report and appendix attached.

### 7 PENSION FUND ACTUARIAL SERVICES PERFORMANCE REVIEW - 1 OCTOBER 2023 TO 30 SEPTEMBER 2024 (Pages 145 - 152)

Report attached.

### 8 PENSION FUND RISK REGISTER - UPDATED NOVEMBER 2024 (Pages 153 - 182)

Report and appendices attached.

### 9 REVIEW OF GOVERNANCE COMPLIANCE STATEMENT (Pages 183 - 208)

Report and appendix attached.

### 10 REVIEW OF THE COMMUNICATIONS POLICY (Pages 209 - 226)

Report and appendix attached.

**11 REVIEW OF THE OVERPAYMENT OF PENSIONS POLICY (Pages 227 - 232)**

Report and appendix attached.

**12 INTRODUCTION OF THE BREACHES OF THE LAW POLICY (Pages 233 - 244)**

Report and appendix attached.

**Zena Smith  
Head of Committee and  
Election Services**

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## PENSIONS COMMITTEE

05 NOVEMBER 2024

**Subject Heading:**

**PENSION FUND ANNUAL REPORT-  
YEAR ENDED 31 MARCH 2024**

**SLT Lead:**

**Kathy Freeman**

**Report Author and contact details:**

*Debbie Ford*  
*Pension Fund Manager (Finance)*  
*01708432569*  
[Debbie.ford@havering.gov.uk](mailto:Debbie.ford@havering.gov.uk)

**Policy context:**

Regulation 57 of LGPS Pension Scheme  
Regulations 2013 mandates Annual  
Report publication from 1 April 2014

**Financial summary:**

Audit Costs for Annual Report Included in  
Overall Fund Audit Expenses

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

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

### SUMMARY

This report includes the Pension Fund Annual Report 2023/24 which has been prepared in accordance with Regulation 57 of the Local Government Pension Scheme Regulations 2013 which applies for reporting periods beginning 1 April 2014.

**RECOMMENDATIONS**

1. The committee agree the Draft 2023/24 Pension Fund Annual Report attached as **Appendix A**.
2. Note the compliance checklist attached as **Appendix B**
3. The committee agree the Pension Fund Annual Report will be published electronically.
4. That the Chair and the Statutory Section 151 officer be authorised to conclude the final version and sign so far as necessary, the annual report.

**REPORT DETAIL**

**1 Background**

1. Regulation 57 of The Local Government Pension Scheme (LGPS) Regulations 2013 mandates the statutory basis for LGPS fund annual reports starting from 1 April 2014.
2. Administrating authorities must prepare a pension fund annual report for each year beginning on 1 April 2014 and every subsequent year.
3. The annual report must be published by 1 December following the end of the reporting year. For the period 1 April 2023 to 31 March 2024, the report should be published by 1 December 2024.
4. The Regulations state that the annual report must contain the following:
  - a) Details of overall Fund management
  - b) Details Governance and training undertaken by Board and Committee members
  - c) Financial Performance
  - d) Fund Account and Net Asset Statement
  - e) Investments and Funding including Pooling
  - f) Scheme Administration including Key Performance Indicators (KPI's)
  - g) Actuarial Report
  - h) External Audit Report
  - i) Clear link to Funding Strategy Statement, Investment Strategy Statement, Governance Compliance Statement and Communication Strategy.
  - j) Any Other Material which the authority considers appropriate
5. In preparing and publishing the Fund's annual report, the authority must have regard to guidance given by the Secretary of State.

6. Authorities should use guidance as published by the Scheme Advisory Board (SAB) April 2014.
7. The Annual report attached as **Appendix A** has been prepared in accordance with the new guidance issued by SAB. Including the new provision to incorporate hyperlinks to the Fund's Funding Strategy Statement, Investment Strategy Statement, Governance Compliance Statement and Communication Strategy.
8. Policies and statements listed in the Annual Report must be as at the year end date, 31 March 2024.
9. To provide the Committee with assurance that the annual report has been produced in line with SAB guidance the Fund has completed the Annual Report checklist, attached as **Appendix B**, the guidance sets out a summary of the **must**, **should** and **may** disclosures that appear in the annual report.
  - **MUST** – compliance is mandatory. Any non-compliance should be clearly identified and explanation provided
  - **SHOULD** - compliance is anticipated but is discretionary.
  - **MAY** – compliance is recommended and is discretionary
10. The new guidance “preparing the pension fund annual report” made available in April 2024 includes additional new data requirements and in some instances it has not been possible to provide some of the KPI's as the administration software cannot be backward configured. For 2023/24 Annual Report Funds are asked to make best endeavours. Officers are liaising with Local Pension Partnership Administration to ensure these KPI's can be measured going forward.
11. The National Audit Office requires auditors to treat the LGPS fund as a separate audit engagement and requires a separate audit opinion on the pension fund accounts and the annual report. The auditor's opinion will be included in the annual report which must be published no later than **1 December 2024**.
12. At the time of writing this report the 2023/24 Pension Fund Annual Report is still subject to audit by our auditor's Ernst & Young as part of the overall audit of the Council's accounts. Therefore, in order to meet the 1 December statutory publication, the annual report will be published as unaudited. A verbal update will be provided at the meeting on progress of the audit if available.
13. The term 'publish' is given a wider meaning in that publication can be by electronic means. Once the annual report has been signed off it will be made available on the Council's website. However hard copies will be available upon request.

14. Any material changes to the draft version of the annual report be delegated to the Chair and the Statutory Section 151 officer to conclude the final version.

**IMPLICATIONS AND RISKS**

**Financial implications and risks:**

Auditors are unable to finalise the audit opinion for the Administering Authority Accounts until they are satisfied that the financial statements in the Fund's Annual report are the same as those reported in the Council's statement of accounts.

Audit fees include core fees (as set by the Public Sector Audit Appointment (PSAA)) and any additional charges. Due to ongoing audit delays, full audit costs are unknown until completion. Previous and estimated fees are as follows:

**Table 1 - Fees**

	<b>2019/20 Actual £</b>	<b>2020/21 Estimated £</b>	<b>2021/22 Estimated £</b>	<b>2022/23 Estimated £</b>	<b>2023/24 Estimated £</b>
<b>Total Fees</b>	<b>26,300</b>	<b>35,193</b>	<b>55,012</b>	<b>51,785</b>	<b>85,945</b>

Audit fees for local authority pension funds have increased significantly due to several factors highlighted by the Public Sector Audit Appointments (PSAA). One major reason is the limited audit capacity available to meet the demands of the local government audit market, which was evident during the recent procurement process. The audit profession has faced heightened scrutiny following several high-profile financial failures in the private sector, leading to increased regulatory challenges and changes in audit requirements under the Code of Audit Practice. These factors, combined with a backlog of audits and evolving financial reporting standards, have contributed to the rising costs.

The 2020/21 Pension Fund Annual Report and Accounts are yet to be finalised due to unresolved issues in the Authority's Statement of Accounts. The 2020/21 report was published as unaudited to meet the 1 December 2021 deadline.

The 2021/22 and 2022/23 Annual Reports were also published as unaudited to meet the 1 December deadline. Audits for these years began in September 2023 and are ongoing.

Audit costs will be covered by the Pension Fund, with final costs determined upon audit completion.

If members agree to publish the report electronically then other than officer time, there will be no publication costs.

**Legal implications and risks:**

The primary legislation is set out in the Report above.

As the Report sets out there are certain areas where the Annual Report does not comply with CIPFA's mandatory requirements, however, the statutory requirement is to have regard to the Guidance and it can be departed from if there is good reason to do so. The officers have indicated the reasons for departure from the Guidance and it appears therefore reasonable for the Committee to approve the Report despite those issues.

**Human Resources implications and risks:**

None arise 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**

None



UNAUDITED

# Havering Pension Fund Annual Report March 2024



Pensions Regulator Registration Number: 10027841





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# Overall Fund Management

Day to day management of the Fund is delegated to the authority's statutory section 151 officer.

The Pensions and Treasury team within Finance ensures that members of the Committee receive advice on investment strategy and monitoring of the investment managers. The team also reviews management arrangements and other issues as appropriate, as well as accounting for the activities of the Fund.

The Local Pension Partnership Administration (LPPA) are the main contact point for all member and employer scheme queries, employees who wish to join the scheme and for advice on procedures or complaints.

## Scheme Management and Advisors

### Senior Officers Responsible for the Fund

Andrew Blake-Herbert	Chief Executive
Kathy Freeman	Strategic Director of Resources / Section 151 Officer
Sarah Bryant	Director of Exchequer & Transactional Services
Debbie Ford	Pension Fund Manager (Finance)

### Asset Pool for the Fund

Manager	Mandates	Website
London Collective Investment Vehicle (LCIV)	<ul style="list-style-type: none"> <li>Absolute Return Fund</li> <li>Global Alpha Paris Aligned Fund</li> <li>Global Bond Fund</li> <li>Passive Equity Progressive Paris Aligned Fund (PEPPA)</li> <li>Renewable Energy Fund</li> </ul>	<a href="http://Londonciv.org.uk">Londonciv.org.uk</a>

### Investment Managers used by the Fund

Equity		
Manager	Mandate	Website
Legal & General Investment Management (LGIM)	<ul style="list-style-type: none"> <li>Future World Fund</li> <li>Emerging Markets Fund</li> <li>Global Equity Fund</li> </ul>	<a href="http://LGIM.com">LGIM.com</a>
CBRE	Global Property	<a href="http://CBRE.com">CBRE.com</a>
JP Morgan	Infrastructure	<a href="http://JPMorgan.com">JPMorgan.com</a>
Stafford Capital	Infrastructure	<a href="http://StaffordCP.com">StaffordCP.com</a>
UBS	UK Property	<a href="http://UBS.com">UBS.com</a>
Churchill Asset Management	Private Debt	<a href="http://ChurchillAM.com">ChurchillAM.com</a>
Permira Credit Solutions	Private Debt	<a href="http://Permira.com">Permira.com</a>
Royal London Asset Management	Index Linked Bonds Multi Asset Credit	<a href="http://RLAM.com">RLAM.com</a>
Russell Investments	Currency Risk Management	<a href="http://RussellInvestments.com">RussellInvestments.com</a>

## Other Service Providers

Other organisations providing services to the Fund		
Service	Provider	Website
Actuary	Hymans Robertson LLP	<a href="http://Hymans.co.uk">Hymans.co.uk</a>
AVC Providers	<ul style="list-style-type: none"><li>Prudential</li><li>Standard Life</li></ul>	<a href="http://PrudentialPLC.com">PrudentialPLC.com</a> <a href="http://StandardLife.co.uk">StandardLife.co.uk</a>
Bankers	National Westminster Bank PLC	<a href="http://Natwest.com">Natwest.com</a>
Custodian and Performance Measurement	Northern Trust	<a href="http://NorthernTrust.com">NorthernTrust.com</a>
External Auditors	Ernst and Young LLP	<a href="http://EY.com">EY.com</a>
Investment Advisers	Hymans Robertson LLP	<a href="http://Hymans.co.uk">Hymans.co.uk</a>
Performance Measurement	<ul style="list-style-type: none"><li>Pensions &amp; Investment Research Consultants Limited (PIRC)</li></ul>	<a href="http://PIRC.co.uk">PIRC.co.uk</a>
Scheme Administrator	Local Pension Partnership Administration (LPPA)	<a href="http://LPPApensions.co.uk">LPPApensions.co.uk</a>

## Chair's Introduction

As Chair of the Pension Committee, I am pleased to present the 2023/24 Pension Fund Annual Report, highlighting our activities and achievements over the past year.

As today's stewards the Havering Pension Fund ("the Fund"), my colleagues on the Pensions Committee, the members of our Local Pension Board and the Fund Officers take their responsibilities to all stakeholders very seriously. This includes 21,649 scheme members and 59 active employers, ensuring that the scheme is locally administered effectively and efficiently on their behalf.

The Fund's net asset value rose to £969m, an increase of 8.2% from the 2022/23. Our long-term investment strategy continues to outperform the strategic benchmark, with annual returns of 7.38%, 2.69% over three and 5.89% over five years. The interim valuation carried out in September 2023 showed an improved funding level, increasing from 80% to 106%.

We have made significant strides in addressing climate risks, adopting a net zero target by 2050 and progressing our [Climate Risk Policy and Action Plan](#). Our commitment to sustainability is reflected in the Fund [actuary's valuation](#).

The Fund continues to have a close relationship with its asset pool, the London CIV. The Fund has already pooled £572m (60%) of its assets, and the London CIV has reported that Havering achieved a net saving of £0.57m in 2023/24 from enjoying the economies of scale of pooling.

The Fund continues to fund its private market mandates in accordance with agreed commitments.

The Committee will continue to deliver the work plan as set out in the [2024/27 Business Plan](#). The Business Plan outlines the work undertaken by the Committee during 2023/24 and the plan of work for the forthcoming three years. The Business Plan is reviewed and updated annually. Any training and development undertaken is shown in the 2024/27 Business Plan. Also included within this report is an overview of the activities of the Pension Administration Team.

My committee colleagues and I remain resolute in our determination to recruit new members, especially in those groups that are under-represented, invest responsibly, and provide excellent value for council tax payers, employers, and other stakeholders of the Fund.

I trust that this report is both clear and informative to Fund members and the general public.



**Cllr Mandy Anderson**  
**Chair of the Pensions Committee**

# Risk Management

The Administering Authority's policy on risk is to identify and mitigate risks to the Fund both in aggregate and at an individual level. Risks are identified and assessed in line with the Authority's risk management process and are documented within Service Plans.

Longevity in Committee membership is encouraged to maintain expertise. The Authority recommends that membership remains static for the elected member's term of office to ensure they are fully trained in pension matters, unless exceptional circumstances necessitate a change. Elected members are governed by the administering authority's code of conduct, which includes a process for declaring conflicts of interest.

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

- [Risk register](#)
- [Funding strategy statement](#)
- [Investment strategy statement](#)
- [Governance compliance statement](#), and

## Risk Register

The Risk Register identifies the key risks that the Pension Fund may face and the measures in place to mitigate those risks.

Seven key risks have been identified and recorded in the Risk Register, summarised as follows:

- Inaccurate three yearly actuarial valuations, resulting in insufficient funding to meet liabilities
- Incorrect or inappropriate Investment Strategy, leading to failure to meet strategic objectives by not reducing pension deficit
- Failure of investments to perform in line with growth expectations, resulting in potential financial loss
- Failure to comply with legislative requirements, damaging the Authority's reputation and leading to potential litigation
- Inability to manage the Pension Fund and associated services, negatively impacting service provision
- Failure to on board or exit employers/members, impacting cash flow and leading to possible litigation
- Pension Fund Payment Fraud, damaging the Authority's reputation and leading to potential financial loss

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

The Risk Register is a 'live' document and therefore all risks are continually reviewed to ensure they remain relevant and that controls are in place to manage risks where feasible. The Risk Register is a standing item on the Local Pensions Board (LPB) agenda for consideration and the LPB make recommendations to the Pensions Committee for inclusion updates.

This updated Risk Register was agreed by the Pensions Committee at its meeting on the 7 November 2023.

Risk can be classified as having two measurements that need to be assessed to determine the scale of the risk:

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

There are several actions identified to enhance mitigations, aiming to reduce the likelihood, impact, and overall risk score.

The benefits of successful risk management include improved financial performance, better service delivery, and enhanced Fund governance and compliance.

### **Investment Risk**

The Fund utilises the services of an external Investment Adviser (Hymans Robertson) for advice on investment matters. The adviser attends quarterly committee meetings where investment performance is reported for the Fund and each individual fund manager.

The Fund Accounts discuss several risks that can affect the value of invested assets, including:

- **Price Risk:** The risk that the value of investments will fluctuate due to changes in market prices.
- **Currency Risk:** The risk that the value of investments will be affected by changes in exchange rates.
- **Interest Rate Risk:** The risk that the value of investments will change due to variations in interest rates.

### **Fund Managers including the London CIV Asset Pool**

As a risk management tool, assurance is sought from the fund managers regarding their internal controls by reviewing their audited assurance reports, any exceptions highlighted by the auditor are evaluated by officers.

### **Governance Risk**

The Fund utilises the services of an external Actuary (Hymans Robertson) to provide advice on setting employer contribution rates and bond rates. This helps mitigate the risk of the Fund not receiving the appropriate income and financial protections.

### **Relationship with the Local Authority**

The Fund recognises that certain risks arise from its relationship with the administering authority, particularly where reliance is placed on shared policies and resources. To manage these risks, the Fund:

- **Risk Assessments:** Performs risk assessments to identify potential issues arising from shared arrangements and implements mitigation strategies.
- **Training and Awareness:** Ensures that all staff are aware of the shared policies and resources and are trained to manage any associated risks effectively.
- **Contingency Planning:** Develops contingency plans to address any disruptions in shared services or resources, ensuring continuity of operations.

### **Cyber Risk**

LPPA, as scheme administrator, takes data security very seriously and understands the need to protect members' details. LPPA holds a current Cyber Essentials Certificate and conducts regular penetration testing with a CREST-accredited company. Any identified vulnerabilities are promptly remedied.

### **Benefits Administration Risks**

The primary risks related to benefits administration involve the obligations to:

- Maintain accurate records;
- Pay benefits accurately and on time;
- Provide accurate and timely information on pensions

Key risk areas include non-payment or late payment of members' benefits, incorrect calculation of benefits, breaches of Data Protection, and failure to comply with Disclosure of Information requirements. Fraud is another significant risk, managed in part through participation in the National Fraud Initiative (NFI).

Pension scams are an increasing concern. The Pensions Regulator has issued revised guidance encouraging all pension funds to sign the Pledge to Combat Pension Scams. LPPA has signed this pledge and sends appropriate communications to all members requesting a transfer quote.

The potential impacts of these risks include statutory fines, loss of reputation, adverse publicity, and increased audit fees.

### **Third Party Risk**

Includes late payment of contributions and provision of data by scheme employers and overall performance by scheme employers. To mitigate the risks officers perform monthly monitoring of contributions and data provided by employers.

### **Internal Audit Assurances**

The pension administration service has been delegated to Lancashire County Council (LCC) who have engaged the Local Pension Partnership Administration (LPPA) to manage pension administration.

The Council relies on LPPA to provide assurances that risks are being adequately managed. In October 2023, Havering received the annual internal control assurance report 2022/23 confirming that LPPA delivers services in compliance with the Pension Regulator General Code of Practice and public sector pension's legislation.

Several audits were undertaken by both LPPA's risk and compliance team and their internal auditors. Key business activities were reviewed and several exceptions were identified for which LPPA have an improvement plan in place to address. Details on risks mitigation are included in the [Risk register](#).

### **Business Continuity Plan**

Services develop and maintain Business Continuity Plans (BCPs) to address disaster recovery and include contingency measures. The Exchequer & Transactional Services BCP, which supports pension payment services, identifies critical activities whose failure would result in an unacceptable loss of service and outlines measures to minimise risk and disruption.

LPPA provides services to multiple clients who expect well-planned and tested business continuity arrangements. All BCPs require LPPA to inform customers whenever a specific response plan is activated.

The primary aim of BCP arrangements is to minimise disruption to the Pension Service during incidents that interrupt normal service delivery. To achieve this, LPPA conducts business impact analyses, assesses the likelihood and impact of failures, and utilises specific or generic plans to manage critical failures. LPPA collaborates closely with suppliers to ensure their business continuity processes support the organisation in the event of a failure.

The Business Continuity Team comprises key staff who understand all aspects of the business, have decision-making authority, and fully grasp customers' needs and expectations.

All staff are briefed on business continuity arrangements, can be contacted at any time, and are equipped to work remotely.

# Governance and Training

## Governance Arrangements

The Committee is responsible for the Fund's investment strategy and performance monitoring, with advice from the Authority, oneSource officers, the investment advisor, and, when necessary, the Fund's actuary and performance measurers.

The Pensions and Treasury team within Finance advises the Committee on investment strategy and manager monitoring, reviews management arrangements, and accounts for the Fund's activities.

The Pensions Committee, reflecting the Council's political balance, has voting members structured as follows:

### Labour Group



Cllr Mandy Anderson (Chair)

### Conservative Group



Cllr Joshua Chapman



Cllr Dilip Patel



Cllr Viddy Persaud

### Havering Residents' Group



Cllr Jacqueline Williams



Cllr Stephanie Nunn  
(Vice chair)



Cllr James Glass

### Other Members

Trade Union Observer (Non-voting) – Derek Scott (Unison),

Trade Union Observer (Non-voting) – (Vacant)

Admitted/Scheduled Body Representative x 1(voting) (Vacant)

## Attendance at Pensions Committee meetings

All Pensions Committee agendas and public minutes can be found on the Authority's website [Havering - Pensions Committee](#)

The Committee requires 3 members in attendance to be quorate.

**Table: Committee attendance 2023/24**

Pension Committee	25/07/23	12/09/23	07/11/23	24/01/24	19/03/24
Councillor Mandy Anderson	✓	✓	✓	x	✓
Councillor Joshua Chapman	✓	x	✓	✓	✓
Councillor James Glass	✓	✓	✓	✓	✓
Council Stephanie Nunn*					V
Councillor Dilip Patel	✓	x	✓	✓	✓
Councillor Viddy Persaud	✓	✓	✓	✓	✓
Councillor Philip Ruck**	✓	x	✓	✓	
Councillor Jacqueline Williams***			✓	✓	✓
Trade Union Observer - Derek Scott	✓	x	✓	x	x
Trade union observer (vacant)					
Employer Representative (vacant)					

V Joined virtually

\* Cllr Nunn joined the committee in March 2024

\*\* Cllr Ruck left the committee in February 2024

\*\*\* Cllr Williams joined the committee in September 2024

## The Functions delegated to the Pensions Committee

### Pension fund

- To consider and agree the investment strategy and statement of investment principles for the pension fund and subsequently monitor and review performance.

### Advisers and investment managers

- Authorise staff to invite tenders and to award contracts to actuaries, advisers and fund managers and in respect of other related investment matters.
- To appoint and review the performance of advisers and investment managers for pension fund investments.

### Other Non-executive matters

- To take decisions on those matters not to be the responsibility of the Executive under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 relating to those matters concerning the Local Government Pension Scheme.

## Summary of Work Undertaken by Pensions Committee in 2023/24

The interim valuation performed in September 2023 showed that the funding position has improved to 106%.

### Portfolio rebalancing that took place in 23/24

- JP Morgan Infrastructure increase allocation of 1.5% (£13m)

- LCIV Renewable Infrastructure Fund (1%). No additional monetary amounts required as current committed capital will be sufficient to achieve the target
- 5% (£45m) allocation to investment grade credit assets via the LCIV Global Bond Fund.
- LCIV Diversified Growth Fund fully divested

The Fund continued to have discussions with the London CIV to progress the transition of assets onto the London CIV platform in accordance with Ministry of Housing, Communities and Local Government (MHCLG) requirements.

The Fund paid £33m of committed capital for the Private Debt and Infrastructure mandates during the year to 31 March 2024. Leaving a balance of £50m still to be deployed.

Climate Considerations:

- July 23 - Pensions Committee agreed the Climate Policy and Action Plan, which includes the objectives set, targets to be assessed and actions that the Committee will take.
- March 2024 - Climate workshop held to discuss the climate journey so far and next steps on how to measure the progress against an ambition

## **Conflicts of Interest**

The Fund has a detailed Conflict of Interest Policy that outlines how conflicts should be managed. This policy ensures that all members of the Pension Board are aware of their duty to act independently and uphold high ethical standards.

Members of the Pension Board are required to declare any personal or financial interests that could potentially conflict with their responsibilities. These declarations are reviewed regularly to ensure transparency.

Regular training sessions are conducted to ensure that all board members understand what constitutes a conflict of interest and how to manage it. This helps in maintaining a high level of awareness and compliance.

Any identified conflicts of interest are documented and monitored. The Fund maintains records of all declared interests and the actions taken to manage them. This information is included in annual reports to ensure accountability.

The Fund complies with the Local Government Pension Scheme Regulations and the Public Service Pensions Act, which set out legal requirements for managing conflicts of interest.

## **The Functions of the Local Pension Board**

- Assist the Administering Authority as Scheme Manager; –
  - securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
  - securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;
  - such other matters as the scheme regulations may specify.

The Board consists of 3 Scheme employer representatives and 3 scheme member representatives. The role of Chair was filled by Andrew Frater, employer representative, until the recruitment Independent Chair, Jonathan Bunt in October 2023.

Employer representatives	Scheme Member representatives
Denise Broom - Life Academy Trust	Mark Holder
Andrew Frater – Empower Learning Academy Trust	Yasmin Ramjohn
Joanne Sladen -Hornchurch Academy Trust	Dionne Weekes

**Independent Chair:** Jonathan Bunt (from October 2023)

### Attendance at Local Pension Board meetings:

All Local Pension Board agendas and public minutes can be found on the Authority's website [Havering - Local Pension Board](#)

**Table: Local Pension Board attendance 2023/24**

Board Member	25/04/23	11/07/23	19/09/23	10/10/23	21/11/23	27/02/24
Jonathon Bunt*				✓	✓	✓
Denise Broom	✓	x	x	✓	✓	✓
Andrew Frater	x	✓	✓	✓	✓	✓
Mark Holder	✓	✓	✓	✓	x	x
Yasmin Ramjohn	✓	✓	✓	✓	✓	✓
Joanne Sladen	✓	x	✓	✓	✓	✓
Dionne Weekes	✓	✓	✓	x	x	✓

\* Jonathan Bunt joined the Board in October 2023

The Local Pension Board produces a separate annual report setting out the work undertaken [Havering LGPS Pension Administration](#)

The Fund adopts a [Business Plan/Report](#) on the work of the Pensions Committee which sets out the work undertaken by the Committee during 2023/24 and the plan of work for the following year and beyond. This also includes a Training and Development Plan which is linked to the Pension Fund coverage of meetings.

### Knowledge and Skills Framework

The new single Code of Practice, replacing TPR Code No.14, came into force on 28 March 2024. It requires Pension Committee (PC) and Local Pension Board (LPB) members to demonstrate appropriate knowledge and understanding to perform their roles effectively.

The London Borough of Havering Pension Fund supports CIPFA's Knowledge and Skills Code and adopted the updated framework as part of the training programme. According to the Council's constitution, PC members must receive training within six months of appointment. Without it, they cannot participate in decision-making. Long-term membership is encouraged to maintain expertise, and the Council recommends keeping PC membership static for the term, barring exceptional circumstances.

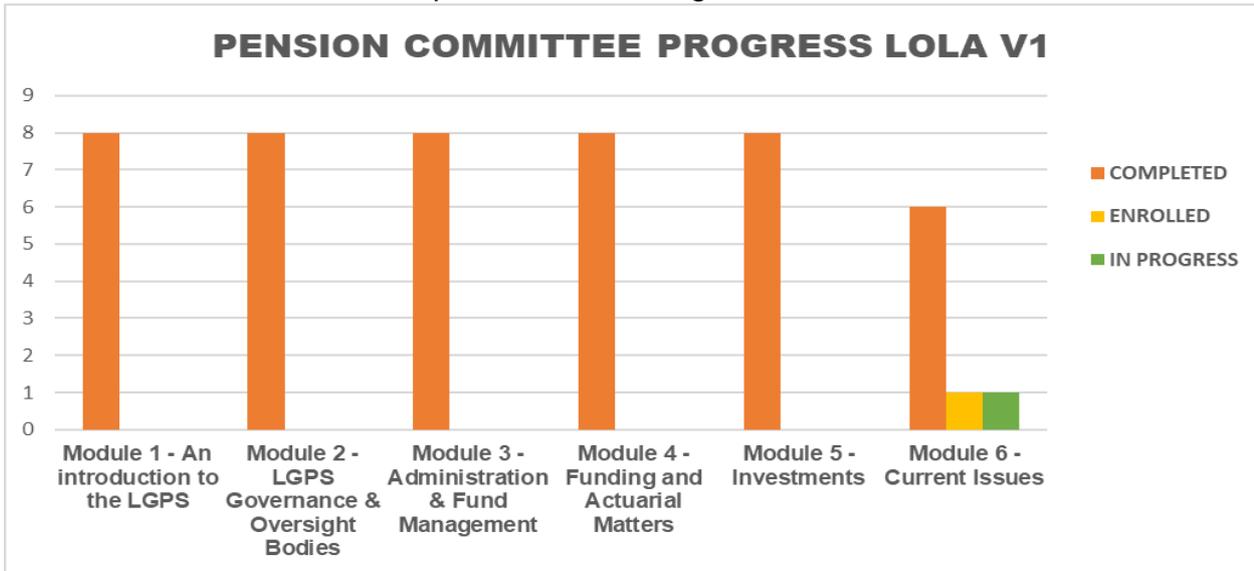
To meet MiFID II's "qualitative test," the committee must maintain expertise, experience, and knowledge. Firms assess these qualities to ensure the local authority and its pension fund committee can make informed investment decisions and understand risks before granting professional status. All election requests from existing investment service providers have been approved.

A £10,000 training budget has been agreed, subject to annual re-evaluation. Costs are met by the Pension Fund.

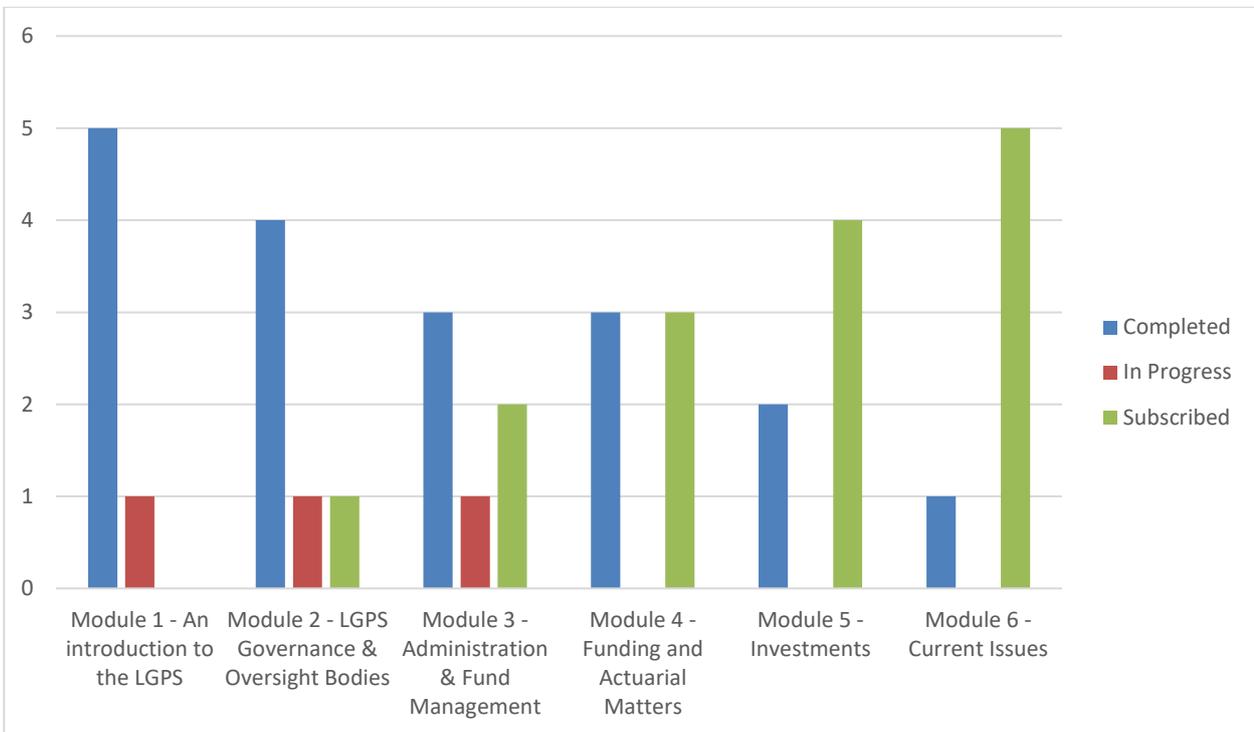
**PENSION COMMITTEE TRAINING 23/24**

Date	Good Governance/CIPFA Framework category		Topic	Attended By	Duration
17 Jul 2023	ALL	ALL	New member induction	Cllr Joshua Chapman	1 hour
18 Jul 2023	Governance	Investment Strategy, Pooling	LCIV AGM	Cllr Mandy Anderson Cllr Viddy Persaud	2 hours
25 Jul 2023	Governance	Management accounting	Havering Pension Fund Accounts	Cllr Mandy Anderson (Chair) Cllr Philip Ruck Cllr Viddy Persaud Cllr Dilip Patel Cllr James Glass Cllr Joshua Chapman Derek Scott (Union Rep)	30 minutes
4/5 Sep 2023	Governance / Investment	Strategy Implementation – Asset pooling	LCIV Conference	Cllr Mandy Anderson (Chair) Cllr James Glass	12 hours
12 Sep 2023	Investment	Financial markets and Products	Corporate Bonds/LCIV Global Bond Fund	Cllr Mandy Anderson (Chair) Cllr Viddy Persaud Cllr James Glass	50 minutes
17 Oct 2023	ALL	ALL	New member induction	Cllr Jacqueline Williams	1 hour
27 Mar 2024	Investment	Strategy Implementation, Risk management	Climate Policy workshop	Cllr Mandy Anderson (Chair) Cllr Jacqueline Williams	2 hours 45 minutes
Committee dates	ALL	ALL	Various – refer to published Business Plan <a href="#">Business Plan and Committee Report</a>	Pensions Committee	9 hours 15 minutes

The Fund also subscribes to Hymans' LGPS Online Learning Academy. Members of the Pension Committee have completed the following modules.



Members of the Local Pension Board have completed the following modules.



NB: Module 6 – Current Issues, often returns to incomplete status due to frequent updates to 'current issues'

# Financial Performance

The Pensions Committee is supported by the Administering Authority's Finance and Administration services and the associated costs are therefore reimbursed to the Administering Authority by the Fund. The costs for these services form part of the Management expenses as reported in the Pension Fund Statement of Accounts. Estimates for the medium term on Management costs, as set out in the Business Plan, follow in this report.

**Pensions Administration** - The Pensions Administration is provided through a delegated arrangement and is supplied by Local Pensions Partnership Administration (LPPA) which is a joint venture between Lancashire County Council and London Pensions Fund Authority.

Pensions Administration also includes a post for the Projects and Contracts Manager who monitors the pension's administration contract and ad hoc projects.

**Accountancy and Investment support** - The Pensions team within Finance Service supports the Pension Fund consists of an establishment of 2.4 full time equivalent posts (3 officers). They ensure that members of the committee receive advice on investment strategy and monitoring of the managers. The team also manage accounting for the activities of the Fund and other issues as appropriate.

In line with the Chartered Institute of Public Finance & Accountancy (CIPFA) LGPS Management Costs guidance, management expenses are shown split between three cost categories as follows:

## Administrative Expenses

Includes all staff costs associated with Pensions Administration, including Payroll.

	2023/24 Estimate £000	2023/24 Actual £000	Variance £000	Variance %
Administration & Processing	735	806	71	10
Other Fees (Levies)	10	15	5	50
Other Costs (Interest)	30	125	95	317
<b>TOTAL</b>	<b>775</b>	<b>946</b>	<b>171</b>	<b>22</b>

- Administration & processing costs include the Pension Administration Contract LPPA, Project & Contract manager, payroll & legal charges and ad hoc project costs.
- Increase in interest payments due to late processing of pension payments whilst our administrator, LPPA, undertook transition of a new system and an increase in interest rates

## Investment Management Expenses

Includes expenses incurred in relation to the management of Fund assets.

	2023/24 Estimate £000	2023/24 Actual £000	Variance £000	Variance %
Fund Manager Fees	4,000	3,995	-5	-0
Performance Related Fees	120	200	80	67
Transaction costs	300	361	61	20
Custodian Fees	40	28	-12	-30
Performance Measurement services	35	38	3	9
Other Investment Fees	15	0	-15	-100
<b>TOTAL</b>	<b>4,520</b>	<b>4,622</b>	<b>102</b>	<b>2</b>

- Fees are calculated based on market values under management and therefore increase or reduce as the value of investments change.

## Governance and Oversight

This category captures all costs that fall outside of the other two categories and include legal, advisory, actuarial and training costs. Staff costs associated with the financial reporting and support services to the Committee are included here.

	2023/24 Estimate £000	2023/24 Actual £000	Variance £000	Variance %
Financial Services	220	229	9	4
Actuarial Fees	25	125	100	400
Audit Fees	60	90	30	50
Member Training (inc. LPB)	10	2	-8	-80
Advisor Fees	75	80	5	7
London CIV	120	101	-19	-16
Local Pension Board	5	7	2	40
Pensions Committee	35	38	3	9
Other Fees	5	15	10	200
<b>TOTAL</b>	<b>555</b>	<b>687</b>	<b>132</b>	<b>24</b>

- Actuarial Fees shown are shown gross – £65k was recharged to other scheme employer
- LCIV reflects lower fee Development Fund charges
- Audits delays have meant that some charges from earlier years were calculated and approved by the PSAA. Increases are due to increased testing to meet audit requirements

## Total Management Expenses

	2023/24 Estimate £000	2023/24 Actual £000	Variance £000	Variance %
<b>OVERALL MANAGEMENT EXPENSES TOTAL</b>	<b>5,850</b>	<b>6,255</b>	<b>405</b>	<b>7</b>

### Net inflows and outflow from dealing with members

Description	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Employee contributions	7,789	8,111	8,831	9,610
Employer contributions	39,249	40,577	43,005	40,762
Employer strain	380	424	1,275	488
Transfers in	4,896	4,204	3,029	6,321
<b>Total Inflows</b>	<b>52,314</b>	<b>53,316</b>	<b>56,140</b>	<b>57,182</b>
Pensions	33,371	32,880	34,423	*38,121
Commutation and Lump Sum Retirements	4,315	3,923	6,946	5,561
Lump Sum Death Benefits	1,118	748	1,161	1,014
Payments To and On Account of Leavers	**44,630	4,618	3,908	4,461
<b>Total outflows</b>	<b>83,434</b>	<b>42,169</b>	<b>46,438</b>	<b>49,157</b>
<b>Net additions from dealings with members</b>	<b>(31,120)</b>	<b>11,147</b>	<b>9,702</b>	<b>8,024</b>

\* April 2024 pension increase was 10.1%

\*\* During 2020/21 College Transfer – bulk transfer out

### Per member inflow and outflow analysis

	2021/22	2022/23	2023/24
<b>Inflows £000</b>	53,316	56,140	57,182
<b>Active members No #</b>	6675	6692	7840
<b>Inflow per active member £</b>	7,987	8,389	7,294
<b>Percentage change %</b>	98%	105%	87%
	2021/22	2022/23	2023/24
<b>Outflows £000</b>	42,169	46,438	49,157
<b>Pensioners and dependants No #</b>	6548	6767	7009
<b>Outflow per pension member £</b>	6,440	6,862	7,013
<b>Percentage change %</b>	49%	107%	102%

### Significant changes to non-investment assets

2022/23 £000		2023/24 £000
16,056	Cash deposit with LB Havering	24,163

The cash invested with LBH treasury increased due to a surplus generated from dealing with members.

**Table: age profile of members as at 31 March 2024**

Age Band	Active	Beneficiary	Deferred	Pensioner	Grand Total
6-10	-	9	-	-	9
11-15	-	8	-	-	8
16-20	75	11	4	-	90
21-25	313	3	86	-	402
26-30	430	1	264	-	695
31-35	600	-	494	-	1,094
36-40	836	5	679	-	1,520
41-45	1,153	2	787	-	1,942
46-50	1,117	9	940	7	2,073
51-55	1,247	24	1,357	31	2,659
56-60	1,137	37	1,318	326	2,818
61-65	730	55	658	956	2,399
66-70	167	74	170	1,437	1,848
71-75	33	120	39	1,251	1,443
76-80	1	146	3	1,006	1,156
81-85	1	156	1	561	719
86-90	-	133	-	341	474
91-95	-	82	-	158	240
96-100	-	21	-	33	54
101-105	-	1	-	5	6
<b>Grand Total</b>	<b>7,840</b>	<b>897</b>	<b>6,800</b>	<b>6,112</b>	<b>21,649</b>

### Cash Flow Management

Effective cash flow management is crucial for administering the pension scheme, ensuring the Fund can meet its ongoing benefit payments. Working cash flows are regularly monitored and reported quarterly to the Committee.

	ACTUALS TO 31/03/2024 £000	Year to 31/03/2025 £000	Year to 31/03/2026 £000	Year to 31/03/2026 £000
Balance b/f	16,201	24,276	26,249	27,290
Benefits paid	(33,168)	(35,391)	(36,806)	(38,279)
BACS expenses*	(10,079)	(10,684)	(11,325)	(12,004)
Lump sums by faster payment	(2,659)	(2,739)	(2,821)	(2,906)
Transfers in	6,336	6,652	6,985	7,334
Contributions received**	42,018	42,858	43,715	44,590
Pension strain	858	875	893	910
Interest	989	400	400	400
Transferred LBH for treasury investment	3,781	-	-	-
Balance c/f	24,276	26,249	27,290	27,336

\* BACS expenses includes grants ie lump sums made to members

\*\* Contributions received from LBH are net of pension payroll deductions (eg HMRC)

The Fund's Actuary must report on the Fund's solvency at least every three years, assessing both the overall Fund and each employer.

Details about the financial assumptions used by the Actuary can be found within the Valuation Report 2022, which is available on the Authority's website and can be found by selecting the link to the [Havering Pension Fund](#).

## Contributions to the Fund

Employees pay a tiered contribution based on actual pensionable pay between 5.5% and 12.5%, or half this rate for 50/50 section members.

**Table: 2023/24 Employee contribution rates**

Band	Actual Gross Pensionable Pay for an employment	Contribution Rate for that employment	
		Main Section	50/50 Section
	£	%	%
1	Up to 16,500	5.50	2.75
2	16,501 to 25,900	5.80	2.90
3	25,901 to 42,100	6.50	3.25
4	42,101 to 53,300	6.80	3.40
5	53,301 to 74,700	8.50	4.25
6	74,701 to 105,900	9.90	4.95
7	105,901 to 124,800	10.50	5.25
8	124,801 to 187,200	11.40	5.70
9	187,201 or more	12.50	6.25

Employers also pay a contribution towards the pension costs. This amount is calculated every three years following an independent actuarial evaluation by the Fund's Actuary. Employer contribution rates include payments for past service deficit.

**Table: Employer contribution rates**

Year	Employers Contribution Rates (% of pensionable pay)
2023/24	Range from NIL to 41%
2024/25	Range from NIL to 41%
2025/26	Range from NIL to 41%

The payment of contributions by employers with external payrolls is monitored on a monthly basis by the Havering Pensions Administration Team. The Authority receives a breakdown of individual employee and employer contributions, which is reconciled against the payments.

New employers receive instructions and written guidance for making payments and the timescales. Before joining the scheme, they are informed of the applicable employer contribution rate and the required bond level.

Employers admitted before 1 January 2024 had to purchase a bond or provide a guarantee to protect the Fund against default payments. There are currently 14 active admitted bodies in the fund. From 1 January 2024, new admissions will operate on a pass-through basis, where the letting authority retains most of the risk, eliminating the need for a bond or guarantor. Details are available in the Admissions Policy and Funding Strategy Statement on the Havering website.

Pension overpayments, recoveries, and amounts written off, including results from the biennial National Fraud Initiative, are regularly reviewed.

**Table: Overpayment recovery analysis**

<b>Year debt raised</b>	<b>Amount of debt raised £</b>	<b>Debt collected £</b>	<b>Debt outstanding £</b>
2017/18	11,499	7,421	4,078
2018/19	25,083	21,603	3,480
2019/20	23,608	18,125	5,474
2020/21*	26,495	9,503	16,992
2021/22**	34,915	4,237	30,678
2022/23	16,420	5,468	10,952
2023/24	23,311	12,313	10,998

\* Delays in raising invoices on the new financial system, Fusion, led to a higher than expected level of outstanding debt being carried forward

\*\* Mortality screening identified a number of pensions in payment in respect of deceased members. This led to a number of backdated overpayments where invoices have been issued to the next of kin's last known address. As these are historic cases, the contact information is sometimes out of date and recovery is proving difficult.

The [Overpayment Recovery Policy](#) allows for the automatic write-off of pension overpayments under £250 net following the death of a pensioner or dependent member, provided no ongoing dependent pension is payable.

The total debt automatically written off during 2023/24, in line with the policy, was £1,529.98 (£1,943.04 in 2023/23) covering 19 different cases (22 in 2022/23), which is an average of £80.53 per case (£88.32 in 2022/23), and falls below the expected average of £5,000 per annum.

The Authority participates in the National Fraud Initiative (NFI) to identify deceased LGPS members and unknown pension abatements. The latest NFI exercise was in September 2023. Additionally, LPPA uses the 'Tell Us Once' service, monitored daily, and conducts monthly mortality screenings.

**Table: Late Contributions**

<b>Year</b>	<b>No of late contributions</b>	<b>No of employers making late contributions</b>
2022/23	9	4
2023/24	11	6

None of the late receipts of contributions were considered to be material so no charges were applied.

The fund has a number of Administration policies, including the Charging Policy which can be found by selecting the following link: [LGPS Pension Administration | London Borough of Havering](#)

## Fund Account, Net Asset Statement and Notes

2022/23 £000	FUND ACCOUNT	notes	2023/24 £000
53,111	Dealings with members, employers and others directly involved in the fund		
3,029	Contributions receivable	<a href="#">7</a>	50,860
56,140	Transfers in from other pension funds	<a href="#">8</a>	6,321
			57,181
(42,530)	Benefits	<a href="#">9</a>	(44,696)
(3,908)	Payments to and on account of leavers	<a href="#">10</a>	(4,461)
(46,438)			(49,157)
9,702	Net additions (withdrawals) from dealings with members		8,024
(5,940)	Management expenses	<a href="#">11</a>	(6,130)
3,762	Net additions including fund management expenses		1,894
16,484	Returns on investments		
	Investment income	<a href="#">12</a>	18,327
(44,577)	Profit and losses on disposal of investments and changes in the market value of investments	<a href="#">13a</a>	53,525
(28,093)	Net returns on investments		71,852
<b>(24,331)</b>	<b>Net increase/(decrease) in the net assets available for benefits during the year</b>		<b>73,746</b>
920,083	Opening net assets of the Fund at start of year		895,752
<b>895,752</b>	<b>Closing net assets of the Fund at end of year</b>		<b>969,498</b>

2022/23 £000	NET ASSET STATEMENT	note s	2023/24 £000
150	Long Term Investments	<a href="#">13</a>	150
879,324	Investment Assets	<a href="#">13</a>	946,100
(272)	Investment Liabilities	<a href="#">13</a>	(449)
<b>879,202</b>	<b>Total net investments</b>		<b>945,801</b>
16,962	Current Assets	<a href="#">20</a>	24,707
(412)	Current Liabilities	<a href="#">21</a>	(1,010)
<b>895,752</b>	<b>Net assets of the Fund available to fund benefits at end of the reporting period</b>		<b>969,498</b>

The financial statements summarise the transactions of the Fund and the net assets of the Fund. They do not take account of obligations to pay pensions and other benefits which fall due after the financial year end. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard IAS19 basis is disclosed at [Note 19](#) of these accounts.

## **Notes to the Pension Fund Accounts**

### **1. Description of the Fund**

The Havering Pension Fund (“the Fund”) is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Havering. Responsibility for management of the Pension Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Statutory Section 151 officer.

#### **a. General**

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The LGPS Regulations 2013 (as amended),
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefits scheme, which provides pensions and other benefits for pensionable employees of Havering Council and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the London Borough of Havering Pensions Committee and the Local Pension Board.

#### **b. Membership**

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Designated bodies, which are non-community schools, whose employer has changed from the Authority to a Board of Governors. Designated body status allows continued membership in the LGPS for non-teaching staff at non-community schools. These have been accounted for within the London Borough of Havering.

There are 59 employer organisations with active members within the Havering Pension Fund including the Authority.

The membership profile is detailed below:

31 Mar 2023		31 Mar 2024
56	Number of employers with active members	59
	Number of employees in scheme	
4,801	London Borough of Havering	5,205
1,818	Scheduled bodies	2,523
73	Admitted bodies	112
6,692	Total active members	7,840
	Number of pensioners and dependants	
6,285	London Borough of Havering	6,437
454	Scheduled bodies	534
36	Admitted bodies	38
6,775	Total pensioners and dependant members	7,009
	Deferred pensioners	
5,621	London Borough of Havering	5,564
1,093	Scheduled bodies	1,197
36	Admitted bodies	39
6,750	Total deferred members	6,800
<b>20,217</b>	<b>Total number of members in pension scheme</b>	<b>21,649</b>

### c. Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the year ended 31 March 2024. Employer contributions are set based on triennial actuarial funding valuations. Current employer contribution rates range from 0% to 41.0% of pensionable pay.

### d. Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website <https://www.lgpsmember.org/>.

## 2. Basis of Preparation

The Statement of Accounts summarise the Fund's transactions for the 2023/24 financial year and its position at year end as at 31 March 2024. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 "(the Code)" which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector, and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 19.

The Administering Authority is satisfied that Havering Pension Fund is a going concern and the financial statements for 2023/24 have been prepared on a going concern basis as follows:

The investment returns for 2023/24 was +7.38% and +2.69% over the three year to 31 March 2024. Invested asset values have increased by £66.6m over the year.

There is sufficient flexibility in the investment strategy to be able to respond to short term market fluctuations. The Fund is comparatively low risk with smaller proportion of its assets held in volatile equities.

The Fund was assessed as 80% funded as at 31 March 2022 valuation, a significant improvement on the funding level of 70% at 31 March 2019 and includes a recovery period necessary to make good any potential increases in the funding deficit. It is important to remember that that the Fund does not need to be 100% funded to be a going concern, it simply needs to be able to meet benefit obligations each month as they fall due. The Fund held cash of £47.1m at the Balance Sheet date, equivalent to 5% of the fund assets. In addition, the Fund held £670m in Level 1 and Level 2 investment assets which could be realised within 3 months if required. Based upon review of its operational cash flow projections the Fund is satisfied it has sufficient cash to meet its obligations to pay pensions, for at least 12 months from the date of authorisation of these accounts, without the need to sell any investments.

### **3. Summary of Significant Accounting Policies**

#### **Fund Account – revenue recognition**

##### **a. Contribution income**

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all that arise according to pensionable pay
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate

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

Additional employers' contributions in respect of ill health and early retirements (augmentation) are accounted for in the year the event rose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

## **b. Transfers to and from other schemes**

- Transfers in and out relate to members who have either joined or left the fund.
- Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.
- Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement. The date set for the transfer of assets and liabilities is the date it becomes recognised in the fund account.

## **c. Investment Income**

### **i Interest Income**

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

### **ii Dividend Income**

Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

### **iii Distribution from Pooled Funds**

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

### **iv Property - Related Income**

Property related income consists primarily of rental income and is recognised at the date of issue.

### **v Movement in the Net Market Value of Investments**

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

## **Fund Account – Expense Items**

### **d. Benefits payable**

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities, providing the payment has been approved.

### **e. Taxation**

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

### **f. Management Expenses**

The Fund discloses its pension fund management in accordance with the CIPFA guidance “Accounting for Local Government Pension Scheme Management Expenses (2016)”. All items of expenditure are charged to the fund on an accruals basis as follows

#### **i Administrative Expenses**

- All staff costs of the pension's administration team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance Council policy and charged as expenses to the Fund.

#### **ii Oversight and Governance Costs**

- All costs associated with oversight and governance are separately identified and recharged to the Fund and charged as expenses to the Fund.

#### **iii Investment Management Expenses**

- Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11a and grossed up to increase the change in value of investments.

Fees charged by external investment managers and custodian are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The cost of obtaining investment advice from external consultants and the officers time spent on finance and accounting functions is included in investment management charges.

#### **g. Lifetime Allowances**

Members are entitled to request the Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduced pension.

Where the Fund pays members tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

### **Net Assets Statement**

#### **h. Financial Assets**

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund. Any amounts due or payable in respect of trades entered but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 13a.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the code and IFRS13 (see Note 15). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

**i. Foreign Currency Transactions**

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

**j. Derivatives**

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in the change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

**k. Cash and Cash Equivalents**

Cash comprises cash in hand (Fund's Bank Account) and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

**l. Financial Liabilities**

A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised by the fund account as part of the change in value of investments.

**m. Actuarial Present Value of Promised Retirement Benefits**

The actuarial present value of promised benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement ([Note 19](#)).

**n. Additional Voluntary Contributions**

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential and Standard Life as their AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors.

AVC's are not included in the accounts in accordance with section 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only ([Note 22](#))

**o. Contingent assets and contingent liabilities**

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

**4. Critical Judgements in Applying Accounting Policies**

**Pension Fund Liability**

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates provided to the admitted and scheduled bodies in the Fund, as requested, in the intervening years. The methodology used in the annual updates is in line with accepted guidelines.

This estimate is subject to significant variances based on the changes to the underlying assumptions which are agreed with the actuary and are summarised in [Note 18](#).

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short term yield/return.

**5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account historical experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made.

The items in the net asset statement for which there is significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results differ from Assumptions	Approximate monetary amount
Actuarial present value of promised retirement benefits ( <a href="#">Note 19</a> )	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Fund's assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied	<p>The effects on the present value of promised retirement benefits of changes in actuarial assumptions can be significant. Changes in assumptions could have the approximate following impacts on the Fund's employer liability as follows:</p> <ul style="list-style-type: none"> <li>• 0.1% p.a. decrease in the Real Discount rate could result in an increase of 2%</li> <li>• 0.1% p.a. increase in the Pension Increase Rate could result in an increase of 2%</li> <li>• 0.1% p.a. increase in Salary Increase Rate (CPI) could result in an increase of 0%</li> <li>• 1 Year increase in member life expectancy could result in a 4% increase</li> </ul>	<p>+/- £18m</p> <p>+/- £17m</p> <p>+/- £1m</p> <p>+/- £43m</p>
Level 3 Investments ( <a href="#">Note 15a</a> )	Level 3 investments can be determined by Fund Managers in accordance with guidelines and principles set out in the International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Level 3 investments total £276m, which represents 28% of the total Fund value of £969m.	Sensitivity Analysis shows that the £276m valuation could decrease or increase within the range of £256m and £296m

## 6. Events after the Reporting Date

The Present Value of Promised Retirement Benefits (note 19) includes an allowance for the "McCloud ruling", i.e an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. This estimate was allowed for in the 31 March 2024 IAS26 reporting and is continued to be allowed for within the liabilities this year. There will be changes made to scheme regulations that will remove age discrimination from the LGPS and it is anticipated that these regulations will come into force in due course.

The Fund has valued its assets based on the 31 March 2024 position as reported by its investment managers. However, there is uncertainty over asset valuations, in particular for real and private market assets. The Fund believes that these valuations are the most reliable, as there are not alternative reliable estimates given the absence of trading in these asset classes.

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position as at 31 March 2024 is stronger than at the previous formal valuation at 31 March 2022.

In June 2023, the UK High Court (*Virgin Media Limited v NTL Pension Trustees II Limited*) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment is subject to appeal, and the Court of Appeal heard the arguments on 26 and 27 June 2024.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits under IAS 26, or if it can be reliably estimated. As a result the Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

## 7. Contributions Receivable

### By category

2022/23 £000		2023/24 £000
	<b>Employees' contributions</b>	
	<b>Normal:</b>	
7,012	London Borough of Havering	7,454
1,714	Scheduled Bodies	2,003
99	Admitted Bodies	146
	<b>Additional contributions:</b>	
6	London Borough of Havering	7
<b>8,831</b>	<b>Total Employees' Contribution</b>	<b>9,610</b>
	<b>Employers' contributions</b>	
	<b>Primary contributions:</b>	
17,590	London Borough of Havering	20,088
5,625	Scheduled bodies	7,034
468	Admitted bodies	616
	<b>Secondary contributions:</b>	
	<i>Employer contribution to deficit</i>	
18,569	London Borough of Havering	12,821
750	Scheduled bodies	269
3	Admitted bodies	4
	<i>Employer reduction to surplus</i>	
-	Scheduled bodies	(39)
-	Admitted bodies	(31)
	<b>Augmentation</b>	
1,275	London Borough of Havering	488
<b>44,280</b>	<b>Total Employers' Contributions</b>	<b>41,250</b>
<b>53,111</b>	<b>Total Contributions Receivable</b>	<b>50,860</b>

### By authority

2022/23 £000		2023/24 £000
44,452	London Borough of Havering	40,858
8,089	Scheduled bodies	9,267
570	Admitted Bodies	735
<b>53,111</b>	<b>Total Contributions Receivable</b>	<b>50,860</b>

## 8. Transfers in from other Pension Funds

2022/23 £000		2023/24 £000
3,029	Individual transfers	6,321
<b>3,029</b>	<b>Transfers in</b>	<b>6,321</b>

## 9. Benefits Payable

### By category

2022/23 £000		2023/24 £000
	<b>Pensions</b>	
32,674	London Borough of Havering	36,105
1,547	Scheduled Bodies	1,787
202	Admitted Bodies	229
<b>34,423</b>	<b>Pension Total</b>	<b>38,121</b>
	<b>Commutation and Lump Sum Retirements</b>	
6,205	London Borough of Havering	4,656
560	Scheduled Bodies	895
181	Admitted Bodies	10
<b>6,946</b>	<b>Commutation and Lump Sum Retirements Total</b>	<b>5,561</b>
	<b>Lump Sum Death Benefits</b>	
985	London Borough of Havering	787
176	Scheduled Bodies	227
<b>1,161</b>	<b>Lump Sum Death Benefits Total</b>	<b>1,014</b>
<b>42,530</b>	<b>Total Benefits Payable</b>	<b>44,696</b>

### By authority

2022/23 £000		2023/24 £000
39,864	Havering	41,548
2,283	Scheduled bodies	2,909
383	Admitted Bodies	239
<b>42,530</b>	<b>Total Benefits Payable</b>	<b>44,696</b>

## 10. Payments To and On Account of Leavers

2022/23 £000		2023/24 £000
79	Refunds to members leaving service	42
3,829	Individual transfers	4,294
-	Other	125
<b>3,908</b>	<b>Payments to and on Account of Leavers</b>	<b>4,461</b>

## 11. Management Expenses

2022/23 £000		2023/24 £000
727	Administrative Costs	821
4,628	Investment Management Expenses	4,584
595	Oversight and Governance Costs	718
4	Local Pension Board	7
<b>5,954</b>	<b>Management Expenses</b>	<b>6,130</b>

## 12. External Audit Fees

2022/23 £000		2023/24 £000
(14)	Oversight and Governance - External Audit costs	90
(14)	<b>External Audit Fees</b>	<b>90</b>

This analysis of the costs of managing the Fund during the period has been prepared in accordance with CIPFA guidance.

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see [Note 13a](#)).

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments.

## 13. Investment Management Expenses

2023/24	Management Fees £000	Performance Related Fees £000	Transaction Cost £000	2023/24 Total £000
Bonds	191	-	1	192
Diversified Growth Funds	145	-	112	257
Infrastructure	873	72	-	945
Global Equity	1,556	-	122	1,678
Other Investments				
Pooled Property	525	128	126	779
Private Debt	670	-	-	670
Derivatives – Forward Currency Contracts	35	-	-	35
	<b>3,995</b>	<b>200</b>	<b>361</b>	<b>*4,556</b>
Custody Fees				28
Performance Measurement Fees				
<b>Total Investment Management Expenses</b>				<b>4,584</b>

\*Includes £1.578m charged for assets in the London CIV asset pool (£1.954m In 2022/23)

2022/23	Management Fees £000	Performance Related Fees £000	Transaction Cost £000	2022/23 Total £000
Bonds	179	-	-	179
Fixed Interest Unit Trust	18	-	-	18
Diversified Growth Funds	286	-	210	496
Infrastructure	770	-	-	770
Global Equity	1,501	-	100	1,601
Other Investments				
Pooled Property	667	121	-	788
Private Debt	657	-	-	657
Derivatives – Forward Currency Contracts	31	-	-	31
	<b>4,109</b>	<b>121</b>	<b>310</b>	<b>*4,540</b>
Custody Fees				27
Performance Measurement Fees				42
Other Investment Fees				10
<b>Total Investment Management Expenses</b>				<b>4,628</b>

\*Includes £1.954m charged for assets in the London CIV asset pool (£2.086m 2020/21)

#### 14. Investment Income

2022/23 £000		2023/24 £000
13,682	Pooled Investments – unit trusts and other managed funds	14,660
600	Income from Bonds*	507
-	Fixed income	173
1,928	Pooled Property Investments	1,453
12	Income from derivatives (Foreign Exchange Gains/(losses))	-
262	Interest on Cash Deposits	1,427
-	Other Income**	107
<b>16,484</b>	<b>Investment Income</b>	<b>18,327</b>

\* Income includes index linked interest of £0 (2022/23 £0.210m), fund is now fully divested

\*\* Fees and charges income

## 15. Analysis of Investments

2022/23 £000		2023/24 £000
	<b>Investment Assets</b>	
150	LCIV Shareholding	150
150		150
	<b>Bonds</b>	
351	Fixed Interest Securities*	-
26,737	Index-Linked Securities	23,819
27,088		23,819
	<b>Pooled Investment</b>	
60,434	Fixed Interest Unit Trust	113,102
66,469	Diversified Growth Fund**	-
84,509	Infrastructure	110,253
459,768	Global Equity	509,812
671,180		733,167
	<b>Other Investments</b>	
85,821	Pooled Property	81,318
81,161	Private Debt	84,551
166,982		165,869
	<b>Derivatives – Forward Currency Contracts</b>	
1,575	Cash deposits Managers	334
12,066	Amounts receivable for sales	22,822
362	Investment income due	-
71		89
14,074		23,245
<b>879,474</b>	<b>Total Investment Assets</b>	<b>946,249</b>
	<b>Investment Liabilities</b>	
(24)	Forward Currency Contracts	(449)
(248)	Amounts payable for purchases	-
<b>(272)</b>	<b>Total Investment Liabilities</b>	<b>(449)</b>
<b>879,202</b>	<b>Total Net Investments</b>	<b>945,801</b>

\* Divested during 2022/23

\*\* Divested during 2023/24

## 16. Reconciliation of movements in investments and derivatives

	Market Value at 31 March 2023	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value at 31 March 2024
	£000	£000	£000	£000	£000
Fixed Interest Securities	351	736	(1,097)	10	0
Index-linked Securities	26,737	8,352	(7,786)	(3,484)	23,819
Pooled Investment Vehicles	671,330	29,052	(22,998)	55,933	733,317
Other Investments	166,982	11,350	(8,509)	(3,954)	165,869
	<b>865,400</b>	<b>49,490</b>	<b>(40,390)</b>	<b>48,505</b>	<b>923,005</b>
Derivatives – forward currency contracts	1,551	6,042	(12,873)	5,165	(115)
	<b>866,951</b>	<b>55,532</b>	<b>(53,263)</b>	<b>53,670</b>	<b>922,890</b>
<b>Other Investment Balances:</b>					
Cash Deposits (fund managers)	12,066			(148)	22,822
Investment income due	185			-	89
Spot FX	-			3	-
	<b>879,202</b>			<b>53,525</b>	<b>945,801</b>

	Market Value at 31 March 2022	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value at 31 March 2023
	£000	£000	£000	£000	£000
Fixed Interest Securities	22,977	16,151	(33,428)	(5,349)	351
Index-linked Securities	39,097	30,843	(29,914)	(13,289)	26,737
Pooled Investment Vehicles	679,059	30,076	(22,622)	(15,183)	671,330
Other Investments	148,909	27,978	(4,859)	(5,046)	166,982
	<b>890,042</b>	<b>105,048</b>	<b>(90,823)</b>	<b>(38,867)</b>	<b>865,400</b>
Derivatives – forward currency contracts	(2,168)	21,804	(12,431)	(5,654)	1,551
	<b>887,874</b>	<b>126,852</b>	<b>(103,254)</b>	<b>(44,521)</b>	<b>866,951</b>
<b>Other Investment Balances:</b>					
Cash Deposits (fund managers)	16,985			(56)	12,066
Investment income due	361				185
	<b>905,220</b>			<b>(44,577)</b>	<b>879,202</b>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Purchases and Sales of derivatives (forward current contracts) are recognised in [Note 13a](#) above for contracts settled during the period are reported on a gross basis as gross receipts and payments.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £0.361m (2022/23 £0.310m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

The investments analysed by fund managers and the market value of assets under their management as at 31 March 2024 were as follows:

### 17. Investments analysed by Fund Manager

Value 31 March 2023		Manager	Mandate	Value 31 March 2024	
£000	%			£000	%
Investments managed by London CIV asset Pool:					
150	0.02	London CIV	Equities Unquoted	150	0.02
66,469	7.56	Baillie Gifford	Pooled Diversified Growth Fund	-	-
115,888	13.18	Ruffer	Pooled Absolute Return Fund	108,928	11.52
11,185	1.27	Foresight, Blackrock, Quinbrook & Stonepeak	Pooled Infrastructure Renewables	14,161	1.50
135,620	15.43	Baillie Gifford	Pooled Global Alpha Growth Paris Aligned Fund	157,289	16.63
43,994	5.00	State Street Global Advisors	Pooled Passive Equity Progressive Paris Aligned (PEPPA)	55,522	5.87
0	0.00	PIMCO	Global Bonds	47,433	5.02
<b>373,306</b>	<b>42.46</b>			<b>383,482</b>	<b>40.54</b>
PLUS Investments aligned with London CIV asset pool:					
164,266	18.68	Legal & General Investment Management (LGIM)	Passive Global Equities/ Emerging Markets/Future World	188,073	19.89
<b>537,572</b>	<b>61.14</b>	<b>London CIV Total</b>		<b>571,556</b>	<b>60.43</b>
Investments managed outside of the London CIV asset Pool:					
60,434	6.87	Royal London Multi Asset Credit Pooled Fund	Fixed Interest Unit Trust	65,787	6.96

Value 31 March 2023		Manager	Mandate	Value 31 March 2024	
£000	%			£000	%
27,257	3.10	Royal London Index Linked Bonds Fund	Investment Grade Bonds	23,819	2.52
51,148	5.82	UBS Property	Pooled Property	48,866	5.17
34,673	3.94	CBRE	Global Pooled Property	32,451	3.43
19,937	2.27	Stafford Capital SISF II	Overseas Pooled Infrastructure	19,852	2.10
16,387	1.86	Stafford Capital SISF IV	Overseas Pooled Infrastructure	25,435	2.69
37,000	4.21	JP Morgan	Overseas Pooled Infrastructure	50,808	5.37
21,761	2.48	Churchill II	Overseas Pooled Private Debt	17,449	1.84
15,288	1.74	Churchill IV	Overseas Pooled Private Debt	17,123	1.81
30,961	3.52	Permira PCS4	Overseas Pooled Private Debt	30,098	3.18
13,151	1.50	Permira PCS5	Overseas Pooled Private Debt	20,434	2.16
5,905	0.67	Russell Investments	Currency Management	3,699	0.39
7,728	0.88	Other	Other	18,424	1.95
<b>341,630</b>	<b>38.86</b>			<b>374,245</b>	<b>39.57</b>
<b>879,202</b>	<b>100.00</b>	<b>Total Fund</b>		<b>945,801</b>	<b>100.00</b>

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

Market Value 31 March 2023 £000	% of Total Fund	Security	Market Value 31 March 2024 £000	% of Total Fund
135,620	15.43	London CIV Baillie Gifford Global Alpha Paris Aligned Fund	157,289	16.63
115,888	13.18	London CIV Ruffer Absolute Return Fund	108,928	11.52
93,404	10.62	LGIM Future World Fund	107,757	11.39
66,469	7.56	London CIV Diversified Growth Fund	0	0.00
60,434	6.87	Royal London Multi Asset Credit Pooled Fund	65,670	6.94
43,994	5.00	London CIV Pooled Passive Equity Progressive Paris Aligned (PEPPA)	55,522	5.87
51,148	5.82	UBS Property	48,866	5.17
36,999	4.21	JP Morgan infrastructure	50,808	5.37
<b>603,956</b>	<b>68.69</b>	<b>Total Fund</b>	<b>594,840</b>	<b>62.89</b>

## 18. Stock Lending

We do not carry out stock lending directly. We are investors of a pooled fund with the passive equity manager, LGIM, who carry out stock lending as part of the Fund's activities. Stock Lending occurs in limited number of overseas equities index funds.

The Stock Lending programme is managed and administered by the custodian of the funds (Citibank) within the risk control parameters set by LGIM. The programme has been operating for over 10 years and enjoys an indemnity from Citibank. Stock lending is only undertaken with counterparties who have satisfied the requirements in terms of market capability and minimum credit standing.

All income arising from stock lending less the custodian/administrator's costs are credited to the funds lending the stocks. LGIM does not receive any revenue from the stock lending. As at 31 March 2024, the value of quoted equities on loan was £163.4m (31 March 2023 £37.9m) These equities continue to be recognised in the fund's financial statements.

## 19. Analysis of derivatives

### Objectives and policies for holding derivatives

Most of the holdings in derivatives are to hedge liabilities or hedge exposure to reduce risk in the Fund. Derivatives maybe used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and various investment managers.

### Forward foreign currency

The Fund currently has exposure to forward currency contracts and the purpose of this is to reduce the Fund's exposure to fluctuations in exchange rates. The Fund managers who use forward currency contracts are Royal London and Russell. A breakdown of forward contracts held by the Fund as at 31 March 2024 and prior year is shown below:

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value (Unrealised Gain)	Liability Value (Unrealised Loss)
		000		000	£000	£000
Up to one month	GBP	26,986	EUR	(31,367)	143	(0)
Up to one month	GBP	1,959	AUD	(3,772)	9	0
Up to one month	GBP	36,930	USD	(46,795)	0	(107)
One to six months	GBP	56,348	EUR	(65,669)	74	(9)
One to six months	GBP	5,742	AUD	(11,098)	10	(9)
One to six months	GBP	67,533	USD	(85,637)	91	(322)
One to six months	USD	7,144	GBP	(5,649)	5	(0)
One to six months	EUR	1,775	GBP	(1,521)	0	(1)
One to six months	AUD	384	GBP	(198)	0	0
Up to one month	USD	233	GBP	(183)	2	0
Up to one month	EUR	417	GBP	(357)	0	(0)
Open forward currency contracts at 31 March 2024					334	(449)
Net forward currency contracts at 31 March 2024						(115)
Open forward currency contracts at 31 March 2023					1,575	(24)
Net forward currency contracts at 31 March 2023						1,551

## 20. Fair Value Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, where possible using market based information. There has been no change in the valuation techniques used during the year.

Asset and Liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

### Level 1

Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

### Level 2

Where quoted market prices are not available or where valuation techniques are used to determine fair value based on observable data.

### Level 3

Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

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

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled Quoted	Level 2	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled Unquoted investments	Level 2	Developed using Market Data	No material difference between the value of assets & liabilities and their fair value	Not Required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required

<b>Description of asset</b>	<b>Value hierarchy</b>	<b>Basis of valuation</b>	<b>Observable and unobservable inputs</b>	<b>Key sensitivities affecting the valuations provided</b>
UK Pooled instruments-property funds	Level 3	Valuations carried out by the property funds external valuers, Knight Frank LLP	Market value in accordance with the "RICS" Appraisal and Valuation Standards	Valuations could be affected by significant differences in rental value and rent growth
Overseas Pooled instruments property funds (CBRE)	Level 3	The valuation function is performed by the Alternative Investment Fund Manager (AIFM) in accordance with the AIFMD	A Pricing Committee, composed of senior members of the AIFM, is in place, who meet quarterly and is responsible for overseeing proposed adjustments to the value of investments	Valuations could be affected by significant differences in rental value and rental growth. There may be a timing difference between the date of the last reported underlying property valuation and the date of the Funds financial statements, during which the underlying property valuation may have increased or decreased by a significant amount
Overseas Pooled instruments Infrastructure Funds (JP Morgan)	Level 3	Estimated fair values are determined by the Advisor at valuation date and independently appraised on a quarterly basis.	Three valuation techniques can be used, the market, income or cost approach. For this fund, Income approach was used based on Unobservable input of Discount/WAAC rate and Exit EBITDA Multiples.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount
Overseas Pooled Instruments Infrastructure Funds (Stafford Capital)	Level 3	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount.

<b>Description of asset</b>	<b>Value hierarchy</b>	<b>Basis of valuation</b>	<b>Observable and unobservable inputs</b>	<b>Key sensitivities affecting the valuations provided</b>
Overseas Pooled instruments Private Debt Funds (Churchill)	Level 3	Valuations undertaken quarterly and determined by the Investment Manager. To determine the value, the manager relies on guidance by various regulatory and industry organisations and authorised to use independent third party pricing services and valuation firms.	Unobservable inputs are determined by the Investment Manager and shall take into account items that it reasonably believes would impact the valuation (such as expenses and reserves).	Significant increases (decreases) in discount yields could result in lower (higher) fair value measurement. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Private Debt Funds (Permira)	Level 3	Fair Value is determined by the AIFM based on advice from Portfolio Manager and based on the International Private Equity and Venture Capital guidelines or other standards agreed by the Senior Fund Advisory Committee.	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant on the valuations. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Renewable Infrastructure (LCIV)	Level 3	Fair Values are calculated in whole or in part using techniques based in assumptions using IA SORP	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant on the valuations. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.

### Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent performance measurement service, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024.

	Assessed valuation range (+/-) %	Value at 31 March 2024 £000	Value on increase £000	Value on decrease £000
Private Debt	6.99	84,551	90,461	78,641
Pooled Property	7.19	81,318	87,164	75,471
Infrastructure	5.71	110,252	116,548	103,957

	Assessed valuation range (+/-) %	Value at 31 March 2023 £000	Value on increase £000	Value on decrease £000
Pooled Property Funds	7.00	85,821	91,828	79,814
Pooled unit Trusts	7.30	165,670	177,764	153,576

### 21. Fair Value Hierarchy

The following tables provides an analysis of the financial assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which fair value is observable.

Values at 31 March 2024	Quoted Market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	259,541	410,254	276,121	945,916
Financial liabilities at amortised cost	-	(115)	-	(115)
<b>Net Financial Assets</b>	<b>259,541</b>	<b>410,139</b>	<b>276,121</b>	<b>945,801</b>

Values at 31 March 2023	Quoted Market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	192,162	435,821	251,491	879,474
Financial liabilities at amortised cost	-	(272)	-	(272)
<b>Net Financial Assets</b>	<b>192,162</b>	<b>435,549</b>	<b>251,491</b>	<b>879,202</b>

The Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

## 22. Reconciliation of Fair Value Measurement within Level 3

	<b>Market Value 31 March 2023</b>	<b>Purchases</b>	<b>Sales</b>	<b>Unrealised gains / losses</b>	<b>Realised gains / losses</b>	<b>Market Value 31 March 2024</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Infrastructure	84,509	25,922	(2,581)	554	1,849	110,253
Pooled Property	85,821	-	(437)	0	(4,066)	81,318
Private Debt	81,161	11,350	(8,072)	93	19	84,551
<b>Total</b>	<b>251,491</b>	<b>37,272</b>	<b>(11,090)</b>	<b>647</b>	<b>(2,198)</b>	<b>276,122</b>

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account.

There were no transfers between levels.

## 23. Financial Instruments

### Classification of financial instruments

The following table analyses the carrying amounts of financial instruments by category and net asset statement heading. No financial instruments were reclassified during the accounting period.

31 Mar 2023			31 Mar 2024			
Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
			Financial Assets			
150	-	-	Long Term Investments	150	-	-
351	-	-	Bonds -Fixed Interest Securities	-	-	-
26,737	-	-	Bonds - Index linked securities	23,819	-	-
1,575	-	-	Derivative contracts	334	-	-
671,180	-	-	Pooled investment Vehicles	733,167	-	-
81,161	-	-	Private Debt	84,551	-	-
85,821	-	-	Property	81,318	-	-
-	12,211	-	Cash	-	47,099	-
-	433	-	Other Investment Balances	-	89	-
-	16,156	-	Debtors	-	99	-
<b>866,975</b>	<b>28,800</b>	-	<b>Financial Assets Total</b>	<b>923,339</b>	<b>47,287</b>	<b>0</b>
			Financial Liabilities			
-	-	(248)	Other Investment Balances	-	-	-
(24)	-	-	Derivative contracts	(449)	-	-
-	-	(411)	Creditors	-	-	(1,008)
<b>(24)</b>	-	<b>(411)</b>	<b>Financial Liabilities Total</b>	<b>(449)</b>	<b>0</b>	<b>(1,008)</b>
<b>866,951</b>	<b>28,552</b>	<b>(658)</b>	<b>Grand total</b>	<b>922,890</b>	<b>47,287</b>	<b>(1,008)</b>
	<b>920,083</b>				<b>969,169</b>	

## Net Gains and Losses on Financial Instruments

2022/23 £000		2023/24 £000
(44,577)	Financial assets Fair value through profit and loss	53,525
<b>(44,577)</b>	<b>Total</b>	<b>53,525</b>

The Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

## 24. Nature and Extent of Risks Arising from Financial Instruments

### Risk and Risk Management

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

Responsibility for the Fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the authorities' pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

#### a) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investing return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

#### b) Other Price Risk

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

The Fund is exposed to share and derivative price risk. The Fund's investment managers mitigate this risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

### c) Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movements during the financial year, in consultation with Pensions & Investments Research Consultants (PIRC), it has been determined that the following movements in market price risk are reasonably possible for the 2023/24, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	Value as at 31 March 2024 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Pooled Equities	623,064	12.49	700,885	545,244
Total Bonds	23,819	5.65	25,164	22,473
Pooled Overseas Unit Trusts	194,804	6.99	208,421	181,187
Pooled Property	81,318	7.19	87,164	75,471
Cash	22,796	0.85	22,990	22,602
<b>Total</b>	<b>945,801</b>		<b>1,044,624</b>	<b>846,977</b>

Asset Type	Value as at 31 March 2023 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Pooled Equities	520,353	14.40	595,284	445,422
Total Bonds	27,087	6.20	28,767	25,408
Pooled Overseas Unit Trusts	165,670	7.30	177,764	153,576
Global Pooled inc.UK	66,469	6.10	70,523	62,414
Pooled Property	85,821	7.00	91,828	79,813
Cash	13,802	0.50	13,871	13,733
<b>Total</b>	<b>879,202</b>		<b>978,037</b>	<b>780,366</b>

### Interest Rate Risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1%) change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

## Interest Rate Risk Sensitivity Analysis

Assets exposed to interest rate risk	Asset Values as at 31 March 2024 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on Decrease £000
Bond Securities	23,819	238	24,057	23,581
Cash and Cash Equivalents	22,822	228	23,050	22,594
Cash Balances	24,276	243	24,519	24,034
<b>Total Change in Asset Value</b>	<b>70,917</b>	<b>709</b>	<b>71,626</b>	<b>70,208</b>

Assets exposed to interest rate risk	Asset Values as at 31 March 2023 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on Decrease £000
Bond Securities	27,087	271	27,358	26,816
Cash and Cash Equivalents	13,802	138	13,940	13,664
Cash Balances	16,201	162	16,363	16,039
<b>Total Change in Asset Value</b>	<b>57,090</b>	<b>571</b>	<b>57,661</b>	<b>56,519</b>

## Currency Risk

Currency risk represents the risk that fair value of future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling.

Following analysis of historical data in consultation with PIRC, it has been determined that a likely volatility associated with foreign exchange rate movements is 6.90% over a rolling 36-month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 5.55% strengthening and weakening of the pound against the various currencies in which the Fund holds investments would increase or decrease the net assets available to pay benefits as follows:

## Currency Risk – Sensitivity Analysis

<b>Assets exposed to currency risk</b>	<b>Asset Values as at 31 March 2024 £000</b>	<b>Potential Market movement 5.55%</b>	<b>Value on increase £000</b>	<b>Value on Decrease £000</b>
Overseas Pooled	162,561	9,022	171,583	153,539
Overseas Cash	13,333	740	14,073	12,593
<b>Total change in assets available to pay benefits</b>	<b>175,894</b>	<b>9,762</b>	<b>185,656</b>	<b>166,132</b>

<b>Assets exposed to currency risk</b>	<b>Asset Values as at 31 March 2023 £000</b>	<b>Potential Market movement 6.30%</b>	<b>Value on increase £000</b>	<b>Value on Decrease £000</b>
Overseas Pooled	145,046	9,138	154,184	135,908
Overseas Cash	5,366	338	5,704	5,028
<b>Total change in assets available to pay benefits</b>	<b>150,412</b>	<b>9,476</b>	<b>159,888</b>	<b>140,936</b>

## Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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

Cash not needed to settle immediate financial obligations are invested by the Authority in accordance with the Treasury Investment Strategy. The Treasury Investment Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk.

## Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments.

The Fund's cash holding under its treasury management arrangements as at 31 March 2024 was £24.163m (31 March 2023 £16.056m). The Fund has immediate access to its cash holdings that are invested by the Authority and periodic cash flow forecasts are prepared to manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund's cash management policy and in line with the Fund's investment strategy holds assets that are considered readily realised.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2024 the value of liquid assets was £670m, which represented 69% of the total Fund (31 March 2023 £644m, which represented 72% of the total fund assets).

## **Refinancing Risk**

The key risk is that the Authority will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Authority does not have any financial instruments that have a refinancing risk as part of its investment strategies.

## **25. Funding Arrangements**

### **Actuarial Statement for 2023/24**

This statement has been prepared in accordance with Regulation 57(1) (d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### **Description of Funding Policy**

The Funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS) dated April 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants;
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term);
- where appropriate, ensure stable contribution rates;
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy; and
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

## Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £920 million, were sufficient to meet 80% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £229 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

## Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

### Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

### Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

<b>Assumptions</b>	<b>31 March 2022 %</b>
Discount Rate for Period	3.5
Salary increases assumption	3.4
Benefit increase assumption (CPI)	2.7

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the Continuous Mortality Investigation (CMI) 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	<b>Males</b>	<b>Females</b>
Current Pensioners	21.7 years	24.3 years
Future Pensioners*	22.6 years	25.8 years

\* Aged 45 at the 2022 Valuation

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administrating Authority to the Fund.

### Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position as at 31 March 2024 is stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025.

### 26. Actuarial Present Value of Promised Retirements

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities to disclose what IAS26 refers to as the actuarial present value of retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19.

<b>31 March 2023 £m</b>	<b>Year Ended</b>	<b>31 March 2024 £m</b>
1,053	Present Value of Promised Retirement Benefits	1,074
896	Fair Value of Scheme assets (bid value)	969
<b>157</b>	<b>Net Liability</b>	<b>105</b>

The promised retirement's benefits at 31 March 2024 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the classes of members may not be reliable. However, the actuary is satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, the actuary has not made any allowance for unfunded benefits.

It should be noted that the above figures are appropriate for the Administrating Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

## Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2024 and 31 March 2023. It is estimated that the impact of the change in financial assumptions to 31 March 2024 is to decrease the actuarial present value by £46m. It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £7m.

### Financial assumptions

The actuary's recommended financial assumptions are summarised below:

31 March 2023 % p.a.	Year Ended	31 March 2024 % p.a.
3.00	Pension Increase Rate	2.80
3.70	Salary Increase Rate	3.50
4.75	Discount Rate	4.80

### Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.2 years	23.9 years
Future Pensioners	22.1 years	25.3 years

### Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions at 31 March 2024	Approximate increase to promised retirement benefits %	Approximate monetary amount £m
0.1% p.a. decrease in the Real Discount Rate	2	18
1 year increase in member life expectancy	4	43
0.1% p.a. increase in the Salary Increase Rate	0	1
0.1% p.a. increase in the Pension Increase Rate (CPI)	2	17

## Professional notes

These notes accompany the covering report titled 'Actuarial Valuation as at 31 March 2024, which identifies the appropriate reliance and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

### 27. Current Assets

2022/23 £000		2023/24 £000
57	Contributions due from employers	70
218	Contributions due from employees	261
145	Pension Fund Bank Account Balances	113
386	Sundry Debtors	0
16,056	Cash deposit with LB Havering	24,163
100	Holding Accounts	99
<b>16,962</b>	<b>Current Assets</b>	<b>24,707</b>

### 28. Current Liabilities

2022/23 £000		2023/24 £000
(33)	Benefits Payable	(447)
(224)	Sundry Creditors	(270)
(155)	Holding Accounts	(293)
<b>(412)</b>	<b>Current Liabilities</b>	<b>(1,010)</b>

### 29. Additional Voluntary Contributions

Contributions Paid 2022/23 £000	Market Value 2022/23 £000	AVC Provider	Market Value 2023/24 £000	Contributions Paid 2023/24 £000
30	749	Prudential	807	47
0	88	Standard Life	97	0

### 30. Agency Services

The Fund pays discretionary awards to the former employees of Havering. The amounts paid are fully reclaimed from the employer bodies.

2022/23 £000		2023/24 £000
1,260	Payments on behalf of Havering Council	1,330

### 31. Related Party Transactions

The Fund is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Fund, or to be controlled or influenced by the Fund.

The Fund is administered by the London Borough of Havering. During the reporting period, the council incurred costs of £1.077m (2022/23 £0.946m) in relation to the administration and management of the fund and was reimbursed by the Fund for these expenses.

As the largest employer in the Fund, the Authority contributed in 2023/24 £33.396m (2022/23 £37.434m) to the Pension Fund in respect of employer's contributions. All monies owing to the Fund were paid in year.

Part of the Pension Fund internal cash holdings are invested on the money markets by the treasury management operations of London Borough of Havering, through a service level agreement. As at 31 March 2024 cash holdings totalled £24.163m (2022/23 £16,056m), earning interest over the year of £0.989m (2022/23 £0.226m).

The Fund is a minority shareholder in the London CIV Pool limited, and shares valued at £0.150m at 31 March 2024 (2022/23 £0.150m) are included as long term investments in the net asset statement. A mixed portfolio of pension fund investments is managed by the London CIV as shown in Note 13b. During 2023/24 a total of £1.578m was charged to the Fund by the London CIV in respect of investment management services (2022/23 £1.954m).

## **Governance**

Responsibility for management of the Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Statutory Section 151 officer and the Managing Director of oneSource.

No members of the Pension Fund Committee are in receipt of pension benefits from the Havering Pension Fund.

Each member of the Pension Fund Committee and Local Pension Board are required to declare their interests at each meeting.

During the year no Member or Council officer with direct responsibility for Pension Fund issues has undertaken any declarable material transactions with the Pension Fund.

The members of the Pensions Committee do not receive fees in relation to their specific responsibilities as members of the Pensions Committee.

The members of the Local Pension Board receive an attendance allowance for each meeting and these costs are included within [Note 11](#).

## **32. Key Management Personnel**

Paragraph 3.9.4.4 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and member's allowances detailed in section 3.4 of the Code (which are derived from the requirements of Schedule 1 of The Accounts and Audit Regulations 2015 satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 244. This applies in equal measure to the accounts of the Havering Pension Fund.

The disclosures required by the above legislation can be found in the main accounts of Havering Council.

### **33. Contingent Liabilities and Contractual Commitments**

Outstanding capital commitments (investments) at 31 March 2024 were £50.24m. (31 March 2023 £75.50m). These commitments relate to outstanding capital call payments due on unquoted limited partnership funds held in Private Debt and Infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing.

Following the Freedom and Choice provisions announced in the 2014 Budget, the Pension Fund has seen some enquiries from members about transferring benefits out of the LGPS. There are potential liabilities of £0.003m (2022/23 £0.003m) in respect of individuals transferring out of the Pension Fund upon whom the Fund is awaiting final decisions. Information is not available which shows how much of this is attributable to Freedom and Choice provisions.

Three admitted bodies in the Pension Fund hold insurance bonds or guarantees in place to guard against the possibility of being unable to meet their pension obligations. These bonds total £2.757m and are drawn down in favour of the Pension Fund. Payment will only be triggered in the event of employer default.

Three admitted bodies, which are subject to pending legal agreements, will hold bonds or guarantees totalling £1.066m.

The Fund, in conjunction with the other borough shareholders in the London CIV, has entered into an exit payment agreement with the London CIV, acting as a Guarantor. The Fund will meet any exit payments due should the London CIV cease its admission arrangements with the City of London. Should the amount become due the Fund will meet 1/32 share of the costs.

# Investments and Funding

## Investment Policy

The Pensions Committee directs the Fund's Investment Strategy and oversees investment arrangements, publishing policies on various investment matters.

The Investment Strategy Statement (ISS) outlines the London Borough of Havering's investment policies for the Fund. The primary objective is to invest assets to secure member benefits under the Local Government Pension Scheme. The Fund's investment approach aims to:

- Optimise returns with prudent risk levels;
- Ensure sufficient resources to meet liabilities;
- Ensure asset suitability for the Fund's needs.

The Committee has established a strategic asset allocation benchmark to balance long-term returns with market volatility and risk, considering the Fund's liabilities and maturity profile. This strategy aligns with the Fund Actuary's view that the current funding policy is consistent with the investment strategy, incorporating prudent assumptions for future returns.

The Fund's funding position and investment strategy are reviewed triennially or as needed, following actuarial valuations. The Committee's Statement of Investment Beliefs, integrated into the ISS, enhances governance by providing a framework for investment decisions and guiding the ISS.

## Responsible Investment

Investment Beliefs:

The Fund's investment beliefs emphasise sustainable and responsible investment practices. These beliefs guide the selection and monitoring of investment managers and strategies, ensuring alignment with long-term goals and ESG principles.

The Fund has integrated responsible investing into its strategy, focusing on Environmental, Social, and Governance (ESG) considerations. Here are the key elements and policies:

[Investment Strategy Statement \(ISS\)](#): This document details the Fund's commitment to integrating environmental, social, and governance (ESG) factors into its investment decisions. The ISS emphasizes the importance of responsible investment to manage risks and generate sustainable, long-term returns.

[Funding Strategy Statement \(FSS\)](#): The FSS aligns with the investment strategy, ensuring that future investment returns are set with a margin for prudence. This approach supports the regulatory requirement for funds to take a prudent, long-term view of funding liabilities.

[Climate Risk Policy and Action Plan](#): This document explains the Fund's commitment to achieving net-zero carbon emission by 2050.

[Taskforce for Climate-Related Financial Disclosures \(TCFD\)](#): The Fund has adopted the TCFD framework to enhance transparency by not only addressing climate-related financial

risks but also supports broader ESG goals, contributing to sustainable and responsible investment practices

## **Compliance with Investment Principles and Codes of Practice**

The Committee has taken several actions to ensure compliance with established investment principles and relevant codes of practice:

**[Investment Strategy Statement \(ISS\)](#):** The Committee has developed and regularly updates its ISS, which outlines the investment strategy, objectives, and policies. This document serves as a cornerstone for the Fund's governance and investment decisions.

**[Climate Risk Policy and Action Plan](#):** Climate risks are systematically integrated into the investment strategy. This includes assessing potential impacts and adjusting the portfolio to mitigate these risks.

**Stewardship and Engagement:** The Fund actively engages with investment managers and companies to promote responsible business practices. Although not a signatory of the UK Stewardship Code, the Fund monitors signatories and collaborates with industry initiatives to enhance stewardship efforts.

**Collaborations:** The Fund collaborates with various partners and industry leaders, such as the London Collective Investment Vehicle (LCIV) and Pensions for Purpose, to achieve common ESG goals and promote best practices in responsible investing.

**Regular Monitoring and Reporting:** The Fund conducts regular reviews of its investment performance. This ensures that the investment strategy remains aligned with the Fund's objectives.

**Training and Development:** Committee and Local Pension Board members receive ongoing training to stay informed about best practices and regulatory changes. This helps ensure that the Fund's governance and investment practices are up-to-date and effective.

## **Asset Allocation**

The Committee adopted an updated Investment Strategy Statement (ISS) on 12 September 2023. You can access the agenda and meeting pack [here](#).

The table below shows the planned asset allocation and any changes in asset allocations:

**Table: Strategic Asset Allocation**

<b>Asset class</b>	<b>Benchmark Proportion %</b>	<b>Maximum %</b>	<b>Actual Allocation at 31/03/2024</b>
Global Equity	40.0	50.0	41.4
Multi Asset	12.5	17.5	15.6
Property	10.0	15.0	8.8
Infrastructure	12.5	17.5	11.4
Bonds & Cash	25.0	30.0	22.8
<b>Total</b>	<b>100.0</b>		<b>100.0</b>

Short-term performance variations in asset classes and managers may cause deviations from benchmarks.

Per the ISS, if the Fund allocation deviates by 5% or more from the strategic allocation, assets will be rebalanced to within 2.5% of the strategic allocation. In exceptional circumstances, such as market volatility or high dealing costs, the Committee may temporarily suspend rebalancing.

The underweight position in Infrastructure is due to uncalled commitments.

### **Investment Administration and Custody**

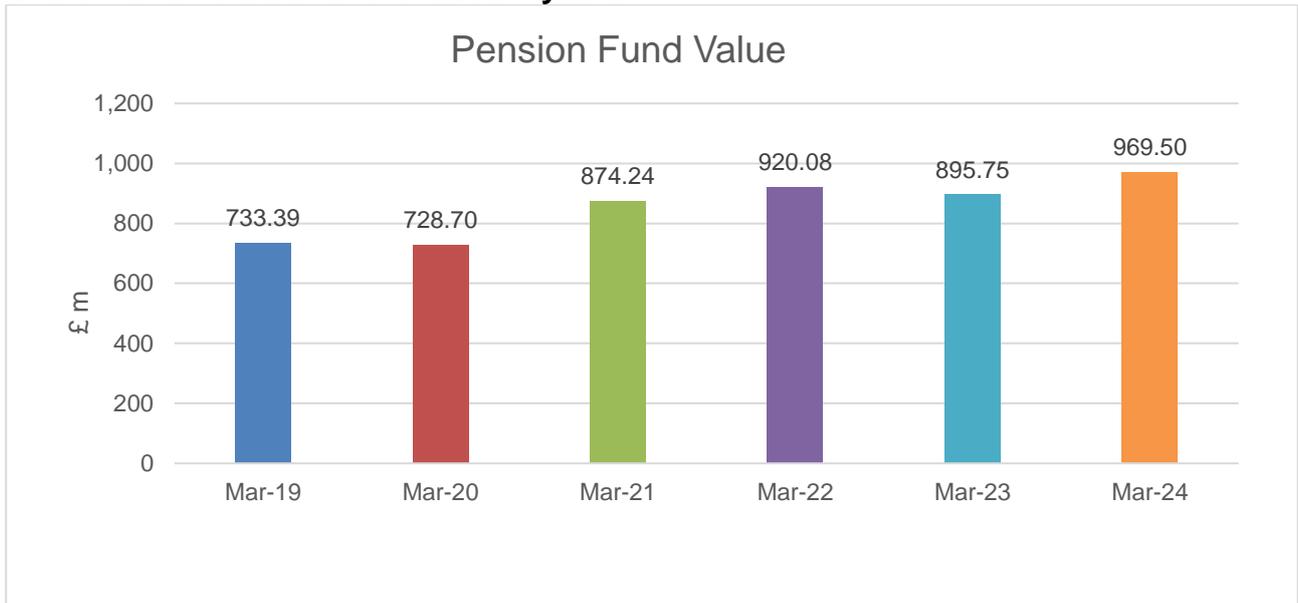
Northern Trust, the appointed custodian, is responsible for the safekeeping and custody of the Fund's assets. They provide investment accounting and reporting services, maintain accurate records and certificates of stock ownership, ensure receipt of dividend income and other distributions, and keep records of book costs and market valuations.

Fund Manager Performance is reported to the Committee quarterly. Each fund manager attends a meeting approximately every two years, based on the current number of managers and the quarterly meeting cycle. Additional meetings can be arranged if there are specific performance concerns.

Investment advisors attend Committee meetings and provide an Investment Performance Report, including market commentary.

The Fund's net assets increased to £970m in 2023/24 from £896m in 2022/23, a rise of £74m.

**Chart: Fund value over the last six years:**



**Performance Measurement**

Northern Trust provides comparative performance statistics for the Fund, measuring it against both tactical and strategic benchmarks.

**Table: 2023/24 Fund Manager performance against benchmark**

<b>Fund Manager</b>	<b>Return (Performance) %</b>	<b>Benchmark %</b>	<b>Performance vs benchmark %</b>
<b>Havering Pension Fund</b>	<b>7.38</b>	<b>11.69</b>	<b>-4.31</b>
<b>Equities Passive: Passive equities BM</b>	16.97	16.66	0.31
LGIM Emerging Markets	6.10	6.20	-0.10
LGIM Future World Fund	15.37	15.48	-0.11
LCIV Passive Equity Progressive Paris Aligned Fund	26.20	25.70	0.50
LGIM Global Equity	20.92	20.98	-0.06
<b>Equities Active MSCI All Country World</b>	15.98	22.45	-6.48
LCIV Global Alpha Paris Aligned Fund	15.98	22.45	-6.48
<b>Multi Asset: SONIA Index +4%</b>	-6.01	9.18	-15.18
LCIV Absolute Return Fund	-6.01	9.18	-15.18
<b>Property: UK CPI +5%</b>	-3.99	2.77	-6.75
CBRE	-6.41	8.15	-14.56
UBS	-2.34	-0.70	-1.65
<b>Infrastructure: UK CPI +5%</b>	3.86	8.15	-4.29
JP Morgan	8.60	8.15	0.45
LCIV Renewable Infrastructure	-3.35	8.15	-11.50
Stafford SISF II	2.40	8.15	-5.75
Stafford SISF IV	8.71	8.15	0.55
<b>Bonds &amp; Cash: SONIA Index +4%</b>	5.84	6.05	-0.21
Churchill II	9.23	9.18	0.05
Churchill IV	9.05	9.18	-0.13
LCIV Global Bond Fund	0.53	-0.01	0.55
Permira IV	9.01	9.18	-0.17
Permira V*	9.77	9.18	0.60
Royal London Index Linked/MAC	2.18	3.68	-1.50
<b>Cash: SONIA Index</b>	1.09	5.17	-4.08
Cash	1.09	5.17	-4.08

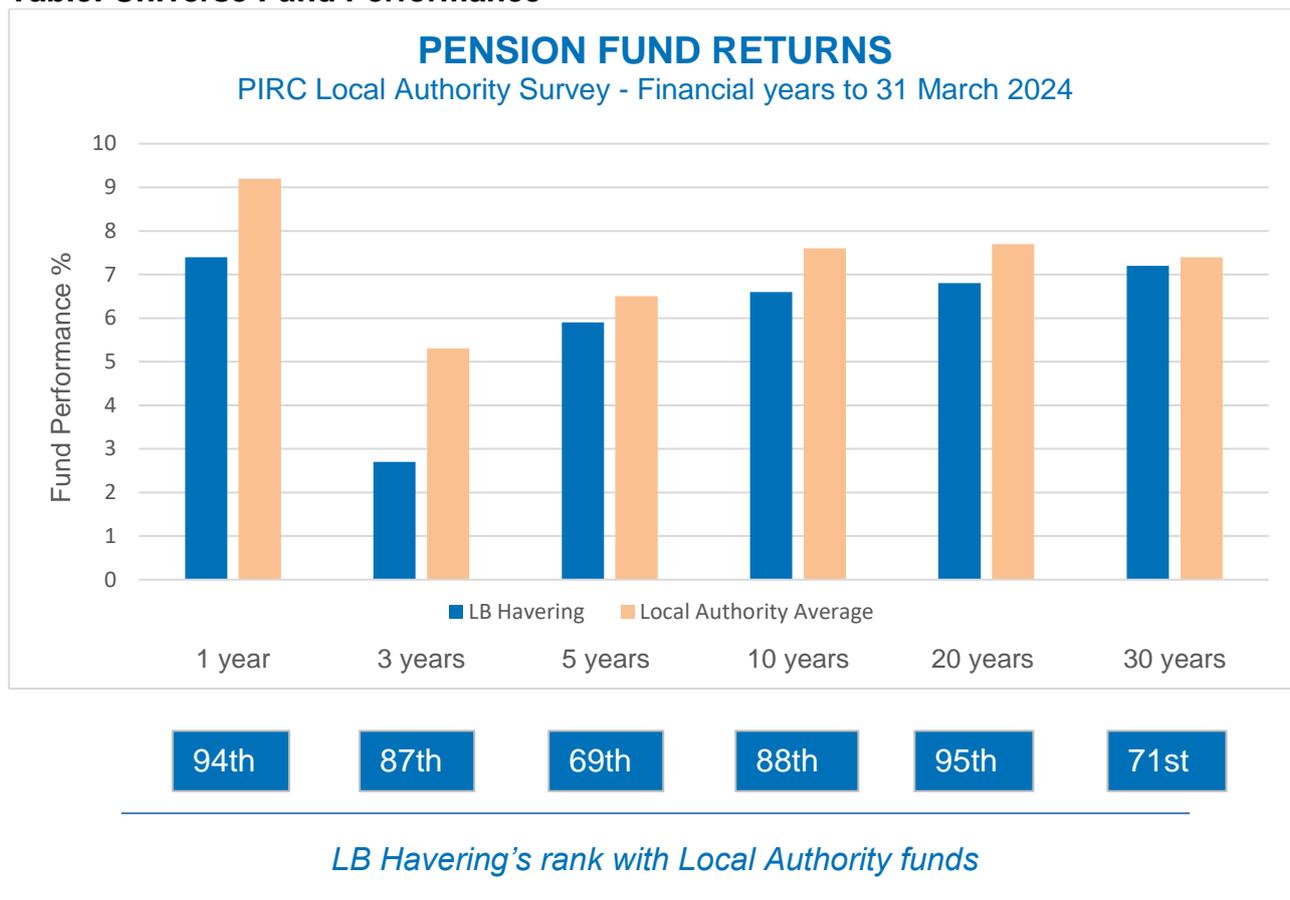
## **Pensions & Investment Research Consultants Ltd**

The Fund also uses the services of Pensions & Investment Research Consultants Ltd (PIRC) to provide LGPS universe comparisons against other LGPS funds. The Fund does not measure performance using the PIRC universe benchmarks it is shown as a comparison tool and information.

The PIRC league tables focus solely on return and make no allowance for risk / risk adjusted returns. Although helpful to get a general insight, this makes it difficult to get a true like-for-like comparison where different funds will have different investment strategies and levels of risk. This should be noted if comparing relative ranking in the PIRC tables.

The PIRC Local Authority Universe comprised of 63 funds as at the end of March 2024 with a value of £266 billion.

**Table: Universe Fund Performance**



**Table: Universe asset allocations as at March 2024**

Universe Data	Average Allocation %	Havering Allocation %	Average Return %	Havering Return %	Havering Percentile Ranking
Equities	51	41	16.3	16.6	64
Bonds/Credit	17	14	4.4	1.8	81
Infrastructure	7	11	2.7	5.2	22
Diversified Growth	1	11	3.2	-4.4	79
Private debt	4	9	8.2	9.2	51
Property	8	8	-3.2	-4.0	76
Cash	3	5	n/a	n/a	n/a

**PIRC Universe Summary**

**Last 12 months:**

- The average fund delivered a return of 9.2% in the latest year.
- Equities delivered over 16% for the year while most other asset classes produced low single digit returns.
- Asset allocation was, therefore, a key driver of relative performance. Funds with a high equity allocation outperformed their more risk averse peers
- For the third year in succession, most active equity managers failed to add value.
- Bond performance was mixed. with diversified strategies comfortably outperforming government issue.
- Returns from illiquid assets were relatively flat with private debt performing relatively strongly.

- Property saw a further strong decline in values over the year.

### **Asset Allocation**

- Whilst significantly reduced over the last decade, equities remain by far the largest component of almost every fund.
- The move into alternative assets continues with infrastructure and private equity now at broadly the same weighting as property in the average fund.
- Private credit continues to grow as a preferred area for investment whilst diversified growth funds have lost favour after largely failing to meet performance expectations.

### **PIRC Havering Summary**

- The Fund, with a return of 7.4% was well below the average of 9.2% and ranked in the 96th percentile
- Returns were dominated by the strong equity result so in the latest year risk was rewarded. More risk averse funds tend to be towards the bottom of the rankings.
- The diversified growth assets of the Fund underperformed substantially in the latest year, ranking in the lower quartile of results.
- The high commitment to diversified growth and lower commitment to equities was detrimental in the latest year.

## **Comments on Fund performance from the Fund's Investment Advisors**

The overriding investment objective for the Fund is to deliver consistent year-on-year returns to support an affordable and stable level of contributions for the longer term.

The current funding approach implies a target investment return of 3.5% p.a. (as stated in the latest actuarial valuation date as at 31 March 2022). This target investment return is a slight increase from the 3.3% p.a. stated in the previous actuarial valuation (as at 31 March 2019).

Over the 12-month period to 31 March 2024, the Fund delivered a positive return of 7.4% which was ahead of the strategic benchmark, albeit behind the Fund's tactical benchmark. Over periods of 3 years and 5 years to 31 March 2024, the Fund experienced positive asset growth, with investment returns of 2.7% p.a. and 5.9% p.a. respectively. These returns remain ahead of the Fund's strategic benchmark with the Fund therefore demonstrating long-term performance which remain sufficient to support affordable and stable levels of contributions.

The positive investment performance (in absolute terms) over the 12-month period was primarily driven by the Fund's equity allocation, particularly the Fund's active equity allocation. Improved economic activity, declining inflation and AI enthusiasm positively impacted these allocations, leading them to perform strongly. The primary contributor to the Fund's underperformance relative to the tactical benchmark over the 12-month period was its 'absolute return' multi-asset allocation. The allocation is defensively positioned, with a large exposure to government bonds, and over a period of strong equity and credit performance and rising government bond yields, this led the allocation to underperform.

Implementation of previously agreed changes in the investment strategy continued over the year. To improve the efficiency of the strategy and capture investment opportunities, the Fund's allocation to the LCIV Diversified Growth Fund was redeemed in full and, as an interim step, 2.5% of the proceeds were invested in infrastructure and the remaining 5.0% invested in a new investment grade credit allocation, managed by the LCIV. As a further evolution of strategy, Committee has agreed that this 5.0% credit allocation be transferred to the multi-asset credit and private debt allocations over the longer-term.

Finally, during the year, the Committee took further steps to develop the Fund's Climate Risk Policy and Action Plan. This included setting a target Net Zero date of 2050, setting targets for specific climate metrics and associated actions to take over time to achieve these and framing how the Fund wishes to approach its journey towards Net Zero. As part of this work, the Committee completed a baseline assessment of climate metrics for the Fund's existing investments, received training on Task Force on Climate-related Financial Disclosures, and completed a Climate Workshop to discuss and decide actions to be taken over 2024 and beyond.

## **Voting and Engagement Activity**

The Fund's Investment Belief emphasizes that effective stewardship through informed voting and engagement can positively influence corporate behaviours, with greater success likely through collaboration.

The Fund does not have its own voting and engagement policy. Instead, it delegates these activities to its investment managers, reviewing their approach annually.

Shareholder rights are available only to investment managers with segregated equity holdings. Currently, all equity holdings are managed on a pooled basis, so the Fund has no direct shareholder voting rights.

41% of equity funds are managed via the London Collective Investment Vehicle (LCIV), which engages directly with investment managers. 20% of pooled passive equities are managed by LGIM.

LCIV delegates voting to appointed managers, aligning with their house voting policies.

LCIV has a [Voting Guideline Policy](#) which lays out their principles and expectations. They appointed EOS at Federated Hermes to consolidate voting activities and provide engagement services.

The Fund also subscribes to LAPFF in recognition of the need to collaborate with other investors to promote best practice on responsible investment and effectively engage with companies.

The Fund's Investment Advisor (Hymans) presents an annual summary of voting and engagement activities, including compliance with governance and stewardship standards. The review of the year ending June 2023 was presented to the Pensions Committee on 19 March 2024 and in summary:

**Exercise of votes 12m to 30 June 2023:**

	LGIM			LCIV		
	Global	Emerging Markets	Future World	PEPPA	Global alpha	Absolute Return
# Eligible votes	62,920	32,588	22,400	10,941	1,309	1,106
% Votes exercised	99.9	99.9	99.9	97.0	95.0	100.0
% against management	19.6	18.1	19.8	11.0	11.0	1.0
% abstained / withheld	0.6	1.2	0.2	1.0	2.0	1.0
% meetings with at least 1 vote against management	62.1	52.5	70.2	72.0	73.0	13.0

The Fund Managers exercised voting policies and undertaken engagement activity in line with expectations and have no significant concerns with the extent to which stewardship activity has been exercised.

While the Fund is not a signatory of the UK Stewardship Code, it actively monitors the following signatories to the UK 2020 Stewardship Code (last updated 21/02/2024):

- Investment Advisor: Hyman's Robertson
- Custodian: Northern Trust
- Asset pool: London CIV
- Equities: LGIM, LCIV PEPPA, LCIV Global Alpha
- Real Assets: UBS and JP Morgan

- Property: CBRE
- Currency Hedge Manager: Russell Investments
- NOT signatories to the UK 2020 Stewardship Code
  - Stafford, Permira and Churchill
- Signatories to United Nations Principles for Responsible Investment (UNPRI) as follows:
  - Investment Advisor: Hyman’s Robertson
  - Custodian: Northern Trust
  - Asset pool: London CIV
  - Equities: Equities: LGIM, LCIV PEPPA, LCIV Global Alpha
  - Real Assets: CBRE , JP Morgan, Stafford and UBS
  - Bonds and Private Debt: Churchill, Permira and Royal London

## **Cost Transparency**

The LGPS Code of Transparency helps LGPS clients gather cost information consistently. Fund managers are encouraged to sign up to this Code to demonstrate their commitment to transparent cost reporting. A full list of signatories is available on the [SAB website](#).

The CTI framework is used to report costs and charges, helping assess value for money of investments. It is compatible with Markets in Financial Instrument Directive (MiFID II) and can be used by both Defined Benefit and Defined Contribution schemes.

There are three different templates:

1. The User Summary, which can be used by schemes and advisors to provide a summary of key information across all investments.
2. The Main Account Template, which is the main cost disclosure template to be completed by the investment manager(s) and covers most asset types.
3. The Private Equity Sub-template, which is to be completed by investment managers of closed-ended private equity funds.

These templates cover management fees, performance fees, and transaction costs.

## **Compliance and Reporting**

Cost transparency is part of the revised CIPFA accounting standards for LGPS annual reports and accounts. Investment managers must submit templates annually or quarterly as agreed with their clients. The SAB procured a system from Byhiras to streamline data submission and compliance.

Byhiras System:

- Accepts and stores template data.
- Checks timeliness of submissions and reports late returns.
- Ensures data is signed off as ‘fair, clear, and not misleading’.
- Verifies MiFID II total cost amounts submitted separately by managers<sup>4</sup>.

The Fund has cost transparency data from its managers, with signatories listed on the SAB website and templates uploaded to the Byhiras system.

**Table: Fund manager's transparency compliance table**

Fund Manager	Signatory on SAB website	Reporting Date	Template uploaded to Byhira portal	CTI Template used
CBRE	✓	31/03/2024	✓	Main
Churchill	✓	31/03/2024	✓	Private markets
JP Morgan	✓	31/03/2024	✓	Private markets
LGIM	✓	31/03/2024	✓	Main
London CIV	x			
• Diversified Growth		31/03/2024	✓	Main
• Global Alpha		31/03/2024	✓	Main
• Absolute		31/03/2024	✓	Main
• Infrastructure		31/03/2024	✓	Private market
• Passive Equity		31/03/2024	✓	Main
Permira	✓	31/03/2024	✓	Private markets
Royal London	✓	31/03/2024	✓	Main
Russell Investments	✓	31/03/2024	✓	Main
Stafford	✓	31/03/2024	✓	Private markets
UBS	✓	31/12/2022	✓	Main

- Whilst London CIV are not a signatory they provide the templates specified by SAB

**Table: Investment management costs**

	Asset Pool			Non asset pools			Fund Total £000
	Direct	Indirect	Total	Direct	Indirect	Total	
	£000	£000	£000	£000	£000	£000	
Management Fees							
...ad valorem*	1,578	-	1,578	2,417	-	2,417	3,996
...performance	200	-	200	-	-	-	200
<b>Total Management Fees</b>	<b>1,778</b>	<b>-</b>	<b>1,778</b>	<b>2,417</b>	<b>-</b>	<b>2,417</b>	<b>4,196</b>
Transaction costs	-	361	361	-	-	-	361
Custody Costs							27
Other Costs							-
<b>Total</b>	<b>1,778</b>	<b>361</b>	<b>2,139</b>	<b>2,417</b>	<b>-</b>	<b>2,417</b>	<b>4,584</b>
Asset Shared Cost (LCIV Management Fees)	101	-	-	-	-	-	101

- \*Fees are calculated based on the value of assets held.



## Asset Pool

The Havering Pension Fund's asset pool is the London CIV (LCIV), a Collective Investment Vehicle for London Local Authorities (LLA) Local Government Pension Scheme (LGPS) funds. LCIV aims to meet pooling requirements and work in partnership with LLAs. Its London clients, who are shareholders, own it.

### Objectives of Asset Pools:

- Benefits of scale
- Strong governance and decision-making
- Reduced costs and excellent value for money
- Improved capacity and capability to invest in infrastructure

Responsibility for determining asset allocations and investment strategy remains with the Fund.

The Fund will continue to evaluate LCIV products for alignment with its investment strategy objectives.

### Oversight and Governance of the Asset Pool

The Committee is responsible for overseeing the Pension Fund's activities, including its investments in the London CIV. The committee sets the investment strategy, monitors performance, and ensures compliance with regulatory requirements.

The Fund receives quarterly performance reports from the London CIV. These reports provide detailed analysis of the performance of each investment mandate against their respective benchmarks.

The Pension Fund employs investment consultants who provide expert advice on investment strategy and performance. They help interpret performance data and recommend changes to the investment approach if needed.

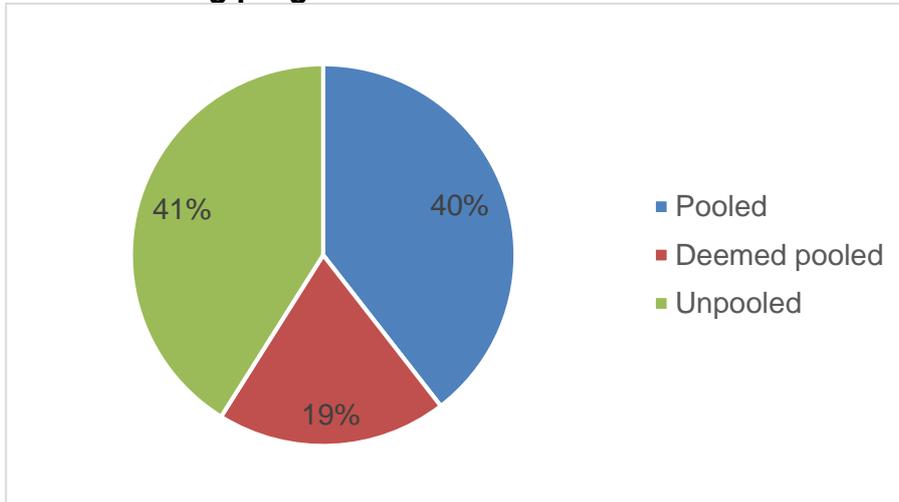
The London CIV publish an annual report that includes comprehensive performance data and analysis, governance, and strategic initiatives. The report is subject to external audits, providing an additional layer of assurance.

The London CIV integrates Environmental, Social, and Governance (ESG) factors into its investment processes. This commitment to responsible investment aligns with broader sustainability goals and provides assurance that investments are made ethically.

## Pooling Progress

The following chart illustrates the distribution of assets as at 31 March 2024. It shows that the fund has £383m in pooled assets, £188m in deemed pooled assets, and £374m in unpooled assets. This distribution highlights the fund's commitment to pooling.

**Chart: Pooling progress**



**Table: Pooling analysis as at 31/03/2024**

<b>Asset Description</b>	<b>Pooled</b>	<b>Under pool management</b>	<b>Not pooled</b>	<b>Grand Total</b>
LCIV Absolute Return	108,928			108,928
LCIV Global Alpha Paris Aligned	157,289			157,289
LCIV PEPPA	55,522			55,522
LCIV Shares	150			150
LGIM All World Equity Index (GPCF)		41,884		41,884
LGIM Future World Fund (APAZ)		107,757		107,757
LGIM World Emerging Markets Equity Index (XPAH)		38,433		38,433
<b>Equities Total</b>	<b>321,889</b>	<b>188,074</b>		<b>509,963</b>
LCIV Global Bond Fund	47,433			47,433
Royal London			23,935	23,935
<b>Bonds Total</b>	<b>47,433</b>		<b>23,935</b>	<b>71,368</b>
CBRE Global Alpha Fund			32,451	32,451
UBS Triton Property Unit Trust			48,866	48,866
<b>Property Total</b>			<b>81,318</b>	<b>81,318</b>
General Cash			18,424	18,424
<b>Cash Total</b>			<b>18,424</b>	<b>18,424</b>
Royal London			65,670	65,670
<b>Multi Asset Credit Total</b>			<b>65,670</b>	<b>65,670</b>
Russell Investments			3,699	3,699
<b>Derivatives Total</b>			<b>3,699</b>	<b>3,699</b>
JP Morgan			50,808	50,808
LCIV Renewable Infrastructure	14,161			14,161
Stafford II			19,852	19,852
Stafford SISF IV			25,435	25,435
<b>Infrastructure Total</b>	<b>14,161</b>		<b>96,095</b>	<b>110,256</b>
Churchill SLF II			17,449	17,449
Churchill SLF IV			17,123	17,123
Permira Credit Solutions IV			30,098	30,098
Permira V			20,434	20,434
<b>Private debt Total</b>			<b>85,104</b>	<b>85,104</b>
<b>Grand Total</b>	<b>383,482</b>	<b>188,074</b>	<b>374,245</b>	<b>945,801</b>

## UK Investment

<b>Asset values as at 31 March 2024</b>	<b>Pooled £000</b>	<b>Under pool management £000</b>	<b>Not pooled £000</b>	<b>Total £000</b>
UK Listed Equities	12	7	-	19
UK Government Bonds	36	-	24	60
UK Infrastructure	6	-	-	6
UK Private Equity	2	-	-	15
<b>Total</b>	<b>55</b>	<b>7</b>	<b>47</b>	<b>109</b>

The above table is based on available data and reasonable assumptions, an estimation of the proportion of UK investments has been made. This estimation helps provide a clearer picture of the asset distribution, even if precise figures are not available.

At 31 March 2024 the Fund had undrawn capital commitments of £50m. It is not possible to determine the value that will be deployed in the UK assets.

## Pool set up costs

Table: Set up cost, management costs and fee savings:

	2015/16	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Cumulative Total £000
<b>Set Up Costs:</b>										
Share Purchase Subscription	150	-	-	-	-	-	-	-	-	150
Annual Service Charge	25	25	25	25	25	25	25	25	25	225
Implementation Fund	50	-	-	-	-	-	-	-	-	50
Development Fund	-	-	75	65	65	85	85	85	76	536
<b>Total Set Up costs Total</b>	<b>225</b>	<b>25</b>	<b>100</b>	<b>90</b>	<b>90</b>	<b>110</b>	<b>110</b>	<b>110</b>	<b>101</b>	<b>961</b>
LCIV Indirect management Fees	-	59	76	78	92	92	97	83	131	708
LCIV Direct management Fees	-	-	-	2	-	8	9	8	9	34
Total cost	225	84	176	170	182	210	216	201	240	811
Gross Fee savings	(6)	(35)	(98)	(259)	(534)	(543)	(667)	(670)	(570)	(2,812)
<b>Net Costs/(Savings)</b>	<b>219</b>	<b>49</b>	<b>78</b>	<b>(89)</b>	<b>(352)</b>	<b>(333)</b>	<b>(450)</b>	<b>(469)</b>	<b>(329)</b>	<b>(1,399)</b>

[The LCIV Annual Review](#) for 2023/24 is available on their website and includes the Business review, Corporate Governance and Financial Statements.

# Administration

Under Regulation 59(1) of the Local Government Pension Scheme Regulations 2013, an administering authority may prepare a written statement regarding the authority's policies on pensions administration.

[The Havering Pension Fund's Pensions Administration Strategy \(PAS\)](#) outlines the roles and responsibilities for both the administering authority and scheme employers, as well as the expected performance standards. This document is available on the Council's website under the pensions administration strategy section.

The PAS aims to enhance the efficiency of pensions administration service delivery to our members. Throughout 2023/24, we have collaborated with scheme employers to raise awareness of their responsibilities under the PAS and have provided additional support through the creation of an employer responsibility guide.

Monitoring against the PAS has been delayed due to the implementation of a new pensions administration system. We are working with LPPA to obtain a suite of reports to monitor employer performance against the published PAS standards. In 2024/25, we will monitor employers against the published service level agreements within the PAS and report to the Local Pensions Board on a six-monthly basis. A full year's worth of statistics will be included in the Annual Report for that year.

The [Communications Policy](#) was approved by the Pensions Committee in November 2021 for a three-year period. The Havering pensions administration team has a communication plan that complements the policy, detailing the topics to be communicated, the methods, and the frequency of those communications. The plan is presented to the Local Pension Board every six months for review and progress updates.

The work carried out during 2023/24 is summarised below:

## 1. Communications with Scheme Members

Our aims for communicating with our scheme members are:

- to better educate members of the benefits of the scheme to reduce the general queries being directed to the LPPA help desk
- to encourage the use of the pension scheme website and Pension Point Self Service.

Action	Audience	Media	End of Year Review 2024
Review and update the pension websites and intranet site	All	Web	The LPPA have maintained and updated the member website including the Pension Point Self Service Portal and a booking facility for member training which was utilised by 45 fund members. Havering pensions team has maintained a pensions web page within the Havering.gov website. This is used to publish all Havering specific pension related news and documents.

Promote the pension websites and intranet	All	Web, paper and electronic	The LPPA website is promoted on member correspondence. Both the LPPA and the Havering websites are promoted during face to face or virtual meetings. We utilise member and employer communications to increase awareness.
Promote Pension Point Self Service	Active, Deferred and Pensioner	Web, paper and electronic	Pension Point Self Service is promoted to all new members to the pension scheme. We utilise member and employer communications to increase awareness. As at March 2024 22.11% of the total membership had registered for Pension Point. We have now exceeded the total number of members registered on the previous portal My Pension Online by 393.
Ensure relevant, accurate and timely communications are sent to all members	All	Paper or electronic	Standard communications are monitored as part of the KPI and contract monitoring process. We utilise corporate and employer communications to raise awareness of key topics. Members communications are detailed in the communications plan presented to the Local Pension Board.

## 2. Communications with Prospective Scheme Members

Our aims for communicating with our prospective scheme members are:

- to increase the take up of the LGPS
- to better educate members of the benefits of the scheme to reduce the general queries being directed to the LPPA help desk

Action	Audience	Media	End of Year Review 2024
Ensure pension website is included with new employee contracts and information packs	New employees	Paper or electronic	All eligible new employees are contractually enrolled into the LGPS and the website information is included in the LPPA's starter packs. Both the LPPA and Havering websites are available for general viewing.
Review and update the pension websites	All	Web	The LPPA have maintained and updated the member website. Havering pensions team has maintained a pensions web page within the Havering.gov website. This is used to publish all Havering specific pension related news and documents.
Work with employers to ensure automatic enrolment is correctly communicated	Existing employee	Paper or electronic	Relevant scheme employers automatically enrolled eligible staff during 2023/24. Affected staff received letters and factsheets to explain the process.

### 3. Communications with Scheme Employers

Our aims for communicating with our scheme employers are:

- to improve relationships
- to assist them in understanding their role as a scheme employer
- to assist them in understanding funding/cost requirements
- to work together to achieve accurate scheme actuary data submissions
- to ensure smooth staff transfers
- to improve the service our pension fund members receive

Action	Audience	Media	End of Year Review 2024
Meet with all new scheme employers to discuss responsibilities and requirements	Employer	Face to face or virtually	New employers receive a comprehensive email of all relevant information and the offer of either a face to face or virtual meeting. 4 new employers received an email but there were no requests for meetings
Review and update the employer sections of the pension websites	Employer	Web	The LPPA have maintained and updated the website including comprehensive information about the employer portal. Havering pensions team has maintained a pensions web page within the Havering.gov website. This is used to publish all Havering specific pension related news and documents
Work with LPPA to promote employer training sessions	Employer	Web	LPPA ran a number of different training sessions throughout the year. Havering employers were present 30 times across the different sessions.
Work with LPPA to ensure accurate and timely data submissions	Employer	Email, phone, face to face or virtually	Havering continue to promote the Pensions Administration Strategy detailing the expected timeframes for data submissions. Havering have worked with employers to ensure all 2023 year-end data queries are resolved.
Provide regular updates to employers on key aspects of the scheme	Employer	Web or email	LPPA have a regular employer newsletter to provide updates on the scheme and other relevant information. Havering have sent regular emails to employers on key topics throughout the year as detailed in the communications plan presented to the Local Pension Board.

### 4. Communications with Representatives of Members

#### a. Pensions Committee

Our aims for communicating with Pensions Committee are:

- to provide information to enable the Committee to make decisions delegated under the Council's constitution

- to provide information to ensure the Committee are kept informed of pension related matters
- to ensure the Committee are aware of their responsibilities in relation to the Scheme
- to provide training with regards to investment and administration matters

Action	Audience	Media	End of Year Review 2024
To submit Committee reports in line with the annual plan and as and when required	Pensions Committee Members	Paper and web	All relevant reports were submitted and presented to Committee and uploaded onto the Havering Website
To arrange required training as and when required	Pensions Committee Members	Face to Face, online or virtually	Relevant training was provided to Committee members during the year

### b. Local Pensions Board

Our aims for communicating with the Local Pensions Board are:

- to provide information to enable the board to assist the Scheme Manager in executing their duties
- to provide information to ensure the board are kept informed of pension related matters
- to ensure the board are aware of their responsibilities in relation to the Scheme
- to provide training with regards to investment and administration matters

Action	Audience	Media	End of Year Review 2024
To submit reports in line with the Board work plan and any additional areas identified at meetings	Local Pension Board	Paper and web	All relevant reports were submitted and presented to the Local Pension Board and uploaded onto the Havering Website.
To arrange required training as and when required	Local Pension Board	Face to Face, online or virtually	Induction training has been provided to new Board members and information regarding external training courses has been circulated.

### c. Havering and oneSource Managers

Our aims for communicating with the Havering and oneSource managers are:

- to provide information to be able to make decisions delegated under the Council's constitution
- to provide accurate, timely and relevant information on request
- to ensure managers are aware of any pension related employer costs

Action	Audience	Media	End of Year Review 2024
To write key or non-key executive decision reports as required in line with the Council's constitution	Senior or oneSource Management	Paper or email	All relevant reports have been written and submitted in line with the Council's Constitution.
To ensure the provision of employer estimates is in line with the contractual agreement	HR and Heads of Service	Paper or email	LPPA have introduced an employer self service function for employer driven pension estimates. The Havering pensions administration team support with this as required.

#### **d. Other Stakeholders**

##### **Pension Fund Manager (Finance)**

The Pension Fund Manager (Finance) responds to staff, employer and other enquiries. Skills and knowledge are kept up to date through participation in seminars and conferences.

##### **Pension Projects and Contracts Manager**

The Pension Projects and Contracts Manager oversees the administration contract with the Local Pensions Partnership Administration (LPPA). Quarterly client reviews are conducted to monitor the contract and ensure service level agreements are met. This role also involves maintaining relationships with scheme employers, trade unions, and other relevant stakeholders.

##### **Investment Fund Managers**

The Pension Fund Manager (Finance) maintains regular contact with the investment fund managers. Each fund manager is required to present their performance reports to the Pensions Committee on a cyclical basis, unless performance concerns necessitate more immediate attention.

##### **Trade Unions**

Trade unions in the London Borough of Havering serve as valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pension Scheme are communicated to their members and assist in negotiations under TUPE transfers to ensure, whenever possible, continued access to the Scheme.

## **Scheme Administration Report**

### **Overview**

The Local Pensions Partnership Administration (LPPA) is responsible for the daily administration of the Havering Pension Fund. They utilise Civica's Universal Pensions Management (UPM) system to maintain member records and calculate pension benefits. Havering's work continues to be managed by dedicated casework teams across the business.

Call handling and responses to online member queries are managed by the central pensions helpdesk in Preston. During 2023/24, the helpdesk answered 3,797 Havering-specific calls with an average wait time of 3 minutes and 12 seconds, a significant improvement from 7 minutes and 32 seconds in 2022/23. The average call abandon rate across all clients during 2023/24 was 3.08%.

LPPA uses customer surveys to measure satisfaction levels for helpdesk call handling and retirement processing. In 2023/24, overall satisfaction levels for call handling were 86.4% among Havering scheme members, while satisfaction for retirement case processing averaged 40.3%.

LPPA continues to review its services, seeking efficiencies and performance improvements. A three-year programme, effective from April 2023, has been implemented to identify process enhancements and system automation aimed at improving the customer experience.

### **Value for Money Statement**

A comparison of the 2023 SF3 data supplied to MHCLG shows that the Havering Fund was ranked seventh out of the 32 London Boroughs for cost per member in respect of pension administration costs (also ranked seventh in 2021/22).

We have seen an increase in the number of cases meeting the service level agreements, as shown in the key performance data, although some measures still fall below the target of 95% of cases completed on time. This shortfall is attributed to the implementation of a new pensions administration system during 2022/23 and a period of high staff turnover. The service has stabilised during 2023/24 and is returning to expected levels.

The implementation of monthly reporting for all scheme employers allows LPPA to use process automation for the completion of new starters and refund quotation cases. Further automation is expected during 2024/25.

We continue to work with LPPA to improve the flow of information and processes to further enhance efficiencies. LPPA remains committed to reducing overheads to remain competitive and provide good value for money.

## **Summary of Activities undertaken by LPPA during the year**

LPPA are responsible for all aspects of the Fund administration, including calculating benefits, processing joiners and leavers, record amendments, monthly returns, and the monitoring and administration of the Authority's Additional Voluntary Contributions (AVC) scheme. The LPPA engagement team handles communications and training for Scheme employers and pension scheme members.

The key functions of LPPA are:

- Processing new members of the scheme
- Handling requests from members wishing to transfer their pension into or out of Havering's Fund
- Administering death benefits for scheme members
- Bringing pensions into payment upon retirement
- Providing estimates for members and employers
- Assisting members who wish to increase their pension provision through AVCs or APCs
- Processing leavers with a refund of contributions or deferred benefit
- Maintaining accurate records with changes to members' details
- Reviewing and monitoring third-tier ill-health retirements
- Utilising information technology to improve service standards and efficiency
- Ensuring continual data cleansing in preparation for the next scheme valuation
- Continuously reviewing all processes to improve the customer experience

The Havering administration team is responsible for:

- Monitoring, reviewing, and updating Scheme governance in line with relevant regulations and guidance
- Monitoring, reviewing, and updating pension administration policies
- Monitoring and recording contributions for bodies that do not utilise the Havering Council payroll
- Bi-annual National Fraud Initiative (NFI) compliance
- Admission, monitoring, and cessation of scheme employers
- Reviewing risk profiles of scheme employers

## **Key Uses of Technology**

LPPA continues to seek ways to use technology to improve efficiencies and actively promotes the use of the member self-service portal, Pension Point, and email communications.

Pension Point allows members to view their records online, raise queries directly with the helpdesk, run estimates, and update some personal details, reducing the workload on the administration team and the costs of printing and postage.

LPPA has mandated monthly reporting with scheme employers across all clients, enabling timely identification of new starters and leavers to the fund. They are introducing several automated processes from the monthly submissions to aid efficiencies.

The LPPA's scheme members' website is regularly reviewed and provides detailed information on all aspects of the scheme. The Havering administration team maintains the pensions page on the [havering.gov.uk](http://havering.gov.uk) website to provide Havering fund-specific information to members.

LPPA has robust cyber security measures and procedures in place. Data is backed up regularly, and systems are monitored by a Security Operations Centre service. LPPA holds Cyber Essentials Plus and ISO 27001 certifications, providing assurances to the Fund. They also have a full Business Continuity Plan and Disaster Recovery Plan in place.

### Internal Dispute Resolution Procedure (IDRP)

Any internal disputes go firstly to the Authority’s Actuaries and then to the Pensions Panel which comprises the Deputy Director of Human Resources/Organisational Development (oneSource), a representative from Legal and Governance (oneSource) and the Director of Finance (oneSource). The Havering Pensions Projects and Contracts Manager sits on the panel in an advisory role.

During 2023/24, we received two stage 2 IDRP cases (compared to two stage 1 cases in 2022/23) and 43 general customer complaints (up from 33 in 2022/23).

### Whistle Blowing

The Pension Fund complies with the whistle blowing requirements of the Pension Act that came into force on 6 April 2005. It encourages anyone to inform the appropriate authorities of any known wrongdoings. The process for reporting breaches of the law to the Pensions Regulator can be found on the Authority’s website by selecting the link here [Whistleblowing Policy](#).

There have been 10 minor breaches recorded during 2023/24. These were not considered material and were therefore not reported to the Section 151 Officer. Consequently, no reports have been made to the Regulator. A new Reporting Breaches of the Law Policy will be introduced in 2024/25, ensuring all breaches will be reported to the Local Pensions Board.

### Key Performance Data

In April 2024 new guidance was released for capturing key performance indicators. Havering will work with LPPA to ensure technology and reporting is updated to ensure requirements can be met in 2024/25. The data below is in line with previous reports.

INDICATOR	What is it an indicator of?	Actual 2023/24 %	Target 2023/24 %	Actual 2022/23 %	Actual 2021/22 %
The percentage of retirements processed within 5 working days	<p>The percentage of retirement payments processed within 5 working days of the employee retiring or receipt of all relevant information.</p> <p>This indicator measures effectiveness through service delivery and is a standard throughout Local Government</p>	93.4	95	82.8	96.1

INDICATOR	What is it an indicator of?	Actual 2023/24 %	Target 2023/24 %	Actual 2022/23 %	Actual 2021/22 %
The percentage of early retirement estimates processed within 10 working days	To produce estimates for early retirements i.e. ill health, redundancies and voluntary retirements within 10 working days of request, normal retirement date or receipt of all relevant information.  This indicator is particularly important to service clusters	94.3	95	86.5	99.5
The percentage of notification of deferred benefits within 15 working days	To notify members who have left their job (or one of their jobs) of the deferred benefits that they have accrued at the point of leaving within 15 working days of receipt of all relevant information.	95.9	95	90.6	98.2
The percentage of 'Transfers In' actuals processed within 10 working days.	The percentage of transfers in with the member's record updated with the transferred in information	97	95	95.1	97.2
The percentage of 'Transfers Out' actuals processed within 10 working days	The percentage of transfers out paid to the new pension provider	96.4	95	95.1	96.8
The percentage of 'death' notifications written out to within 5 days of receipt of all information received.	The percentage of deaths with notification of benefits	94.6	95	64.3	97.9
The percentage of joiners processed within 10 working days of information received	The percentage of joiners' records set up on the Pensions Administration System	100	95	100	99.3

## Performance Targets and Monitoring

Targets were set in line with CIPFA and London Centre of Excellence, cross councils benchmarking. They were reviewed by the Pension Fund Manager and Local Pensions Partnership as part of the Delegated Arrangement. The Pension Service Local Performance Indicators represent the main core of the administration team output but do not cover all the calculations and processes carried out. The targets have been standardised across all LPPA clients since the introduction of the new administration system.

The data used to report the performance indicators is supplied by LPPA.

The system incorporates the standardised SLAs, and work is managed and allocated based on a day count from the date all required data to complete a case is received. The system monitors caseload volumes and performance against SLAs. It also allows LPPA to track error/rework rates, ensuring quality is maintained throughout the administration function. UPM provides reportable information enabling monitoring, audit, performance management, and annual review reporting capabilities. The system allows LPPA to track case completion rates against agreed SLAs.

The Havering administration team receives a quarterly performance report and monitors the cases completed against the reported performance.

The indicators do not include record-keeping and data maintenance tasks covered by LPPA, which are required to correctly administer a member's benefit and also have a direct impact on the triennial valuation.

Annual Benefit Statements are required to be sent to active and deferred scheme members by 31st August each year. This was successfully achieved in 2023. The administering authority and LPPA continue to promote the use of Member Self Service to reduce printing and postage costs.

Table: Administration team 5 years' key activity trend

Service Item	2023/24 Cases	2022/23 Cases	2021/22 Cases	2020/21 Cases	2019/20 Cases
Retirements processed	607	767	446	529	533
Early retirement estimates processed	175	380	468	452	580
Notification of Deferred Benefits	392	603	798	726	727
Transfers In Actuals/Quotes processed	197	175	391	324	363
Transfers Out Actuals/Quotes processed	309	317	407	325	298
Death notification written out	460	366	428	530	273
New LGPS joiners processed	978	879	1,115	977	1,942
Refunds	264	316	431	443	691
<b>Total Cases per year</b>	<b>3,382</b>	<b>3,803</b>	<b>4,484</b>	<b>4,305</b>	<b>5,407</b>

## **Staff Resource**

Pensions Administration is provided by LPPA, the effective delivery of the contract is monitored by a Pensions Projects and Contracts Manager.

LPPA currently has 232.7 FTE working flexibly across the business to allocate resources as needed. For Havering administration, this equates to approximately 7.33 FTE, including case workers, help desk, and data team staff. This results in a staff-to-fund member ratio of 1 to 3011 (1 to 3280 in 2022/23). The team completed a total of 5,487 (5,052 in 2022/23) cases including other contractual cases outside of the top 10 for the period 1st April 2023 to 31st March 2024 which is an average of 749 (689 in 2020/21) cases per staff member.

## **Academies and Outsourcing**

There were no new academy conversions during 2023/24.

The level of planned and actual outsourcing by academies is ongoing and likely to continue growing. If the outsourced function is granted Admitted Body Status, it results in additional unplanned work to separate out the scheme employers, increasing the administrative burden as the number of scheme employers rises.

The growth in Scheduled and Admitted Body scheme employers also increases the support and communication requirements for LPPA and the Havering pensions administration team. Introduction meetings are offered to all new bodies to support their entry into the scheme, with ongoing meetings and support as needed.

To support employers and services, the Fund has produced an Employer Outsourcing Guide. This guide provides an overview of the pension implications and the procedures to follow when LGPS scheme employers outsource services. This document is available on request from the Havering administration team.

## **Confidentiality of Personal Data**

LPPA has developed a robust control framework to ensure all GDPR requirements are met promptly, serving as a defence in case of litigation.

LPPA also aims to adhere to a code of conduct which brings the added benefits of:

- Improving transparency and accountability, enabling individuals to distinguish organisations that meet legal requirements and can be trusted with their personal data
- Providing mitigation against enforcement action
- Improving standards by establishing best practices
- Investigating innovative solutions to high-risk areas, including data minimisation and pseudonymisation

## **Accuracy of Data**

Each year, following year-end processing, LPPA raise queries with Havering Scheme Employers such as missing joiners, leavers, change of hours and pay queries. In most instances the queries are reducing year on year and they continue to identify errors and educate employers. LPPA have improved their templates and literature, following feedback from employers, to ensure the data supplied by Havering employers is accurate with an aim to improve the overall data quality position.

**Table: 2023/24 TPR Q4 scores**

	<b>Target %</b>	<b>Jan-Mar 24 %</b>	<b>Jan – Mar 23 %</b>	<b>Trend %</b>
Common data score	95.0	98.1	98.5	-0.4
Conditional data score	90.0	89.4	93.3	-3.9

LPPA continue to develop an ongoing program of work to maintain/improve data scores to above the targets outlined below.

**Table: Fund Membership over the last 5 years**

	<b>As at 31 March 2024</b>	<b>As at 31 March 2023</b>	<b>As at 31 March 2022</b>	<b>As at 31 March 2021</b>	<b>As at 31 March 2020</b>
Contributors	7,840	6,692	6,675	6,426	6,492
Deferred pensioners	6,800	6,750	6,689	6,020	6,174
Pensioners and Dependants	7,009	6,775	6,548	6,412	6,410
<b>Total</b>	<b>21,649</b>	<b>20,217</b>	<b>19,912</b>	<b>18,858</b>	<b>19,076</b>

A summary follows of the number of employers in the fund analysed by scheduled bodies and admitted bodies with active members.

**Table: Employer types with active members**

	<b>2022/23</b>	<b>2023/24</b>
Administrating Authority	1	1
Scheduled Bodies	43	44
Admitted Bodies	12	13
Resolution Body	1	1
<b>Total</b>	<b>56</b>	<b>59</b>

**Table: 2023/24 Contributions by employer**

<b>Employer Name</b>	<b>Contributions from Members £</b>	<b>Contributions from Employers £</b>
1. London Borough of Havering	7,461,109	32,907,914
<b>London Borough of Havering Total</b>	<b>7,461,109</b>	<b>32,907,914</b>
<b>Scheduled Bodies</b>		
1. Abbs Cross Academy	38,954	151,278
2. Benhurst Primary School	25,981	105,002
3. Bower Park Academy	64,416	232,613
4. Brittons Academy	59,783	242,864
5. Brookside Infant Academy	30,283	113,378
6. Brookside Junior Academy	20,204	77,801
7. Champion School	93,594	350,350
8. Chafford School	81,744	179,056
9. Compass School	16,358	63,582
10. Concordia Academy	36,563	114,196
11. Coopers Coborn School	92,264	324,050
12. Dame Tipping Academy	7,342	31,765
13. Drapers Academy	74,454	272,874
14. Drapers Management Team	34,688	96,262
15. Drapers Mayland Primary Academy	35,334	131,556
16. Emerson Park School	47,291	179,750
17. Forest Approach Academy	66,450	239,571
18. Frances Bardsley Academy	86,416	294,869
19. Gaynes Academy	17,217	71,076
20. Hacton Academy	50,999	215,324
21. Hall Mead Academy	198,137	762,724
22. Harrow Lodge Academy	42,173	121,083
23. Hornchurch High School	53,077	141,726
24. Langtons Junior Academy	20,035	75,858
25. Marshalls Park Academy	57,043	246,255
26. Mercury Land Holdings	5,366	11,427
27. Olive Academy	10,051	39,711
28. Olive Academy (MAT)	32,443	105,574
29. Pinewood Academy	26,243	97,764
30. Pyrgo Priory Academy	33,472	128,847
31. Ravensbourne Academy	66,916	248,746
32. Redden Court School	118,163	407,395
33. Rise Park Infant Academy	22,365	87,193
34. Rise Park Junior Academy	26,819	101,970
35. Royal Liberty Academy	48,048	167,506
36. Sacred Heart School	50,491	208,054
37. Sanders Academy	49,018	172,278
38. Scargill Infant Academy	28,875	111,036

<b>Employer Name</b>	<b>Contributions from Members £</b>	<b>Contributions from Employers £</b>
39. Scargill Junior Academy	19,358	77,422
40. St Edwards CE School & Sixth Form College	49,296	199,061
41. The Bridge	705	2,116
42. Upminster Infant Academy	16,924	70,823
43. Upminster Junior Academy	23,286	95,167
44. Whybridge Junior Academy	24,530	97,174
<b>Scheduled Bodies Total</b>	<b>2,003,170</b>	<b>7,264,128</b>
<b>Admitted Bodies</b>		
1. Accent Catering Services (Coopers Coborn)	4,249	65
2. Atalian Servest Food Co. Ltd	5,355	22,304
3. Harrison Catering (Abbs Cross Academy)	149	2,340
4. Harrison Catering (Gaynes Academy)	954	5,944
5. Kindred (Broadford Primary)	241	1,154
6. Lewis and Graves Cleaning(Hornchurch High)	2,272	7,988
7. May Harris (Royal Liberty)	2,779	12,775
8. May Harris (Whybridge Junior School)	407	1,577
9. Mears Group PLC	19,275	121,269
10. Olive Dining Ltd (Drapers Academy)	10,378	46,865
11. SLM Community Leisure Charitable Trust	37,064	129,141
12. SLM Fitness & Health Ltd	3,632	13,290
13. Urbaser - UK	58,815	224,864
<b>Admitted Bodies Total</b>	<b>145,570</b>	<b>589,446</b>
<b>Grand Total</b>	<b>9,609,849</b>	<b>40,761,488</b>

**Table: Costs per member**

<b>Costs per member</b>	<b>2023/24</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2019/20</b>
Total membership (no's)	21,649	20,217	19,912	18,858	19,076
Total Investment Cost (£'000)	4,584	4,628	4,241	3,412	*3,192
Cost per member (£)	211.75	228.92	212.99	180.93	167.33
Total Cost (£'000)	828	731	709	601	**315
Cost per member (£)	38.23	36.16	35.61	31.86	16.51
Total Cost (£'000)	718	581	524	415	468
Cost per member (£)	33.17	28.74	26.32	22.00	24.53
<b>Total cost per member</b>	<b>283.15</b>	<b>293.81</b>	<b>274.91</b>	<b>234.80</b>	<b>208.37</b>

2022/23 updated to reflect expenses reported in the statement of accounts

\*2019/20 figure includes incorrect inclusion of transaction costs

\*\* Includes an incorrect un-cleared sundry creditor from 2018/19.

\*\*\*Includes an incorrect sundry creditor

# Actuarial Statement

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

## Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated April 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants;
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term);
- where appropriate, ensure stable employer contribution rates;
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy; and
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

## Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £920 million, were sufficient to meet 80% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £229 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

## Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

## Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

## Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	3.5% pa
Salary increase assumption	3.4% pa
Benefit increase assumption (CPI)	2.7% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 and 2020 data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.7 years	24.3 years
Future Pensioners*	22.6 years	25.8 years

\*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

## Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position as at 31 March 2024 is stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.



Steven Law FFA

03 May 2024

For and on behalf of Hymans Robertson LLP

Hymans Robertson LLP is a limited liability partnership registered in England and Wales with registered number OC310282. A list of members of Hymans Robertson LLP is available for inspection at One London Wall, London EC2Y 5EA, the firm's registered office.

Authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities. Hymans Robertson is a registered trademark of Hymans Robertson LLP.

The full pension valuation report 2022 can be found on the Havering website:  
[Pension valuation reports | London Borough of Havering](#)

# External Audit Opinion

## INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF LONDON BOROUGH OF HAVERING ON THE PENSION FUND FINANCIAL STATEMENTS

The external audit opinion for the Pension Fund Annual Report is reliant on the audit of the statement of accounts to be completed, for the reasons stated below:

The external audit of the draft statement of accounts for the year ended 31 March 2024 has not yet been completed by our external auditors, EY LLP, due to the complex set of factors contributing to audit delays across the sector. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. (See attached link: <http://www.legislation.gov.uk/ukxi/2015/234/regulation/10/made>).

Therefore, this notification explains, as per paragraph (2a), that we are not yet able to publish our audited 2023/24 final statement of accounts in line with deadline of 30th September 2024, as per paragraph (1). The Audit Committee will consider the results of the 2023/24 audit, after which we will publish the final audited accounts.

# Appendices

## Further Reading

The subsequent documents are accessible via the Havering website for review. Should you require physical copies, they can be obtained upon request from the administering authority. This ensures that all stakeholders have convenient access to the necessary information in their preferred format.

- [Funding strategy statement](#)
- [Investment strategy statement](#)
- [Governance compliance statement](#)
- [Communications policy](#)
- [Risk register](#)

The Pension Fund section of the Havering website is a comprehensive resource, offering a suite of documents designed to enhance members' and employers' comprehension of the scheme. This dedicated area provides essential information, facilitating a deeper understanding of the pension arrangements and enabling informed decision-making. It serves as a valuable tool for both current and prospective participants in navigating the complexities of the pension landscape.

## Other useful contacts:

National Local Government Pension Scheme website: <https://www.lgpsmember.org/>

The Pension Service website: [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)

State Pension website [www.gov.uk/browse/working/state-pension](http://www.gov.uk/browse/working/state-pension)

Pensions Ombudsman <https://www.pensions-ombudsman.org.uk/>

Money and Pensions Services <https://moneyandpensionservice.org.uk/>

## Glossary

**Accounting period** - The period of time covered by the Council's accounts. The Council's financial year is from the period 1st April to the following 31st March.

**Accounting policies** – The specific principles, bases, conventions, rules, and practices applied by the Council in preparing and presenting the financial statements.

**Accounting standards** - A set of rules explaining how accounts are to be kept (See 'International Financial Reporting Standards').

**Accrual** - The recognition of income and expenditure in the year that they occur and not when any cash is received or paid.

**Active member** - Current employee who is contributing to a pension scheme.

**Actuary** - An independent professional who advises the Council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

**Additional Voluntary Contributions (AVC)** - An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

**Administering Authority** -The Administering Authority is responsible for maintaining and investing its own Fund for the LGPS. This means the Administering Authority is responsible for making all decisions relating to the operation of the Fund.

**Admitted Body** - An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

**Admission Agreement** - an agreement made between the administering authority, a Scheme employer and a contracted company to allow the contractor to become part of the LGPS.

**Asset allocation** - The apportionment of a fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

**Asset Pool** - is an entity that allows investors to pool their money and invest the pooled funds, rather than buying securities directly as individuals.

**Balance Sheet** - A statement of all the assets, liabilities and other balances of the Council at the end of an accounting period.

**Basis Points (BPS)** - A unit of measure for interest rates and percentages. One basis point is equal to 1/100th of 1%.

**Benchmark** - A measure against which the investment policy or performance of an investment manager can be compared.

**Cash equivalents** – Highly liquid, investments that can easily be converted into cash.

**Chartered Institute of Public Finance and Accountancy (CIPFA)** – A professional accountancy body, specialising in the Public Sector. It promotes best practice by issuing guidelines and Codes of Practice.

**Contingent Liability** - Where possible “one-off” future liabilities or losses are identified but the level of uncertainty is such that the establishment of a provision is not appropriate.

**Consumer Price Index (CPI)** – Measures the average change in retail prices of a basket of goods and services purchased by most UK households, to provide an indication of the rate of inflation. The CPI includes some financial services in the basket of goods not included in the RPI.

**Creditors** - Amount of money owed by the Fund for goods and services received, also referred to as Payables.

**Death Grant** - an amount paid to a current or former member's estate or nominated beneficiaries in the event of death in service, death after retirement or death of a deferred beneficiary.

**Debtors** - Amount of money owed to the Fund by individuals, and organisations, also referred to as Receivables.

**Deferred Benefits** - benefits retained in the pension fund when a member leaves without an entitlement to the immediate payment of those benefits. If a transfer of benefits does not take place before hand, deferred benefits are usually paid from the member's normal retirement date.

**Defined Benefit Scheme** - A pension scheme which defines benefits independently of the contributions payable. Benefits are not directly related to the investments of the Pension Fund.

**Deferred members** - Scheme members, who have left employment or ceased to be an active member of the scheme whilst remaining in employment, but retain an entitlement to a pension from the scheme.

**Discretion** - this is the power given by LGPS regulations to enable Scheme employers or administering authorities to choose how they will apply the Scheme rules in respect of certain provisions.

**Employer rates** - The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

**Equities** - Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

**Fair Value** - In relation to the value of financial instruments, it is the amount for which an asset can be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

**Financial Instrument** - Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

**Fixed interest securities** – Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

**Good Governance Framework** – SAB commissioned report reviewing the governance of the LGPS on effectiveness and reviewing existing models.

**Index** - A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

**Interest Rate Risk** - The uncertainty of interest paid/received on variable rate instruments and the effect of fluctuations in interest rates on the fair value of an instrument.

**Internal Disputes Resolution Procedure (IDRP)** – a complaints procedure governed by regulation providing any current or former scheme member with the opportunity to settle any dispute or complaint they may have in respect of any decision made regarding their entitlements under scheme rules.

**International Financial Reporting Standards (IFRS)** – The set of international accounting standards issued by the International Accounting Standards Board (IASB). Local Authorities are required to produce accounts based on IFRS.

**Investment Strategy Statement (ISS)** – LGPS regulations require administering authorities to prepare and maintain an ISS. The ISS outlines the Fund's investment objectives and investment beliefs, identifies the risks the Fund faces and outlines how this risks are controlled/mitigated.

**McCloud** - The McCloud judgement refers to the Court of Appeal's ruling that Government's 2015 public sector pension reforms unlawfully treated existing public sectors differently based upon members' age

**Markets in Financial Instruments Directive II** – legislative framework established by the European Union to regulate financial markets and enhance investor protection.

**National Fraud Initiative** - Exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

**Pension Administration Strategy** – Strategy which outlines the processes and procedures allowing the administrator and employers to work together in a cost effective way to administer the LGPS.

**Pooled Investment vehicles** - Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

**Public Service Pension Act 2013** - An Act to make provision for public service pension schemes and for connected purposes.

**Rates and Adjustment Certificate** - a certificate issued by the Actuary following a valuation of the Fund which sets out the employer contribution rates payable by each of the associated scheme bodies.

**Return** - The total gain from holding an investment over a given period, including income and increase or decrease in market value.

**Scheduled body** - An organisation that has the right to become a member the LGPS under the scheme regulations. Such an organisation does not need to be admitted as its right to membership is automatic.

**Scheme Advisory Board** - a body that provides advise and guidance on the management and administration of the LGPS in England and Wales.

**Triennial Valuation** - Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates.

**Unrealised gains/losses** - The increase or decrease in the market value of investments held by the fund since the date of their purchase.

**Value For Money (VFM)** – This term is used to describe the relationship between the economy, efficiency, and effectiveness (known as the 'three Es') of a service, function or activity. Value for money is high when there is an optimum balance between all three.

## Acronyms

**AVC** Additional Voluntary Contribution

**CARE** Career Average Revalued Earnings

**CIPFA** The Chartered Institute of Public Finance and Accountancy

**CIV** Collective Investment Vehicle

**CPI** Consumer Prices Index

**FSS** Funding Strategy Statement

**GAD** Government Actuary's Department

**GDPR** General Data Protection Regulation

**HMRC** Her Majesty's Revenue & Customs

**IAS** International Accounting Standard

**IDRP** Internal Disputes Resolution Procedure

**IFRS** International Financial Reporting Standards

**ISS** Investment Strategy Statement

**LCIV** London Collective Investment Vehicle

**LGPS** Local Government Pension Scheme

**LPB** Local Pension Board

**LPPA** Local Pensions Partnership Administration

**MHCLG** Ministry of Housing, Communities and Local Government

**PC** Pensions Committee

**PLSA** Pensions and Lifetime Savings Association

**SAB** Scheme Advisory Board

**TPR** The Pensions Regulator

# Annual Report Checklist

## Key

May
Should
Must

## Section 1 – Overall Fund Management

Scheme Management and Advisors		Compliant
1.1	The senior officers responsible for the pension fund and their job title	✓
1.2	The asset pool and asset pool operator (England & Wales)	✓
1.3	Investment managers used by the fund	✓
1.4	The fund custodian	✓
1.5	The fund actuary	✓
1.6	AVC providers	✓
1.7	Fund legal advisors	✓
1.8	The fund bankers	✓
1.9	The fund accountant/director of finance	✓
1.10	The external auditor	✓
1.11	Scheme administrators (if functions are outsourced)	✓
1.12	Any independent advisors or consultants retained by the fund	✓
Risk Management		
1.13	How risk management is integrated within the governance structure	✓
1.14	How risks are identified, managed, and reviewed	✓
1.15	What actions are being taken to mitigate the key risks (covering investment, governance, and administration)	✓
1.16	The approach taken to managing cyber risk, while protecting appropriate confidentiality for the pension fund's internal controls	✓
1.17	The approach taken to risks relating to investment and pooling arrangements	✓
1.18	The approach taken to managing third party risk such as late payment of contributions and provision of data by scheme employers and overall performance by scheme employers	✓
1.19	The approach taken to risks which arise because of the fund's relationship to the administering authority, such as where reliance is put on shared polices and resources	✓

## Section 2 – Governance and Training

2.1	Funds should set out their governance structure and how the fund has complied with its Governance Compliance Statement	✓
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### Section 3 – Financial Performance

3.1	The report must provide an overview of the fund’s financial performance, focused primarily on income, expenditure, and cash flows	✓
3.2	An analysis or narrative explanation of in-year expenses and income together with a comparison over time or against budget.	✓
3.3	Explain the relationship between changes to costs and income and factors such as changes in membership numbers, age profile of pensioners, bulk transfers etc.	✓
3.4	<p>Include:</p> <ul style="list-style-type: none"> <li>• a brief commentary on any significant changes to non- investment assets and liabilities during the year</li> <li>• employers’ and employees’ contributions as a percentage of pensionable pay, details of late and overdue contributions, and of whether the option to levy interest on overdue contributions has been exercised</li> <li>• analysis of pension overpayments, recoveries and any amounts written off</li> <li>• commentary on actions taken to deal with fraud (including participation in the National Fraud Initiative and areas such as data matching, overpayments identified or the use of other data quality and tracing resources)</li> <li>• other examples of fraud, credit losses, provisions, contingent liabilities, or impairments</li> </ul>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>

### Section 4 – Fund account, net assets statement and notes

4.1	Must include a fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper accounting practices	✓
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### Section 5 – Investments and Funding

5.1	Demonstrate how the ISS has been put into practice during the year and how this links to the FSS	✓
5.2	Set out the fund’s investment management arrangements and the risks, returns and management costs associated with the investment portfolio	✓
5.3	Provide a commentary and data on how the fund has implemented the policy on pooling its assets in its chosen LGPS pool during the year as set out in its ISS, a narrative on the pace of pooling and an explanation for assets which have not been pooled	✓

5.4	Include a commentary on the implementation and application of the FSS during the reporting period. Reference should be made to what extent the ISS and FSS are compliant with statutory guidance and explain any reasons for non-compliance	✓
5.5	Include details of investment administration and custodianship and describe who looks after which part of the portfolio (if not already provided elsewhere)	Provided in section 1
5.6	Investment performance net of fees for the 12 months corresponding to the accounting period for each fund manager or asset class must be reported alongside an appropriate benchmark chosen by the authority and the choice of benchmark must be stated	✓
5.7	Provide details of the environmental, social and governance issues, and other initiatives such as engagement with companies and any collaborative ventures with other funds	✓
5.8	The CIPFA publication “Accounting for Local Government Pension Scheme Management Expenses” and the relevant accounting guidance recommends that this section of the annual report should also be used to: <ul style="list-style-type: none"> <li>• identify fees and costs incurred by third parties which affect overall investment returns</li> <li>• explain the relationship between fees, risk and investment return</li> <li>• indicate how the pension fund is responding to the Scheme Advisory Board’s Code of Transparency, and the use being made of data provided by fund managers using the transparency Code templates</li> </ul>	✓
5.9	Must compare the strategic asset allocation as set out in the most recent ISS with the actual allocation of assets at the end of the accounting period	✓
5.10	Should provide a commentary and data on how the fund has implemented the policy on pooling its assets in its chosen LGPS pool during the year as set out in its ISS	✓
5.11	The costs incurred, gross savings achieved, and the resulting net savings achieved as a result of pooling assets	✓
5.12	Progress in pooling their assets in this section through the asset table and the supplementary table. In both tables, assets must be divided into “pooled”, “under pool management” and “not pooled”	✓
5.13	All funds must set out their asset allocation at the end of the accounting period by completing the asset table. Definitions / guidance are provided for each aspect of this table	✓

5.14	The annual report must also include data in the supplementary table, to provide additional information on investment in the UK. Definitions/guidance are provided for each aspect of this table	✓
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### Section 6 – Administration

6.1	A summary of activities undertaken by the administration function during the year	✓
6.2	Report on performance against administration Key Performance Indicators (KPIs)	Working with LPPA for 24/25
6.3	Report on member and employer numbers by category	✓
6.4	Report on actions taken to deliver the communications policy	✓
6.5	Report on value for money achieved by the administration function	✓
6.6	Report on complaints and dispute resolution cases	✓

### Section 7 – Actuarial reports on funds

7.1	Statement by the actuary who carried out the most recent valuation of the assets and liabilities of the level of funding as reported by the actuary at the last actuarial valuation	✓
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### Section 8 – External audit opinion

8.1	Statement by the actuary who carried out the most recent valuation of the assets and liabilities of the level of funding as reported by the actuary at the last actuarial valuation	Accounts not yet audited – will be inserted once audit complete
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### Section 9 – Additional Information

9.1	The statement of compliance with the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills	✓ Section 2
9.2	Evidence to demonstrate compliance with the Knowledge Code of Practice	✓ Section 2
9.3	The role played by Internal Audit in providing assurance and managing risk, and a summary of assurance activity undertaken during the year	✓ Risk management
9.4	A summary of Freedom of Information requests	Summary to be updated for 24/25
9.5	A glossary of commonly used pension fund terms	✓ Appendices



## PENSIONS COMMITTEE

5 November 2024

**Subject Heading:**

**INVESTMENT CONSULTANCY  
SERVICES PERFORMANCE REVIEW –  
1 October 2023 to 30 September 2024  
Kathy Freeman**

**SLT Lead:**

**Report Author and contact details:**

*Debbie Ford*  
*Pension Fund Manager (Finance)*  
*01708432569*  
[Debbie.ford@havering.gov.uk](mailto:Debbie.ford@havering.gov.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 2023 to 30 September 2024 against strategic objectives previously set.

**RECOMMENDATIONS**

It is recommended that the Committee:

1. Agree no changes to the current objectives
2. Note the views of officers on the performance of the Investment Consultant (Hymans) against the strategic objectives and make any comment on the report which it considers appropriate (**Appendix A**).
3. Agree for Officers to commence tendering for a new Investment Consultancy service contract to start from 1 April 2026 and to join the LGPS National Framework for Investment Management Consultancy Services at a cost of £5,000.
4. Agree to hold the service provider selection interviews with the Committee as part of the further competition process.

**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 (IC) 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 law currently requires trustees to set strategic objectives for IC providers in accordance with part 7 of “The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 (the CMA order)”.
- 1.4 The Department for Work and Pensions (DWP) brought these duties into pensions legislation on 1 October 2022 under The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the scheme administration regulations).

- 1.5 The scheme administration regulations largely replicate the Competition and Markets Authority (CMA) order requirements. The primary change is to transfer the regulation of the obligations under the order from the CMA (under the CMA order) to The Pensions Regulator (TPR) (under the scheme administration regulations), and trustees will be subject to TPR compliance and monitoring processes.
- 1.6 The committee has already been compiling with the CMA order and the Pensions Committee agreed to align its annual service review with the CMA format on 12 November 2019 and set objectives, measure(s) of success, expected outcomes and expected timescales for delivery.
- 1.7 The then Department for Levelling Up Housing and Communities (DLUHC) included in its recent consultation “Next Steps on investments”, issued July 2023, a proposal to amend the LGPS Regulations and statutory guidance for the LGPS to implement the CMA’s requirements. Legislation, at the time of writing this report remains unchanged.
- 1.8 The six key objective themes to monitor are:
- Demonstration of Value added
  - Delivery of specialist Services
  - Proactivity of Advice
  - Support with scheme management and compliance
  - Relationship and service standards
  - Support with additional matters arising
- 1.9 The objectives and outcomes for the IC have derived 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.
- 1.10 Undertaking the service review ensures that this review will meet the criteria set out under the TPR’s General Code of Practice and monitoring the IC’s performance against their objectives will enable the Committee to better identify and manage areas of poor performance.
- 1.11 Monitoring the objectives against the contract also meets post contract award procedures and ensures services are being delivered in accordance to the contract.
- 1.12 Trustees should review their IC’s performance against the objectives set for them at least every 12 months, and if appropriate revise, their IC’s objectives at least every three years and without delay after any significant change in investment policy. Having reviewed the objectives against those in the model set out in TPR guidance and existing contract, officers are not suggesting any changes to the set objectives.

## **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 with an option to extend by a further two years. The Pensions Committee at its meeting on the 7 November 2023 agreed the contract extension to 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 of 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 Committee members were invited to provide feedback and any comments were incorporated in the service review meeting with Hymans. Officers met with Hymans on the 25 September 2024 where feedback was discussed and areas of improvement were agreed. The outcome, any actions and service assessment are included within the Service Review attached as at **Appendix A**.
- 2.6 Officers and members conclude that they are satisfied with Hymans service and have continued confidence in the advice being given.

## **3. NATIONAL LGPS FRAMEWORK FOR INVESTMENT MANAGEMENT CONSULTANCY SERVICES**

- 3.1 Procurement can take significant time and money both for the awarding Authority and the Service Provider. The National LGPS Frameworks are fully compliant with the Public Contracts Regulations 2015. It reduces the time and costs associated with the procurement process by offering a facility that has already been competitively tendered. It aims to deliver access at the best possible price to high-quality, efficient and effective Investment Management Consultancy Service providers. Benefits include:
  - a) Shortened timescales
  - b) Reduced procurement and legal costs
  - c) Robust and transparent process with high level of due diligence and specialist support
  - d) Agreed Terms and Conditions of contract with providers

- e) Enable access to specialist providers whose experience and quality has been tested
  - f) Comprehensive user documentation and support from Frameworks team
  - g) Provider ceiling prices established
  - h) Possibility to benefit from cumulative rebates
- 3.2 The Investment Management Consultancy Services Framework is available for Further Competition and Direct Award until 31st October 2026. Contracts awarded under the Framework may be let for a maximum contract length of seven years and up to 31st October 2033 at the latest.
- 3.3 The Framework is split across 4 Lots:
- Lot 1 - Investment Consultancy Services
  - Lot 2 - Manager/Fund Search, Selection, Monitoring and Review Services
  - Lot 3 - Investment Management Consultancy Related Specialist Services
  - Lot 4 - Investment Management Cost Monitoring and Reporting Services
- 3.4 The Fund will award contracts to cover lots 1, 2 and 3 of which there are seven providers on the framework that cover all the three lots
- 3.5 The Pension Committee has the delegated power under Part 3 of the Constitution, Responsibility for Functions to “authorise staff to invite tenders and to award contracts to actuaries, advisers and fund managers and in respect of other related investment matters” and “To appoint and review the performance of advisers and investment managers for pension fund investments”.
- 3.6 Historically members of the Pensions Committee prefer to meet with the potential advisor who will be responsible for presenting to the committee. Therefore, officers recommend that the Committee hold interviews as part of the Further Competition stage of the procurement process so that the committee can decide who the contract is awarded to.
- 3.7 Authorisation is also being sought to commence procurement of Investment Management Consultancy Services to the Pension Fund using the National Local Government Pension Scheme (LGPS) Frameworks.

## **IMPLICATIONS AND RISKS**

### **Financial implications and risks:**

Fees were generally charged on a time-cost basis. fees for more significant items, like manager selection exercises and asset-liability modelling, were based around an agreed fixed fee scale or agreed separately in advance.

**Table 1 – Fees**

<b>Dates</b>	<b>£</b>
Apr 19 - Sep 19	33,440
Oct 19 - Sep 20	78,030
Oct 20 - Sep 21	78,049
Oct 21 - Sep 22	64,708
Oct 22 - Sep 23	100,720
Oct 23 - Sep 24	98,090
<b>Total</b>	<b>453,037</b>

The above costs have been charged in line with the hourly rate as set out in the contract. Some costs incurred, which are included in the above, relate to additional work commissioned and agreed outside of the contract e.g development of Climate Risk Policy and TaskForce on Climate- related Financial Disclosures (TCFD) reporting.

Based on historical costings as set out above, it is expected that a contract awarded for 7 years is likely to be in the region of £500k.

Hymans were appointed using the **2019 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**

<b>Rebate Year</b>	<b>£</b>
2020/21	1,300.85
2021/22	2,829.73
2022/23	3,007.67
2023/24	TBC
<b>Total</b>	<b>7,138.25</b>

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

The costs of Investment Consultancy Services are met from the Pension Fund.

The National LGPS Frameworks are a not for profit programme established 'by the LGPS, for the LGPS' and the joining fee helps towards the ongoing support and administration of this Framework. You can either choose to join Lots individually or all Lots of the Framework. Whichever option you use you will never be charged more than **£5,000** to access the Framework.

**Legal implications and risks:**

The Occupational Pension Schemes (Scheme Administration) Regulations 1996/1715 provide at Regulation 35 a duty to set objectives for providers of investment consultancy services.

Regulation 36 requires that the trustees should review the performance of the investment consultants every year.

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

**BACKGROUND PAPERS**

Background Papers List

None

**INVESTMENT CONSULTANT SERVICE REVIEW**

**1 October 2023 to 30 September 2024**

**Appendix A**

OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT	RATING
<b>1. Demonstration of Value added</b>				
<b>Outcomes Expected:</b>				
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.	No further investment strategy implementation was required during the period.  In line with the agreed work plan – Hymans undertook a review of the Equity portfolio which was discussed with officers on the 12 September 2024, actions and next steps will be submitted to the Committee meeting on 10 December 2024	GREEN
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.	Data from our performance measurers asset returns as at <b>31 September 2024</b> are as follows: <b>5 Year strategic return</b> Fund return: 5.08 Benchmark: -5.32	GREEN

**INVESTMENT CONSULTANT SERVICE REVIEW**

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OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT	RATING
		<p>Returns on the Portfolio net of fees exceed the composite manager benchmark over rolling three year periods</p>	<p>Excess Return 10.40</p> <p><b>3-year composite benchmark</b></p> <p>Fund return: 2.01</p> <p>Benchmark: 6.40</p> <p>Difference in Return -4.39</p> <p>Asset values over the period has increased by £96.9m from £899.2m to £996.1m. The current strategic benchmark is the return on index-linked Government bonds plus 1.7% per annum, which is consistent with the discount rate used by the Actuary as part of the 2022 actuarial valuation to value the Fund's liabilities.</p> <p>Over the longer term, returns are ahead of the long-term (absolute) return deemed sufficient to support an affordable and stable level of contributions. Whilst performance relative to the strategic benchmark</p>	

**INVESTMENT CONSULTANT SERVICE REVIEW**

**1 October 2023 to 30 September 2024**

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<b>OBJECTIVE</b>	<b>DELIVERY TIMESCALE</b>	<b>MEASURE OF SUCCESS</b>	<b>SERVICE ASSESSMENT</b>	<b>RATING</b>
			<p>has been significantly positive, performance relative to the tactical benchmark (which represents the composite of individual manager benchmarks/targets) has been negative. There are two main reasons for this: (1) two of the growth mandates (LCIV GAGPA and LCIV Absolute Return) have underperformed expectations; (2) a CPI-plus benchmark has been used as a comparator for many of the private market mandates and whilst these mandates have delivered positive absolute returns, in line with expectations, these returns have fallen short of the comparator during a period of high inflation.</p>	
<p>C. Enable the Committee to implement scheme investments on a more competitive fee basis through negotiation on implementing</p>	<p>Duration of the contract</p>	<p>Where appropriate, the IC provide input on fee arrangements and proposes actions to reduce fees where possible</p>	<p>As at June 2024, 60% 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</p>	<p><b>GREEN</b></p>

**INVESTMENT CONSULTANT SERVICE REVIEW**

**1 October 2023 to 30 September 2024**

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<b>OBJECTIVE</b>	<b>DELIVERY TIMESCALE</b>	<b>MEASURE OF SUCCESS</b>	<b>SERVICE ASSESSMENT</b>	<b>RATING</b>
and periodic benchmarking of fees			<p>and therefore not considered a key role for the IC.</p> <p>In line with the agreed work plan – Hymans undertook a review of fees to outline at a high level the costs and fees incurred by the Fund covering the year ending 31 March 2024, based on the data provided by investment managers. This was discussed with officers on the 12 September 2024 with recommendations for officers to explore with managers some of the results.</p>	
D. Help the Committee to implement an Investment Strategy, which adds value through the integration of Environmental, Social and Governance (ESG) and stewardship considerations in investment manager appointments.	Duration of the contract	Committee feel adequately briefed on ESG and stewardship issues and understand its importance within the context of the prevailing strategy.	IC prepared a report summarising the Fund’s investment managers’ compliance with the main industry governance standards and their voting and engagement activities (where applicable) over the 12-month period to 30 June 2023, which was presented to the Committee on the 19 March 2024.	GREEN

**INVESTMENT CONSULTANT SERVICE REVIEW**

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<b>OBJECTIVE</b>	<b>DELIVERY TIMESCALE</b>	<b>MEASURE OF SUCCESS</b>	<b>SERVICE ASSESSMENT</b>	<b>RATING</b>
		IC provides proactive advice on emerging trends in ESG issues	<p>This report is submitted annually to add value to the monitoring process as set out in the ISS and for the Committee to understand if there are any stewardship issues.</p> <p>The Funds IC is instrumental in producing the Fund's reporting against the Task Force Climate Related Financial Disclosures (TCFD) Framework, meeting the Committees desire to publish before it becomes mandatory. IC have produced three reports to date, the latest one covering 2022/23.</p> <p>The Climate Policy and Action Plan was agreed at the 25 July 2023 meeting, this includes the objectives set, targets to be measured and actions the committee will take. This will help the Fund better understand the climate risks facing the Fund and</p>	

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**1 October 2023 to 30 September 2024**

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OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT	RATING
			<p>also to fulfil our reporting requirement against the Task Force Climate Related Financial Disclosures (TCFD) framework.</p> <p>Following a workshop to discuss progress against the action plan on the 27 March 2024. The IC later produced presentations and slides which was uploaded to the LOLA training platform for members to view or revisit for reference.</p>	
E. Manage cash flows needs in a more cost effective manner	Annually	Development and regular review of cash flow policy.	IC updated the Cash Flow Management Policy for the Pensions Committee on the 19 March 2024, which the Fund is using as a monitoring tool. This will be reviewed when monthly outgoings increase by more than 20% or every three years to incorporate cash information from the outcome of the valuation process.	GREEN

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OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT	RATING
		Proactive response and advice where changes in cash flow requirements are identified.	Officers consult with the IC regularly on the management of funding capital call requests as part of cash flow management and discussed options for investing the current surplus cash position at a meeting on the 12 September 2024.	
<b>2. Delivery of specialist Services</b>				
<b>Outcomes Expected:</b>				
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.	The Fund's 2022 valuation results were discussed at meetings with officers in October 2022 and February 2023.  As part of the 2022 valuation modelling was undertaken and the ISS was tested against a range of	GREEN

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**1 October 2023 to 30 September 2024**

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<b>OBJECTIVE</b>	<b>DELIVERY TIMESCALE</b>	<b>MEASURE OF SUCCESS</b>	<b>SERVICE ASSESSMENT</b>	<b>RATING</b>
			strategies, the outcome being to tilt any investment changes towards increasing income. The rationale for this approach was discussed and agreed with the Committee on the 21 March 2023.	
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. A mid valuation review was undertaken based on data as at 30 September 2023 to assess whether the Investment Strategy is still on track. Results were presented to the Committee on the 24 January 2024 – with no recommendations to change the investment strategy	GREEN
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	The IC was instrumental in the production of the Committee's investment beliefs, which has been	GREEN

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<b>OBJECTIVE</b>	<b>DELIVERY TIMESCALE</b>	<b>MEASURE OF SUCCESS</b>	<b>SERVICE ASSESSMENT</b>	<b>RATING</b>
		<p>IC facilitates discussion on beliefs and interprets the consequences of investment beliefs for the Committee.</p>	<p>incorporated within the ISS since 2020.</p> <p>Reference to investment beliefs is now included as part of any ongoing investment decisions.</p> <p>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.</p>	
<p>D. Help the Committee develop and maintain an appropriate framework to track progress against strategic and tactical benchmarks</p>	<p>Duration of the contract</p>	<p>IC provides input on the monitoring regime for the Committee from time to time.</p> <p>Officers/Committee can understand and articulate the Fund's progress towards its</p>	<p>IC maintains a reporting process where a review of Fund performance includes tracking progress against the Strategic benchmark and individual fund manager performance.</p> <p>IC have taken an active role at Committee meetings and acted as its advocate in challenging the fund</p>	<p><b>GREEN</b></p>

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**1 October 2023 to 30 September 2024**

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<b>OBJECTIVE</b>	<b>DELIVERY TIMESCALE</b>	<b>MEASURE OF SUCCESS</b>	<b>SERVICE ASSESSMENT</b>	<b>RATING</b>
		objectives from an investment perspective	<p>managers on their performance /strategy and continue to have ongoing dialogue with Fund Managers to keep up to date with developments.</p> <p>Reports are produced quarterly and meet the reporting requirements as set out in the contract.</p> <p>These reports are informative and help the committee understand whether the investment strategy is on track and fund manager objectives are being met.</p> <p>Following the Funds Bond manager attendance at the 25 June committee meeting - IC were requested to undertake a review of the composite benchmark which incorporated the Multi-Asset Credit ("MAC") and index-linked gilts bonds. Officers are now liaising with</p>	

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OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT	RATING
			the Funds Bond Manager to implement recommended actions.	
<b>3. Proactivity of Advice</b>				
<b>Outcomes Expected:</b>				
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	<p>New investment opportunities are explored on an ad hoc basis as part of Investment Strategy development and the IC has regular contact with LCIV to keep up to date with new products being offered and assesses the suitability against the Funds Investment Strategy.</p> <p>IC provides market updates to officers monthly and produces product assurance note when applicable.</p>	GREEN
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.	GREEN

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**1 October 2023 to 30 September 2024**

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OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT	RATING
			Officers are appreciative of input from the IC and in particular to briefing papers to support any consultation responses. For example, the Governments “LGPS Governance and reporting of climate risk” and “Next steps on pooling” consultations.	
<p>C. Deliver training to enable the Committee:</p> <ul style="list-style-type: none"> <li>to be supported maintaining high standards of investment governance and compliance.</li> <li>engage with new investment opportunities, emerging risks or opportunities to transfer risk</li> </ul>	Duration of the contract	Committee has sufficient understanding of any new investment class and associated risks in which it is suggested they might invest	<p>Training and Development for members is incorporated as part of the committee meetings when reports are being presented. Investment training is also provided via the Hymans LGPS Online Learning Academy (LOLA) platform</p> <p>No targeted training required during the period</p>	GREEN
<b>4. Support with scheme management and compliance</b>				

## INVESTMENT CONSULTANT SERVICE REVIEW

1 October 2023 to 30 September 2024

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OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT	RATING
<b>Outcomes Expected:</b>				
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 monitoring report, which covers market analysis and individual Fund Manager performance. IC have attended each Committee meeting as required to discuss their report and have provided advice and guidance at these meetings.  Officers in conjunction with IC, develop a work plan in order to deliver the Fund's Business Plan on a timely basis.	GREEN
B. Produce briefing papers and periodic investment advice in advance of committee meetings in a timely basis	Duration of the contract	IC consults with Officers on the development of agenda items for future meetings	IC produce monthly market briefings and briefing papers as applicable.	GREEN
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 collecting fee information in line	AMBER

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**1 October 2023 to 30 September 2024**

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OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT	RATING
			<p>with Code of Transparency to complete the 2023/24 exercise.</p> <p>IC has undertaken an exercise to assist officers in gaining a greater understanding of the overall level of costs incurred in the portfolio (including implicit costs such as transaction costs) rather than solely the explicit manager fees charged. This was discussed with officers at a meeting on 12 September 2024.</p> <p>Further analysis is required, so is currently a work in progress.</p>	
<p>D. Review and update as appropriate the schemes Investment Strategy Statement</p>	<p>Duration of the contract</p>		<p>ISS was reviewed following the 2022 Valuation – A report to Pensions Committee on 21 March 2023 set out proposed changes to the investment strategy and these were agreed.</p> <p>Implementation of this strategy has commenced and formal adoption of</p>	<p><b>GREEN</b></p>

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**1 October 2023 to 30 September 2024**

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OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT	RATING
			<p>the ISS was presented to the committee on 12 September 2023.</p> <p>IC undertook a review of the Fund’s equity allocation, both at an aggregate portfolio level and an individual mandate level – assessing performance, exposures and climate characteristics with the aim of evaluating whether the Fund’s equity allocation remains appropriate or if any changes should be considered. This was discussed with officers at a meeting on the 12 September 2024 and the outcome and recommendations will be presented to the committee for consideration at the 10 December 2024 meeting.</p>	
E. Ensure compliance of the schemes investment arrangements with	Duration of the contract		As appropriate the IC advice the Fund of the issuance of government consultations and legislation changes that impact on governance arrangements, in particular, briefing	GREEN

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**1 October 2023 to 30 September 2024**

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OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT	RATING
developments in regulation and all legislation			papers covering next steps on pooling and the Pensions Review call for Evidence.	
<b>5. Relationship and service standards</b>				
<b>Outcomes Expected:</b>				
A. Maintain fees in line with tender submission	Quarterly	Invoiced fees are in line with agreed budgets	IC core 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.	GREEN
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.  A pre-agreed work plan for the year ahead is discussed, which includes indicative costings. Hymans send through updates of work in progress and upcoming projects and associated fees.	GREEN

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<b>OBJECTIVE</b>	<b>DELIVERY TIMESCALE</b>	<b>MEASURE OF SUCCESS</b>	<b>SERVICE ASSESSMENT</b>	<b>RATING</b>
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 been with the Fund since April 2006 and a clear understanding of the goals and objectives through their input into the development of the ISS, cash flow requirements and ongoing monitoring.	GREEN
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  To meet Hymans internal resources management there has been a change to the Funds Investment Consultant – phased to maintain continuity and knowledge transfer	GREEN
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 IC are very good.  IC proactive in arranging a one to one meeting with the Chair on 28 Feb 2023 as part of relationship building and to provide an outline of	GREEN

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OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT	RATING
			<p>the investment strategy. Hymans to contact the Chair for updates.</p> <p>IC have been open to taking on-board improvements to the way reports are provided. Following previous feedback, Officers and the Committee are appreciative of the introduction of a headline page within their monitoring report to focus on key takeaways included in their report.</p> <p><i>Officers and the Committee welcome the level of advice and rationale for the direction of the Strategy and the implementation undertaken to date.</i></p> <p>Review meeting held on the <b>15 September 2024</b> where feedback from members and officers were discussed along with suggested areas of improvement and future developments:</p>	

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<b>OBJECTIVE</b>	<b>DELIVERY TIMESCALE</b>	<b>MEASURE OF SUCCESS</b>	<b>SERVICE ASSESSMENT</b>	<b>RATING</b>
			<ul style="list-style-type: none"> <li>• Further Support for Code of Transparency interpretation and analysis of data.</li> <li>• Progress against Climate actions and analysis/feedback on LCIV Climate Analytics.</li> <li>• Hold additional regular meetings with the Chair and the S151 officer to maintain relationship building.</li> <li>• Work plan for 2025 to be finalised (to include Index linked Bond manager review, Climate Plans and Investment Beliefs review)</li> <li>• LCIV Governance &amp; Oversight review</li> </ul>	
<p>F. Work collaboratively with other advisors and provide effective support to the Committee when engaging with other stakeholders</p>	<p>Duration of the contract</p>	<p>Positive feedback on working relationship from other advisors and stakeholders</p>	<p>The IC has close working relationships to the Fund’s actuary, which helps the understanding of the implications of different strategies on the Fund.</p>	<p>GREEN</p>

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**1 October 2023 to 30 September 2024**

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OBJECTIVE	DELIVERY TIMESCALE	MEASURE OF SUCCESS	SERVICE ASSESSMENT	RATING
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	<p>No conflict of interest has arisen during the year.</p> <p>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.</p> <p>The IC does not provide advice to LCIV.</p>	GREEN
<b>6. Support with additional matters arising</b>				
<b>Outcomes Expected:</b>				
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	<p>IC has provided advice on the suitability of investments on offer via the London CIV covering suitability to the investment strategy</p> <p>It is important that the Committee and officers receive expert advice</p>	GREEN

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<b>OBJECTIVE</b>	<b>DELIVERY TIMESCALE</b>	<b>MEASURE OF SUCCESS</b>	<b>SERVICE ASSESSMENT</b>	<b>RATING</b>
			<p>on investment issues and how they affect the Local Government Pension Scheme.</p> <p>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.</p> <p>Following previous feedback, It was agreed that at the committee meeting the IC, as part of the their introduction and fund highlights, will cover key points that the committee needs to be aware of in advance of the Fund Manager presenting</p>	

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## PENSIONS COMMITTEE

05 NOVEMBER 2024

**Subject Heading:**

**PENSION FUND ACTUARIAL SERVICES PERFORMANCE REVIEW - 1 October 2023 to 30 September 2024**

**SLT Lead:**

Kathy Freeman

**Report Author and contact details:**

Debbie Ford  
Pension Fund Manager (Finance)  
01708 432569

[Debbie.ford@havering.gov.uk](mailto:Debbie.ford@havering.gov.uk)

**Policy context:**

A review of the performance of the services provided by the Actuary demonstrates compliance against the tPR General Code of Practice and Contract Procedure Rules

**Financial summary:**

Actuarial net costs are met from the Pension Fund or from scheme employers where rechargeable

**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 reviews the service and performance of the Havering Pension Fund's ("the Fund") Actuary from the 1 October 2023 – 30 September 2024.

Authorisation is being sought to procure Actuarial Services to the Pension Fund using the National Local Government Pension Scheme (LGPS) Frameworks.

Authorisation is also being sought to award an extension to the existing contract until June 2026.

**RECOMMENDATIONS**

1. It is recommended that the Committee:
  - a) Note the performance of the Fund's Actuary during the period 1 October 2023 to 30 September 2024.
  - b) Approve an extension to the existing Actuarial Services contract with Hymans Robertson from 16 July 2025 to 30 June 2026 at the estimated cost of £70,000.
  - c) to enter into an Access Agreement to join the new National Framework for Actuarial, Benefits and Governance Consultancy Services Framework once live, at the estimated cost of £3000.
  - d) Agree to the commencement of tendering for a new Actuarial Services contract off the new National Framework for Actuarial, Benefits and Governance Consultancy Services Framework at for a period of 10 years from July 2026 at the estimated cost of £1m.
  - e) Delegate to the Statutory Section 151 officer authority to award the Actuarial Services Contract at the completion of the procurement exercise.

**REPORT DETAIL**

**1. BACKGROUND**

- 1.1 All LGPS Funds are required to procure professional actuarial services in line with regulation 62 of the Local Government Pension Scheme Regulations 2013 as they must obtain an actuarial valuation of the assets and liabilities of its pension fund as at 31 March 2016 and every third year afterwards and obtain a report by an actuary in respect of the valuation.
- 1.2 Actuarial services includes but are not limited to completion of the triennial valuation exercise, Funding Strategy Statement (FSS) preparation and advice, annual accounting valuations of pensions liabilities of Fund employers (in accordance with Financial Reporting Standards (FRS) 102/ International Accounting standards (IAS)19 and 26 requirements, the provision of carrying out opening valuations for new scheme employers; closing valuations for exiting scheme employers; benefit administration advice and ad-hoc advice

and guidance which takes account of their knowledge of the Fund's position and strategies.

- 1.3 The Actuary also provides advice on consultations regarding changes in legislation affecting the Local Government Pension Scheme (LGPS) and reviews guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) and the Scheme Advisory Board (SAB). Some of these changes are highly technical and the Committee rely upon the Actuary to put forward suggestions that are in the interest of the Fund. They work closely with the Government Actuary Department (GAD) to support their work under Section 13 of the Public Service Pensions Act 2013 in connection with the actuarial valuations.

## **2. REVIEW OF THE ACTUARIAL SERVICE PERFORMANCE**

- 2.1 The Fund appointed Hymans Robertson ("Hymans") with a contract start date of the 16 July 2018 and this terminates on the **15 July 2025**. The contract was awarded, using the 2018 version of the "National LGPS Framework for Actuarial, Benefits and Governance Consultancy Services"
- 2.2 Hymans have been the Fund's Actuaries since April 2010.
- 2.3 An annual assessment of the Fund's Actuarial Services performance is in line with The Pensions Regulator's (tPR) General Code of Practice and monitoring the Actuary's performance will enable the Committee and officers to better identify and manage areas of poor performance.
- 2.4 Monitoring the contract also meets post contract award procedures and ensures services are being delivered in accordance to the contract.
- 2.5 During this period of review, the Actuary has undertaken the following:

### **Valuation:**

- 2025 Valuation planning meeting with Officers August 2024.
- Section 13 Report for 2022 Valuation outcomes and summary for Havering.
- Mid Valuation Funding update.

### **Employers:**

- Provision of Pension Information for bidders' report.
- Cessation report.
- Employer Risk Modelling report.
- Outsourcing Guide.
- Admissions policy.

**Accounting:**

- Produced statutory accounting disclosures - IAS19 for the London Borough of Havering and Mercury Land Holdings as at 31 March 2024.
- Produced IAS26 statement and actuarial statement for the Pension Fund as at 31 March 2024.
- Provided FRS102 reports for the academies as at 31 August 2024.

**General**

- Internal Dispute Resolution Procedure (IDRP) investigations.
- Governance Support.
- Various Client discussions and general advice.
- Code of Practice Checker Tool.

**Training**

- LGPS Online Learning Academy (LOLA) with module updates.
- Administrator training for officers.

2.6 Hymans has delivered a diverse range of advice and assistance to the Fund over this period. Service delivery response times are excellent. All relevant services required during the period 1 October 2023 – 30 September 2024 were delivered in both a timely manner and to a high quality.

2.7 Hymans continually provides timely briefings on changes to legislation, government consultations, and periodic LGPS updates. These are all welcomed, viewed as excellent, and give Pension Fund Officers a steer on issues arising. Hymans also share responses to Government consultations.

2.8 In conclusion, officers are satisfied with the service that Hymans is providing.

2.9 Officers have shared the outcome of the service performance review with Hymans which is set out above.

**3. CONTRACT EXTENSION**

3.1 The current contract expiry date of the 15 July 2025 overlaps with the timelines for the 2025 triennial valuation exercise which runs from 1 April 2025 to 31 March 2026.

3.2 To avoid the risk of potentially changing actuaries part way through a valuation year, officers are seeking to arrange a short term extension up to the **30 June 2026**. This will cover the conclusion of the valuation and end of financial year accountancy requirements.

3.3 In line with the Councils contract procedure rules and Regulation 72 of the Procurement Act, an extension is permissible if the costs are not greater than 10% of the existing contract. Costing are set out in the Financial implications and risks section of this report.

**4. NATIONAL LGPS FRAMEWORK FOR ACTUARIAL, BENEFITS AND GOVERNANCE CONSULTANCY SERVICES**

- 4.1 Procurement can take significant time and money both for the awarding Authority and the Service Provider. The National LGPS Frameworks are fully compliant with the Public Contracts Regulations 2015. It reduces the time and costs associated with the procurement process by offering a facility that has already been competitively tendered. It aims to deliver access at the best possible price to high-quality, efficient and effective Actuarial, Benefits & Governance Consultancy Services Providers. Benefits include:
- a) Shortened timescales.
  - b) Reduced procurement and legal costs.
  - c) Robust and transparent process with high level of due diligence and specialist support.
  - d) Agreed Terms and Conditions of contract with providers.
  - e) Enable access to specialist providers whose experience and quality has been tested.
  - f) Comprehensive user documentation and support from Frameworks team.
  - g) Provider ceiling prices established.
  - h) Possibility to benefit from cumulative rebates.
- 4.2 The current Actuarial, Benefits and Governance Consultancy Services Framework is available for further competition or Direct Award until 30th June 2025. Contracts awarded under the Framework may be let up for a maximum contract length of ten years and up to 30th June 2035 at the latest. It is expected that the framework will be available after the current framework expires on the 30 June 2025 and would follow similar terms such as ability to award contracts up to 10 years. The fund would look to tender through the new framework and to award a contract for the full 10 years to cover valuations for the years 2025, 2028, 2031 and 2034.
- 4.3 The framework covers 5 lots:
- a) Lot 1 Actuarial Services
  - b) Lot 2 Benefits Consultancy
  - c) Lot 3 Governance Consultancy
  - d) Lot 4 Governance Consultancy
  - e) Lot 5 Consultancy services to Support Specialist Projects
- 4.4 Authorisation is sought to commence procurement of Actuarial Services and to the Pension Fund using the new National Local Government Pension Scheme (LGPS) Frameworks. Pre-tender approval is required as the anticipated costs are expected to exceed £1m.

**IMPLICATIONS AND RISKS**

**Financial implications and risks:**

Fees are charged for the time spent on services, taking into consideration the complexity of the services provided.

Fees include actuarial work that was recharged to other employers within the Fund. Summary of Fees, since commencement of contract in July 2018, can be seen in the following table:

**Table 1 - Fees**

Time Period	Gross Costs	Recharges	Net Cost
	£	£	£
Jul 18 to Sep 18	35,009	27,950	7,059
Oct 18 to Sep 19	104,400	60,950	43,450
Oct 19 to Sep 20	112,563	48,250	64,313
Oct 21 to Sep 21	59,580	28,825	30,755
Oct 21 to Sep 22	45,607	9,970	35,637
Oct 22 to Sep 23	186,779	77,280	109,499
Oct 23 to Sep 24	130,504	62,365	68,138
<b>Total</b>	<b>674,442</b>	<b>315,590</b>	<b>358,851</b>

The total net costs for the period of review (Oct 23 to Sep 24) was £68,138.

The total net costs since commencement from July 2018 until September 2023 totals £358,851. These costs are made up of charges for the core elements, as set out in Section 1 and are in line with expected contract costs. The non-core elements are usually one-off pieces of work driven by a requirement to address unforeseen events i.e. COVID risks, and Legislation changes. These costs have been charged in line with the hourly rate as set out in the contract.

Net costs are met from the Pension Fund. Recharges are met by Employers in the Fund.

The gross costs since commencement from July 2018 until September 2023 is £674,442. It is estimated that these gross costs will be in the region of £733,000 by the contract end date of July 2025. Hymans have estimated that fees for the short term extension will be c£70k, meeting the 10% threshold permissible for a contract extension.

Based on historical costings as set out above, it is expected that a contract awarded for 10 years is likely to be in the region or exceed £1m.

As a member of the Framework, the Fund benefits from a 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**

<b>Rebate Year</b>	<b>£</b>
2019/20	4,736.99
2020/21	2,402.22
2021/22	1,186.13
2022/23	5,011.44
2023/24	TBC
<b>Total</b>	<b>11,174.78</b>

Where rebates have been received these have been reflected in Table 1.

The National LGPS Frameworks are a not for profit programme established 'by the LGPS, for the LGPS' and the joining fee helps towards the ongoing support and administration of this Framework.

You can either choose to join Lots individually or all Lots of the Framework. Whichever option you choose you will never be charged more than the cost to access all Lots, currently this is £3,000 for the current version of the Framework. Costs are yet available for the new Framework expected to be released after the current version expires 30 June 2025.

**Legal implications and risks:**

In accordance with the Council's duty with respect to the Pension Fund under Regulation 62 of the Local Government Pension Scheme Regulations 2013, the Council must obtain an actuarial valuation of the assets and liabilities of each of its pension funds every three years. The Council's general power of competence under Section 1 of the Localism Act 2011 which gives the power to do anything, and individual can do, subject to any statutory constraints on the Council's powers. The recommendations in this report are in keeping with this power.

The Public Contracts Regulations 2015, as amended ("the PCR 2015") provides that contracts can be modified during their term without further competition provided that such modifications are not substantial under Regulation 72 (1) (e) and do not fall foul of Reg 72(8). The extension of time sought is both below the relevant threshold for services as per Regulation 5 and below 10% of the overall contract price. The modification to extend the term does not render the contract materially different in character from the one initially concluded, nor would the modification introduce conditions which, had they been part of the initial procurement procedure, would have—

- (i) allowed for the admission of other candidates than those initially selected,
- (ii) allowed for the acceptance of a tender other than that originally accepted, or
- (iii) attracted additional participants in the procurement procedure.

The economic balance between the parties to the contract remains unchanged and does not extend the scope of the contract considerably. The recommendations in this matter comply with the PCR 2015 in this respect, and therefore can be taken forward accordingly.

It is anticipated that the new framework, once live, can be utilised to procure the new contract.

**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.

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

**BACKGROUND PAPERS**

None



## PENSIONS COMMITTEE

5 NOVEMBER 2024

**Subject Heading:**

**PENSION FUND RISK REGISTER –  
UPDATED NOVEMBER 2024**

**SLT Lead:**

**Kathy Freeman**

**Report Author and contact details:**

**Debbie Ford**  
**Pension Fund Manager (Finance)**  
**01708432569**  
[Debbie.ford@havering.gov.uk](mailto:Debbie.ford@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:

1. Approve the updated Pension Fund Risk Register November 2024, attached as Appendix A.
2. Consider and agree to retain, amend or revise the post mitigation risk target

**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 Local Government Pension Scheme (LGPS) guidance and regulation.
- 1.2 The Pensions Regulator (TPR) General Code of Practice states that LGPS Funds are required to establish and operate internal controls, which are adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules. Before designing internal controls, the governing body should identify risks, record them, and regularly review and evaluate them. The evaluation of risks will help the governing body determine which risks require internal controls to be put in place to reduce their incidence and impact.
- 1.3 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
- 1.4 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 manage risk.
- 1.5 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 07 November 2023. The Fund maintains a risk register to effectively manage and mitigate potential risks that could impact the scheme's operations and objectives.
- 2.2 The risk register complies with CIPFA 'Managing Risk in the LGPS' published in December 2018 and the TPR General Code of Practice.
- 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 as below:
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 Risk Register was discussed at the Funds LPB meetings, as follows:
- **21 November 2023** – feedback from the Pensions Committee meeting held on the 7 November 2023, including the request for a benchmarking exercise to be undertaken to determine how the risk register compares to

other funds and whether it's possible to have independent verification of officer scoring.

- **27 February 2024** – LPB requested that risks be identified as either Strategic or Operational to aid and focus monitoring.
- **4 June 2024** – The Strategic and Operational categories now applied and presentation amended. In summary, strategic risks include risks that affect the long-term strategy, while operational risks are more immediate and impact daily operation. Results of the benchmarking exercise was also presented. Officers to report back to the LPB with the Risk register in order of those that are strategic or post mitigation risk is higher than a set target. **Target to be determined (please refer to paragraph 2.10).** Summary of outcomes of benchmarking exercise, as follows:

- a) 22 London Boroughs were included in the scope for research and compared to the Havering Risk Register.
- b) All registers cover the same risks (with different wording) and are in line with CIPFA guidance and most use the CIPFA Traffic Light Risk Matrix
- c) Registers vary on the number of individual risks within each high level risk categories. Not all individual risks were classified under the same high level category.
- d) Risk Register formats vary and not all have columns for mitigations/actions.
- e) Some used the CIPFA guidance traffic light model matrix with 6 columns, columns 1-3 being pre control scores and columns 3-6 being post control score. Havering only use one score for pre and post control.
- f) There were no details on any of the registers as to who was responsible for the risk scoring. The Scheme Advisory Board was contacted and commented that it was mainly Officers who scored the registers (contact was made with a few boroughs who confirmed this)
- g) In only 2 cases the Pensions Committee/Hymans Robertson participated in setting the risk scorings (Hymans charge for this service)
- h) Risk and their Scorings are discussed at LPB and Pensions Committee meetings.
- i) Havering Complies with the above apart from not showing a direction of travel column

2.7 Where applicable, any actions/recommendations originating from the Pensions Committee and LPB as shown in the above paragraphs, have been considered and incorporated into the updated Risk Register (**Appendix A**), as reviewed by officers in October 2024.

2.8 Paragraph 2.3 sets out the high level key risks and within those seven key risks, 35 individual risks have been identified, with 11 categorised as Strategic and 24 categorised as Operational.

2.9 **Risk Scoring** - The Fund uses a matrix to plot risk likelihood and impact. The matrix within the register shows 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

2.10 Members are requested to consider whether the current statement on the Risk Register “The green shaded area on the matrix shows the risks where there is good control and the Council is comfortable with the risk” should be retained or whether they wish to set an alternative target, see summary under section 2.11.

2.11 A summary of the 35 risks, including their strategic/operational classification and post mitigation scores (in order of likelihood/impact) are shown in Appendix B, as attached

2.12 The Pension Fund Risk Register is currently being integrated with the Council’s Risk management system managed by Internal Audit. The Fund is encouraged that this will provide an oversight of scores as determined by officers. The risk reporting aspect is currently in development and once established will be able to report on a variety of categories that will assist the LPB request for being able to review any areas of focus and a direction of travel can also be incorporated.

## **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.

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 risks in approving the risk register as recommended.

### **Human Resources implications and risks:**

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

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

**BACKGROUND PAPERS**

Background Papers List

None

# Havering Pension Fund

## Risk Register

October 2024

### 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.

Likelihood	A	Green	Amber	Red	Red	<b>Risk Likelihood</b> F = Very Unlikely E = Unlikely D = Possible C = Likely B = Very likely A = Certainty  <b>Risk Impact</b> 4 = Negligible 3 = Moderate 2 = Serious 1 = Major
	B	Green	Amber	Amber	Red	
	C	Green	Green	Amber	Amber	
	D	Green	Green	Green	Amber	
	E	Green	Green	Green	Green	
	F	Green	Green	Green	Green	
			4	3	2	
		Impact				

Abbreviations	Description
AUM	Asset Under Management
CMO	Contract Monitoring Officer - Caroline Guyon
CIPFA	Chartered Institute of Public Finance and Accountancy
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	LPB
LPPA	Local Pensions Partnership Administration
MHCLG	Ministry for Housing, Communities & Local Government
PFM	Pension Fund Manager, Finance – Debbie Ford
SAB	Scheme Advisory Board
SLT	Society of London Treasurers
TCFD	Task Force on Climate-related Financial Disclosures
tPR	The Pensions Regulator
UPM	Universal Pensions Management

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
<b>RISK TITLE</b>								
<b>No 1. Risk of Inaccurate three yearly actuarial valuation</b>								
<b>Upper Level: S151 Officer/Director of Exchequer and Transactional Services</b>								
1.1	Lower Levels: PFM	<b>Strategic Risk</b> Inappropriate assumptions used by actuary in calculations for valuation.	Inappropriate investment risk may be adopted and deficit not reduced.	AMBER B/2 Very Likely/ Serious	Valuation completed by a qualified professional actuary.	GREEN E/3 Unlikely/ Moderate	GAD S13 report on 2022 valuations resulted in the Fund receiving no flags against any of the 4 aims, meaning no overall concerns. Reported to Pensions Committee 1 October 2024	Risk and Controls Reviewed by Officers Oct 24.  No changes recommended to current controls.
					Valuation results are checked against the 4 aims set out in the Public Service Pensions Act 2013, Section 13 (S13): <ul style="list-style-type: none"> <li>compliance</li> <li>constituency</li> <li>solvency</li> <li>long-term cost efficiency</li> </ul>			
Actuarial assumptions are open to challenge by officers, members during training and as part of the Funding Strategy Statement consultation with stakeholders.	Planning meeting for 2025 valuation held with officers 15 Aug 24. Assumption discussions to commence from Apr 25.  Latest FSS consultation undertaken Nov 23 when updated for legislative changes							
1.2	PFM	<b>Operational Risk</b> Poor governance of Actuary.	Potential for financial loss	AMBER B/2 Very Likely/Serious	Robust, open procurement process in place for appointment of actuary.	GREEN E/3 Unlikely/ Moderate	Current contract expires 15 July 25 Contract extension to 30 Jun 26 being sought to avoid potential risk of a change in Actuary part	Risk and Controls Reviewed by Officers Oct 24.

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
					Annual review of actuary performance undertaken by Pensions Committee		way through a valuation exercise 23/24 Service Review scheduled for 5 Nov 24 Pensions Committee 08.	No changes recommended to current controls
1.3	PFM / CMO	<b>Operational Risk</b> 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.	AMBER B/2 Very Likely/ Serious	Data cleansing/Controls in place to ensure accuracy and completeness of data. Data accuracy measured against the Pensions Regulator scoring criteria with a requirement to achieve 100% accuracy on common data.	GREEN E/3 Unlikely/ Moderate	As at 30 June 24, common data score of 97.7%, scheme specific data score of 73.6%.	Risk and Controls Reviewed by Officers Oct 24.  No changes recommended to current controls.
					Pensions Administration Strategy implemented with effect from 01/10/21 to clarify employer responsibilities regarding data accuracy and timeliness.		CMO monitors data scores quarterly and will investigate changes.  LPPA are commencing work on a data project to ensure good quality data is held on member records.	
<b>RISK TITLE</b>								
<b>No 2. Risk of Incorrect / Inappropriate Investment Strategy</b>								
<b>Upper Level:S151 Officer</b>								
2.1	Lower Levels: PFM	<b>Strategic Risk</b> Lack of or poor professional investment	Potential for financial loss.	AMBER B/2 Very Likely/Serious	FCA Regulated Investment Advisor appointed to advise the Fund who is instrumental in advising the	GREEN E/3 Unlikely/ Moderate		Risk and Controls Reviewed by Officers Oct 24

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
		advice given or not taken.	Loss of investment opportunities and adverse performance. Growth opportunities are not maximised.		Pension Committee when setting Investment Strategy.			No changes recommended to current controls.
2.2	PFM	<b>Strategic Risk</b> 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.	AMBER B/2 Very Likely/Serious	Investment Strategy Statement (ISS) /risks continually assessed as part of the quarterly monitoring process by the Pensions Committee. Diverse portfolio to reduce concentration risk. Members are informed of risk vs return consequences on any proposal to change the ISS.	GREEN E/3 Unlikely/Moderate		Risk and Controls Reviewed by Officers Oct 24  No changes recommended to current controls.
2.3	PFM	<b>Strategic Risk</b> Based upon inaccurate actuarial valuation.	Pension deficit not reduced and potential for Council Tax increases.	AMBER C/2 Likely/Serious	Liabilities analysed during inter-valuation period in addition to every three years.  A close working relationship is in place between the actuary and the investment advisor in the development of the investment strategy. Thus made easier as both services undertaken by the same firm.	GREEN E/3 Unlikely/Moderate	Inter-valuation report as at 30 September 2023 reported to Pensions Committee on 24 Jan 24. Funding level increased from 80% to 106%	Risk and Controls Reviewed by Officers Oct 24  No changes recommended to current 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
2.4	PFM	<b>Operational Risk</b> Poor governance of Investment Advisor.	Potential for financial loss.	AMBER B/2 Very Likely/Serious	Robust, open procurement process in place for appointment of Investment Advisor	GREEN E/3 Unlikely/ Moderate	Contract expires 31 March 2026. Officers to seek approval to commence new contract	Risk and Controls Reviewed by Officers Oct 24
					Investment Advisor performance is annually reviewed by the Pensions Committee and close working relationship are maintained with officers		23/24 Service Review scheduled for 5 Nov 24 Pensions Committee 08.	
2.5	PFM	<b>Operational Risk</b> 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.	AMBER B/2 Very Likely/Serious	Investment Advisor attends each quarterly Pension Committee meeting and provides training as appropriate.	GREEN D/2 Possible/ Serious	Pensions Committee & LPB -Training / Awareness ongoing - working towards full compliance with CIPFA Knowledge and Skills framework.	Risk and Controls Reviewed by Officers Oct 24 No changes recommended to current controls.
					Knowledge and skills training of LPB and Committee Members / Inductions carried out for new LPB and Pension Fund Committee members			
					The Fund Subscribes to Fund Actuary (Hymans) online learning platform (LOLA) v1 from August 22. Mandatory models on LOLA v1 completed by Pension Committee members. LOLA v2 went live Oct 23 – Newer members of the Pensions Committee and LPB working towards completion of LOLA v2 modules.			

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
<b>RISK TITLE</b>								
<b>No 3. Risk of Failure of Investments to Perform In-Line with Growth Expectations</b>								
<b>Upper Level: S151 Officer</b>								
3.1	Lower Levels: PFM	<b>Strategic Risk</b> Poor Fund Manager selection.	Potential for losses to be incurred.	AMBER C/2 Likely/Serious	Fund Manager selection now undertaken by LCIV. LCIV is FCA regulated.	GREEN E/3 Unlikely/ Moderate		Risk and Controls Reviewed by Officers Oct 24
			Reputational risk from poor investments.		Product reviews and due diligence are undertaken by the Investment Advisor before the Fund invests.			
					A robust Fund Manager selection process is in place (Non LCIV where required).			
3.2	PFM	<b>Strategic Risk</b> Underperformance by Fund Manager.	Deficit reduction targets not met/Increased employer contributions.	AMBER C/2 Likely/Serious	Fund Managers attend Pension Committee to present quarterly performance reports and are challenged by the Committee and Fund Investment Advisor.	GREEN D/3 Possible/ Moderate		Risk and Controls Reviewed by Officers Oct 24
3.3	PFM	<b>Strategic Risk</b> 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.	AMBER C/2 Likely/Serious	Officers attend LCIV monthly business meetings to ensure the Fund is up to date with LCIV events. Summaries are reported back to the Pensions Committee quarterly.	GREEN D/3 Possible/ Moderate		Controls Reviewed by Officers Oct 24
					LCIV arrange regular "meet the manager" sessions that are open to Officers and Committee members			
					LCIV attend Pension Committee, as part of the reporting cycle, to report on			

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
					<p>sub fund manager performance and LCIV updates. Open to challenge by the Pensions Committee and Fund Advisor.</p> <p>LCIV sub fund manager performance is monitored by LCIV – monitoring status awarded “normal”, “enhanced” or “on-watch”. Deep dives undertaken annually or more frequently if on “enhanced” monitoring or “on watch</p> <p>Development charges and ad valorem fees are reported at the LCIV General Shareholder meetings - attended and challenged by shareholder reps i.e. Councillors from each borough, SLT</p>		All the Funds' investments in LCIV sub funds are on Normal monitoring.	
3.4	PFM	<b>Strategic Risk</b> A negative financial market impacts/external factors/increased market volatility i.e. Recession/inflation	Economy downturn could result in general fall in investment values.	RED B/1 Very Likely/Major	<p>Diverse portfolio to reduce effects from market volatility.</p> <p>Close monitoring of Markets by the Fund's investment Advisor.</p> <p>Investment Advisor produces monthly market updates.</p>	GREEN D/3 Possible/ Moderate		<p>Risk and Controls Reviewed by Officers Oct 24</p> <p>No changes recommended to current controls</p>
3.5	PFM	<b>Strategic Risk</b> Climate Risk /ESG Considerations	Failure to consider the extent of climate change could impact negatively on financial outcomes e.g. stranded assets,	AMBER C/2 Likely/Serious	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	GREEN D/2 Possible/ Serious		<p>Risk and Controls Reviewed by Officers Oct 24</p> <p>No changes recommended</p>

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
			carbon taxes etc. Could also result in the Fund missing out on investment opportunities associated with Climate change		<p>outcomes and these beliefs are incorporated as part of the ongoing implementation of investment strategy</p> <p>Climate Policy and Action Plan agreed by Pensions Committee on 25 July 2023</p> <p>Climate scenario stress testing is now included in the contribution modelling exercise for the Funds Valuation process.</p> <p>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.</p> <p>The Fund currently reports voluntarily under TCFD to demonstrate financial impact on climate-related issues</p>		<p>Workshop to assess progress against action plan delivered on the 27 Mar 23.</p> <p>Officers in conjunction with Hymans to monitor progress against Action Plan</p>	to current controls
3.6	PFM	<b>Strategic Risk</b> Fund Managers – noncompliance to the Code of Transparency.	Failure to disclose full management fees in the Pension Fund Annual Report and accounts and charges not in line with agreements.	AMBER C/2 Likely/Serious	<p>Fund Managers complete the Code of Transparency compliance template annually.</p> <p>Officers have access to the Byhiras client portal to check submission of templates and will chase as appropriate.</p>	GREEN D/3 Possible/ Moderate		<p>Risk and Controls Reviewed by Officers Oct 24</p> <p>No changes recommended to current controls</p>

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
3.7	PFM	<b>Operational Risk</b> 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.	AMBER C/2 Likely/Serious	Investment Advisor/Pensions Committee and officers review fund performance and asset class targets quarterly.	GREEN D/3 Possible/ Moderate		Risk and Controls Reviewed by Officers Oct 24  No changes recommended to current controls
3.8	PFM	<b>Operational Risk</b> Delays in compliance with capital calls/FX Hedges on new illiquid mandates could result in penalty payments.	Penalty payments are charged to the Fund.	AMBER C/3 Likely/ Moderate	Robust processes in place to ensure capital calls/FX cash settlements are funded in a timely manner.	GREEN E/3 Unlikely/ Moderate		Risk and Controls Reviewed by Officers Oct 24  No changes recommended to current 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
3.9	PFM	<b>Strategic Risk</b> Where MATS hold membership across various funds, a risk to consolidate membership to a single Pension Fund outside Havering.	If a request to transfer out from the Fund is granted by MHCLG, 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 an impact on cash flow and the Investment Strategy, as it is estimated that 10% of the Fund's assets and liabilities would transfer out, if all existing MATS followed precedent	RED B/1 Very Likely/Major	The Fund has responded to the consultation issued by MHCLG 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.	RED B/1 Very Likely/Major	To monitor MHCLG actions re Transfer request from Oasis Community Learning. MHCLG continuing to consider the Oasis application, as at September 2024- no update officers awaiting decision.  To ensure contact with the Actuary regarding transfers and exit valuations.	Risk and Controls Reviewed by Officers Oct 24  No changes recommended to current controls

**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	<b>Operational Risk</b> Lack of appropriate skills/knowledge of tPR, MHCLG and CIPFA Guidance, Financial Regulations and accounting standards. Unaware of legislative changes/poor/inaccurate	Potential for breach of legislation resulting in incurring financial penalties from the tPR/legal challenges/ reputational damage.	AMBER C/1 Likely/Major	LPB is in place to oversee adherence to the Regulations and guidance. Statutory policy documents reviewed annually to ensure compliance with legislation. Officers are members of the CIPFA Pensions Network and participate in	GREEN E/3 Unlikely/ Moderate	CIPFA K&S questionnaires to be	Risk and Controls Reviewed by Officers Oct 24  No changes recommended to current controls
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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
		interpretation of the regulations.			<p>the CIPFA Pensions Network/Peer forums to share knowledge &amp; awareness.</p> <p>Active participation in Legislative Consultations where appropriate. Legislative changes are reported to the Pensions Committee where required.</p> <p>Induction carried out for new Pension Fund Committee and LPB members so aware of legislative requirements..</p> <p>External and in house training provided where required. Fund subscribes to Hymans online learning platform (LOLA) from August 2022. Continual personal development for all Committee/LPB members and Officers.</p> <p>Access to specialist pension media sources.</p>		<p>completed by LPB and Pensions Committee members.</p> <p>Personal development for all Committee/LPB members and officers is on-going.</p>	
4.2	PFM / CMO	<b>Operational Risk</b> Key person dependency	Loss of corporate knowledge and expertise in both administration and finance management.	RED B/1 Very Likely/Major	Experienced personnel in place to support the Fund in Accounting and Investment and Administration contract monitoring at present.	AMBER B/2 Very Likely/Serious	<p>Succession planning in place.</p> <p>Finance Section has a vacant post, awaiting recruitment to commence.</p> <p>Head of Service post currently covered on</p>	<p>Risk and Controls Reviewed by Officers Oct 24</p> <p>No changes recommended to current controls</p>

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 interim basis, pending final decisions	
4.3	PFM / CMO	<b>Operational Risk</b> Failure/inability to administer the pension scheme in accordance with regulations.	Non-compliance could result in an adverse external audit report.	AMBER C/2 Likely/Serious	<p>LPB to oversee adherence to the Regulations and guidance.</p> <p>Adherence to TPR General Code of Practice issued March 24.</p> <p>Adherence to ALL issued guidance</p> <p>Attendance at seminars/training to ensure Fund up to date with regulatory requirements.</p> <p>Financial statements are subject to external and internal audit with no qualifications.</p>	GREEN E/3 Unlikely/ Moderate	<p>Officers to ensure compliance checklist is completed in order to evidence adherence to regulations and Best practice</p> <p>2020/21 Accounts - Requires audit sign off (PF audit completed). 2021/22 Accounts - Requires audit sign off (PF audit completed) 2022/23 Accounts- Requires audit sign off (PF audit completed). 2023/24 Accounts - Requires audit sign off (PF audit completed)</p>	<p>Risk and Controls Reviewed by Officers Oct 24</p> <p>No changes recommended to current controls.</p>
<b>RISK TITLE</b> <b>No 5. Risk of inability to Manage/Govern the Pension Fund and Associated Services.</b>								
<b>Upper Level for all Risks: S151 Officer/Director of Exchequer and Transactional Services.</b>								
5.1	Lower levels: PFM /CMO	<b>Operational Risk</b> Staffing issues: Loss of corporate knowledge/expertise. Long-term sickness absence.	Negative impacts upon service provision. Potential for Time delays.	AMBER C/1 Likely/Major	Pension Administration Services outsourced to Lancashire County Council who have engaged the LPPA to undertake their pension portfolio	GREEN D/2 Possible/ Serious		<p>Reviewed by Officers Oct 24</p> <p>No changes recommended</p>

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
		Increase in staff turnover. Lack of resource (Staffing/financial). No knowledge base to store experiences/information	Increased costs due to "buying in" external expertise.		LPPA have case type dedicated teams to ensure expertise is maintained. Continuous pension training for LPB, Pensions Committee members and staff and the Fund subscribes to Hymans online learning platform (LOLA) Participates in the CIPFA Pensions Network/ Peer forums to share knowledge & awareness Guidance from external agencies (some will be at a cost) Procedure notes in place for key activities to ensure processes can be followed		Completion of modules continue to be monitored.  Pension Fund officers to maintain and ensure procedure notes in place for key activities.	to current controls
5.2	PFM	<b>Operational Risk</b> LCIV resourcing – LCIV staff turnover.	Undermines investor confidence in the LCIV.	AMBER B/2 Very Likely/Serious	Continued monitoring of LCIV in place.	GREEN D/3 Possible/Moderate		Risk and Controls Reviewed by Officers Oct 24  No changes recommended to current controls
5.3	PFM / CMO	<b>Operational Risk</b> ICT failure/Disaster Recovery.	Loss of infrastructure. Failure of all ICT services.	RED B/1 Very Likely/Major	ICT/ Disaster Recovery in place. Regular security upgrades to computer systems at both Havering and LPPA.	AMBER C/2 Likely/Serious		Risk and Controls Reviewed by Officers Oct 24

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
					Use protected portals to send personal information. Internal Firewalls in place.			No changes recommended to current controls.
5.4	PFM / CMO	<b>Operational Risk</b> Cyber Security Risk.	Ransomware risk.	RED B/1 Very Likely/Major	LPPA hold a current Cyber Essentials Certificate and ISO 27001 Certification. LPPA systems are monitored 24 hours a day 7 days a week all year round by a security Operations Centre service. Data is regularly backed up and cyber security measures are in place.	AMBER C/2 Likely/Serious		Risk and Controls Reviewed by Officers Oct 24  No changes recommended to current controls..
5.5	CMO	<b>Operational Risk</b> Poor Pension fund administration by the outsourced service LPPA.	Service Delivery failure leading to client/customer complaints and reputational damage.	RED B/1 Very Likely/Major	Formal agreement in place with LPPA, working to SLA's. CMO in post to monitor the administration work of LPPA and carries out spot checks on a regular basis. LPPA provide an Internal Control report - AAF 01/20 "Type 1" report, focuses on operational and financial controls and designed for pension management. No qualifications issued for the 2022 report. LPPA provides quarterly performance reporting to the LPB and subject to challenge	GREEN E/3 Unlikely/ Moderate	LPPA working towards AAF/01/20 "Type 2" report, expected 2025	Risk and Controls Reviewed by Officers Oct 24  No changes recommended to current controls.
5.6	CMO	<b>Operational Risk</b> Poor administration by the employers/payroll providers in the fund.	Service delivery failure leading to client/customer complaints and	AMBER C/2 Likely/Serious	Pensions Administration Strategy in place to clarify the responsibilities of scheme employers and	GREEN D/3 Possible/ Moderate		Risk and Controls Reviewed by Officers Oct 24

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
			reputational damage.		provide timescales for the submission of data.		LPPA are commencing work on a data project to ensure good quality data is held on member records	No changes recommended to current controls.
	LPPA have a programme of employer training and a dedicated employer engagement team to provide support							
Inaccurate data provided give rise to data and financial consequences such as actuary setting contribution rates with a higher margin of error.	CMO maintains regular contact with scheme employers to provide support							
	Actuary undertakes data checks/cleansing as part of triennial review process							
Pension costs and payments delayed or incorrect	Mandatory monthly reporting by employers ensures efficient notifications of record updates are received by LPPA and enables queries to be raised in a timely manner	Reconciliations of Pension Benefit payments are carried out between General Ledger and LPPA systems quarterly with any queries referred to LPPA/CMO for investigation						

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
			Incorrect Contribution oncome received		<p>Monthly reconciliations to monitor cash flow carried out.</p> <p>Monthly contribution schedules maintained by the Havering Pensions Team.</p> <p>Reconciliations between General Ledger and Employer schedules undertaken quarterly with any queries referred to CMO for investigation.</p>		Officers to enhance monitoring contribution income over concerns of reconciling data received from some employers in regard to employer/employee contributions	
5.7	PFM	<b>Operational Risk</b> Failure/inability to undertake the accounting of the pension scheme appropriately.	Qualified opinion on the accounts by external auditor.	AMBER C/2 Likely/Serious	<p>Experienced personnel in place.</p> <p>Attendance at accounting seminars/training to ensure adherence to guidance and regulations</p> <p>Pension Fund accounts subject to external audit.</p> <p>Pension Fund uses the service of an external custodian to verify asset values and performance.</p>	GREEN E/3 Unlikely/ Moderate	<p>2020/21 Accounts - Requires audit sign off (PF audit completed).</p> <p>2021/22 Accounts - Requires audit sign off (PF audit completed)</p> <p>2022/23 Accounts- Requires audit sign off (PF audit completed).</p> <p>2023/24 Accounts – Requires audit sign off (PF audit completed).</p>	<p>Risk and Controls Reviewed by Officers Oct 24</p> <p>No changes recommended to current controls.</p>

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
					<p>Fund Managers performance is monitored quarterly. Fund Managers present at Pension Fund Committee meetings.</p> <p>Monitoring of internal control reports of fund managers to ensure operations administered correctly.</p>			
5.8	PFM / CMO	<b>Operational Risk</b> Poor communications with stakeholders.	Potential breach of regulations and member entitlement Potential for litigation.	AMBER C/2 Likely/Serious	<p>The Pension Fund publishes a Communications Strategy that is reported against annually and reviewed every 3 years. The strategy is reviewed by the LPB and approved by the Pensions Committee.</p> <p>The Fund has a pensions dedicated page within the Havering Council website where fund specific information is published and where the Fund publishes its Annual Report and other statutory policies</p> <p>LPPA has an LGPS dedicated website that contains all relevant information for scheme members and employers.</p> <p>Database maintained on all contact details for LGPS communications.</p>	GREEN E/3 Unlikely/ Moderate		<p>Risk and Controls Reviewed by Officers Oct 24</p> <p>No changes recommended to current controls</p>
5.9	PFM / CMO	<b>Operational Risk</b> Excessive charges by suppliers.	Fund incurring unnecessary costs.	AMBER C/2 Likely/Serious	Third Party Fee Invoices checked prior to payment.	GREEN E/3 Unlikely/		Reviewed by Officers Oct 24

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
						Moderate		No changes recommended to current controls
5.10	PFM	<b>Operational Risk</b> Employers ability to meet contribution rates determined by the Actuary in the Valuation Rates and Adjustment certificate due to budget pressures	Potential loss of Income to the Pension Fund and target funding level not met. Potentially leading to higher employer contributions rates set in future.	AMBER C/2 Likely/Serious	The Administrating Authority has a policy included within its FSS, setting out its approach to reviewing contribution rates between triennial valuations. This has been adopted in line with regulations.	GREEN D/2 Possible/ Serious	Officers to keep under review the risk of employer's ability to meet their obligations and liaise with the Fund's actuary as appropriate.	Risk and Controls Reviewed by Officers Oct 24  No changes recommended to current controls
<b>RISK TITLE</b>								
<b>No 6. Risk of failure to on board or exit employers/members effectively.</b>								
<b>Upper Level for all Risks:S151 Officer/Director of Exchequer and Transactional Services</b>								
6.1	Lower Levels: PFM / CMO	<b>Operational Risk</b> Delays in internal processing of documentation/ admission agreements.	Contribution delays from the employers & members until on-boarding has been completed impacts cash flow.  Late payment of pension benefits pending on-boarding of new employers	AMBER C/2 Likely/Serious	Employer on boarding process in place. Service handover completed when the process of admitting bodies to the fund transferred from LPPA to in-house on 1 April 2021.  Script in place to deliver to new Academy employers, with feedback process in place. CMO maintains communications and contact with employers to provide dedicated point of contact  Bond or guarantee reviews in place and reviewed	GREEN E/3 Unlikely/ Moderate		Reviewed by Officers Oct 24  No changes recommended to current 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
Page 177					every three years as part of valuation process. This will cease to be necessary for new admissions from 1 Jan 24 due to the introduction of pass-through		Officers to identify reasons for delays as they arise	
	Standard Admission Templates adopted							
	Officers liaise with Legal colleagues to ensure Legal requirements are met in a timely manner							
	Pensions Administration Strategy in place to clarify the responsibilities of scheme employers and provide timescales for the submission of contribution payments							
	Admissions Policy – sets out entry conditions to the Fund is in place and accessible via the Council website							
	Outsourcing Guide - sets out organisations responsibilities when outsourcing is in place and accessible via the Council website							
	Pensions Administration Strategy in place to clarify the responsibilities of scheme employers and provide timescales for the submission of contribution payments							

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
			Adverse External Audit Opinion on internal controls		Escalation to Heads of Service where required			
			Employer's liabilities may fall back onto other employers and ultimately local taxpayers.		Actuarial assessment completed for all new and exits requests to assess the level of financial risk. Bonds and suitable guarantees put into place to protect the Fund in case of default.			
6.2 Page 178	CMO	<b>Operational Risk</b> Member data incomplete or incorrect.	Incorrect member data causes processing delays.	AMBER B/2 Very Likely/ Serious	Mandatory monthly reporting by employers ensures efficient notifications of record updates are received by LPPA and enables queries to be raised in a timely manner	GREEN E/3 Unlikely/ Moderate		Reviewed by Officers Oct 24  No changes recommended to current controls
					Member self-service – online tool for members to check and update personal data.			
					Data is reviewed as part of the triennial valuation exercise.			
					Reconciliations between General Ledger and UPM undertaken quarterly identifies member mismatches.			
<b>RISK TITLE</b>								
<b>No 7. Risk of Pension Fund Payment Fraud</b>								
<b>Upper Level for all Risks: S151 Officer/Director of Exchequer and Transactional Services.</b>								
7.1	Lower Levels: CMO	<b>Operational Risk</b> Pension overpayments arising because of non-	Financial loss. Reputational damage of	AMBER C/2 Likely/Serious	Participate in the National Fraud Initiative (bi-annually).	GREEN E/4 Unlikely/		Reviewed by Officers Oct 24

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
		notification in change of circumstances.	Pension Administration and the Council.		<p>Signed up for DWP database Tell us Once – DWP inform LPPA of deaths relating to members of the Havering LGPS fund. Monitored on a daily basis</p> <p>Policy regarding the overpayment of pensions following death of a pensioner or dependent in place</p> <p>Mortality Screening outsourced to an external supplier. Checks carried out monthly.</p> <p>Address checked for deferred pensions prior to payment.</p> <p>Process is in place to investigate return of payment by banks.</p> <p>Internal audit checks carried out.</p>	Negligible		No changes recommended to current controls
7.2	PFM / CMO	<b>Operational Risk</b> Internal staff fraud/ Staff acting outside of their levels of authorisation.	Potential for financial loss.	AMBER C/2 Likely/Serious	<p>Segregation of duties.</p> <p>Pension Fund bank account reconciled to General Ledger monthly.</p> <p>Internal audit checks carried out.</p> <p>Internal disciplinary process in place.</p>	GREEN E/3 Unlikely/ Moderate		<p>Reviewed by Officers Oct 24</p> <p>No changes recommended to current controls</p>
7.3	PFM / CMO	<b>Operational Risk</b> Conflict of interest.	Inappropriate decision making.	AMBER C/2 Likely/Serious	<p>Register of interest declarations are covered within the agenda at all LPB/Committee meetings.</p> <p>All Council Officers undertake a declaration of interest on a periodic basis</p>	GREEN E/3 Unlikely/ Moderate		<p>Reviewed by Officers Oct 24</p> <p>No changes recommended to current controls</p>



RISK REGISTER

APPENDIX B

Summary of Risks with Strategic or Operational classifications	Strategic	Operational	Post Mitigation							
			Red B/1	Amber B/2 C/2		Green D/2 D/3		Green E/3 E/4		
			Very Likely/ Major	Very Likely/ Serious	Likely/ Serious	Possible/ Serious	Possible/ Moderate	Unlikely/ Moderate	Unlikely/ Negible	
<b>Risk 1 Inaccuarate 3 yearly actuarial valuation</b>										
1.1 Inappropriate assumptions used by actuary in calculations for valuation.	✓								✓	
1.2 Poor Governance of Actuary		✓							✓	
1.3 Poor Quality Data		✓							✓	
<b>Risk 2 Incorrect/ Inappropriate Investment Strategy</b>										
2.1 Lack of or poor professional investment advice given or not taken.	✓								✓	
2.2 Concentration risk by asset, region and sector/Lack of clear risk appetite.	✓								✓	
2.3 Based upon inaccurate actuarial valuation.	✓								✓	
2.4 Poor Governance of Investment Advisor		✓							✓	
2.5 Lack of understanding and awareness						✓				
<b>Risk 3 Failure of Investments to Perform In-Line with Growth Expectations</b>										
3.1 Poor Fund Manager selection.	✓								✓	
3.2 Underperformance by Fund Manager.	✓							✓		
3.3 Underperformance of LCIV Fund manager. Failure to achieve Asset Under Management (AUM) Target	✓							✓		
3.4 financial market impacts/external factors/increased market volatility	✓							✓		
3.5 Climate Risk /ESG Considerations	✓					✓		✓		
3.6 Fund Managers –noncompliance to the Code of Transparency	✓							✓		
3.7 Delays in the implementation of the strategy		✓						✓		
3.8 Delays in compliance with capital calls/FX Hedges mandates could result in penalty payments.		✓							✓	
3.9 Existing MATS Consolidation with Funds external to Havering Fund.	✓		✓							
<b>Risk 4 Failure to comply with Legislation</b>										
4.1 Lack of appropriate skills/knowledge.Unaware of Legslative changes/poor/inaccurate intrepretation of regulations		✓							✓	
4.2 Key person dependency		✓			✓					
4.3 Failure/inability to administer the pension scheme in accordance with regulations.		✓							✓	

Summary of Risks with Strategic or Operational classifications	Strategic	Operational	Post Mitigation							
			Red	Amber		Green				
			B/1	B/2	C/2	D/2	D/3	E/3	E/4	
			Very Likely/ Major	Very Likely/ Serious	Likely/ Serious	Possible/ Serious	Possible/ Moderate	Unlikely/ Moderate	Unlikely/ Negible	
<b>Risk 5 Inability to Manage/Govern the Pension Fund and Associated Services</b>										
5.1 Staffing issues: Loss of corporate knowledge/Long-term sickness/staff turnover/lack of resources		✓					✓			
5.2 LCIV resourcing – LCIV staff turnover.		✓						✓		
5.3 ICT failure/Disaster Recovery.		✓				✓				
5.4 Cyber Security Risk.		✓				✓				
5.5 Poor Pension fund administration by the outsourced service LPPA.		✓								✓
5.6 Poor administration by the employers/payroll providers in the fund		✓						✓		
5.7 Failure/inability to undertake the accounting of the pension scheme appropriately.		✓								✓
5.8 Poor communications with stakeholders.		✓								✓
5.9 Excessive charges by suppliers		✓								✓
5.10 Employers ability to meet contribution rates determined by the Actuary due to budget pressures		✓					✓			
<b>Risk 6 Failure to onboard or exit Employers/Members effectively</b>										
6.1 Delays in internal processing of documentation/ admission agreements.		✓								✓
6.2 Member data incomplete or incorrect		✓								✓
<b>Risk 7 Pension Fund payment Fraud</b>										
7.1 Pension overpayments arising because of non-notification in change of circumstances.		✓								✓
7.2 Internal staff fraud/ Staffacting outside of levels of authorisation		✓								✓
7.3 Conflict of interest.		✓								✓
<b>Total = 35 individual Risks</b>	<b>11</b>	<b>24</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>7</b>	<b>19</b>	<b>1</b>	<b>35</b>



## PENSIONS COMMITTEE

5 November 2024

**Subject Heading:**

**REVIEW OF GOVERNANCE  
COMPLIANCE STATEMENT**

**SLT Lead:**

**Kathy Freeman**

**Report Author and contact details:**

*Debbie Ford*  
*Pension Fund Manager (Finance)*  
*01708432569*  
[Debbie.ford@havering.gov.uk](mailto:Debbie.ford@havering.gov.uk)

**Policy context:**

Regulation 55(2) of the LGPS Regulations 2013 requires an administrative authority to keep this document under review

**Financial summary:**

No 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

The London Borough of Havering, as an administering authority, has a duty to keep the Governance Compliance Statement under review and make revisions as appropriate. It also must publish a report outlining the extent of compliance against a set of best practice principles.

The Governance Compliance Statement and the extent of compliance to guidance is set out in **Appendix A**.

**RECOMMENDATIONS**

That the committee:

1. Consider and agree any issues as needing to be amended in the Governance Compliance Statement (**Appendix A**).
2. Approve the amendments to the Governance Compliance statement as set out at para 2.2

**REPORT DETAIL**

**1. Background**

**1.1 Local Government Pension Scheme (LGPS) Regulations 2013 – Regulation 55**

The LGPS Regulations 2013 (Regulation 55) as amended states that an Administering Authority must prepare a written statement setting out;

- 1) *(a) Whether the authority delegates its functions to a committee or an officer of the authority;*
  - (b) If the authority does so –*
    - (i) the terms, structure and operational procedures of the delegation,*
    - (ii) the frequency of any committee meetings; and*
    - (iii) whether such a committee includes representatives of scheme employers or members, and if so, whether those representatives have voting rights.*
  - (c) the extent to which a delegation, or in the absence of a delegation, complies with guidance given by the Secretary of State, and if it does not comply, the reasons for not complying; and*
  - (d) details of the terms, structure and operational procedures relating to the establishment of a Local Pension Board.*

- 2) *An administering authority has a duty to keep the Governance Compliance Statement under review and make revisions as appropriate.*
- 3) *Before revising a statement an administering authority must consult such persons as it considers appropriate, following a material change.*
- 4) *The administering authority must publish its statement and any revised statement.*

**1.2 LGPS Regulations 2013 - Regulation 106 - Local Pension Boards: establishment,**

106 (1) *Each administering authority shall no later than 1st April 2015 establish a pension board (“a local pension board”) responsible for assisting it—*

*(a) to secure compliance with:*

- (i) these Regulations,*
- (ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme (a), and*
- (iii) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and*

*(b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme*

The expenses of a local pension board are to be regarded as part of the costs of administration of the fund held by the administering authority.

**2. Governance Compliance Statement (Appendix A)**

- 2.1 The Governance Compliance Statement as set out in **Appendix A** has been prepared in line with the best practice principles published by then Department of Communities and Local Government (DCLG) in 2008, now known as Ministry for Housing, Communities and Local Government (MHCLG). Guidance includes a compliance table, which shows the extent to which the pension fund is compliant against best practice standards and where it does not, include the reasons for non-compliance. This statement also incorporates the Governance arrangements in respect of the Local Pension Board.
- 2.2 In line with regulations, before revising this statement an administering authority must consult such persons as it considers appropriate, following a material change. In this instance no consultation was carried out as the amendments made to the Compliance Statement reflected the change in the

Pensions Committee and Local Pension Board (LPB) membership. In this instance it was considered that there were no persons appropriate to consult.

**3. Key points for the committee to consider:**

3.1 Changes made to membership

- i. **Appendix A, Section 2 Membership and Representation, 2.1 Pension Committee** - Changes reflect amendments made to committee members.
- ii. **Appendix A, Section 2 Membership and Representation Other changes 2.2 Local Pension Board** – Changes reflect amendment made to Board members.

3.2 Listed below is the area where the authority is currently not fully compliant. **It should be noted that the authority does not have to be fully compliant but where it is not the authority has to state why.**

- i. **Appendix A – Compliance Table, Principle B Representation Item (a) (iii)** – To meet the required standards all stakeholders are afforded the opportunity to be represented by, where appropriate, appointing independent observers. *Members have previously considered whether or not to employ the services of an independent professional observer to participate in the governance arrangements and decided against it on the basis that the current monitoring arrangements are sufficient for the size of the fund. Also considered the “Good Governance” recommendations that includes that each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. Once introduced, this will address the current non-compliance as mentioned.*

3.3 The compliance statement will be amended if necessary after the committee meeting and will be published on the Council’s website. This updated version will also be included in the 2023/24 Pension Fund Annual Report prior to publication.

**IMPLICATIONS AND RISKS**

**Financial implications and risks:**

There are no direct financial implications arising directly from this report as the review of the Governance Compliance Statement will ensure that the London Borough of Havering as the administering authority is compliant with regulations.

The Scheme Advisory Board (SAB) commissioned Hymans Robertson to review LGPS governance structures and practices in 2019 and later accepted their proposals in the 'Good Governance' report. In February 2021 the SAB made recommendations and submitted an action plan to the government to implement the recommendations in the report.

Whilst it was agreed by the former government to take forward the proposals, no announcements have been made as to the progress of its implementation. The current Government focus is on undertaking the Pensions Review. Officers will continue to update the Committee on developments. Following any consultation, it is expected that new legislation and guidance will follow.

One of the 'Good Governance' recommendations is that the new governance compliance statement incorporates existing requirements alongside any additional ones arising from the review. It is therefore important that this statement is maintained and kept up to date.

Another 'Good Governance' recommendation is that each administering authority must undergo a biennial (every 2 years) Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. This will address the current non-compliance as mentioned above in paragraph 3.2.

There is a risk that any changes required to meet the new recommended governance structures and practices may impact the Pension Fund budget.

**Legal implications and risks:**

The relevant legislation is set out in the main report.

The departures from guidance have been explained and are set out at paragraph 3.2 and therefore there is minimal legal risk in leaving the statement intact in that respect, although it is open to the Pensions Committee to suggest any changes if they think this is appropriate.

**Human Resources implications and risks:**

None arise 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 EqHIA 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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## **PENSION FUND**

# **GOVERNANCE COMPLIANCE STATEMENT**

# LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

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# LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

## 1. STRUCTURE AND ROLE OF MEMBERS

The Council is the Administering Authority of the Havering Pension Fund (the Fund). The Council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund. The Council agreed changes to its Constitution on the 25 March 2015 to establish the Havering Local Pension Board and adopt their Code of Conduct and Conflict of Interest policies.

Day to day management of the Fund is delegated to the Chief Finance Officer (s151), now known as the Strategic Director of Resources.

### 1.1 Role of Pensions Committee

Under the Council's Constitution the duties and terms of reference of the Pension Committee are as follows:

- To consider and agree the investment strategy and statement of investment principles for the pension fund and subsequently monitor and review performance;
- Authorise staff to invite tenders and award contracts for actuaries, advisors and fund managers and in respect of other related investment matters;
- To appoint and review the performance of advisors and investment managers for pension fund investments;
- To take decisions on those matters not to be the responsibility of the Cabinet under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 relating to those matters concerning the Local Government Pension Scheme.

There is a code of conduct in place which includes a process that considers potential conflicts of interest, with clearly identified steps on how to report or act should a conflict occur. All members are required to declare any interests in relation to the Pension Fund or items on the agenda at the start of each meeting.

### 1.2 Role of Local Pension Board (the Board)

The functions of this board are as follows:

- Securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme connected to it;

## LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

- Securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions regulator;
- Such other matters as the scheme regulations may specify.

All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

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.

The full version of the Board's Terms of reference can be found on the Council's website: [Local Pension Board terms of reference](#)

## 2. MEMBERSHIP AND REPRESENTATION

### 2.1 Pensions Committee

The membership of the Pensions Committee is determined by allocating seats to the group with the majority members and reflects the political balance of the Council.

At the Extraordinary Council meeting held on the 22 May 2024 the number of seats (6) and party allocations were confirmed as listed below:

<b>Havering Residents' Group (32)</b>	<b>Conservative Group (2)</b>	<b>Labour Group (1)</b>
Stephanie Nunn (Vice chair) James Glass Jacqueline Williams	Viddy Persaud Joshua Chapman	Mandy Anderson (Chair)

The staff trade union may appoint two representatives, entitled to attend and speak at meetings of the Pension Committee. They possess no voting powers. These representatives are however entitled to remain within the Committee, should the public be excluded on the grounds that exempt information is to be considered.

Scheduled and Admitted bodies may appoint one representative, entitled to attend the meetings of the Pensions Committee on their behalf. Voting rights were assigned to this representative at a Council meeting on the 28 March 2012.

## LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

Representatives are shown below:

Admitted/Scheduled bodies representatives	Trade Union Observers (2)
Vacant	Derek Scott (UNISON)
	Vacant

Longevity in membership of the Committee is encouraged in order to ensure that expertise is maintained within. The Council recommends that the membership of the Pension Committee remain static for the full term of elected office in order that members are fully trained, unless exceptional circumstances require a change. Furthermore, substitute members are expected to have also been trained.

The Council's constitution 'rules of procedure' section was amended on the 28 March 2012 to include a stipulation that if a member does not undertake the required training within six months of appointment then that member shall not partake in the decision making of the Committee until their training has been completed.

### 2.2 Local Pension Board

The Havering Pension Board comprises of:

**Three Employer representatives** - shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board. Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

**Three Scheme Member Representatives** - shall either be scheme members or have capacity to represent scheme members of the Fund. No officer or elected member of the Administering Authority who is responsible for the discharge of any function may serve as a member of the Board. Scheme member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

**Chair** – An additional non-voting independent member was appointed to chair the Board in September 2023. However, the Pension board is entitled to meet and conduct its business even if the role of the independent member is vacant or absent from the meeting.

## LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

Each board member appointed shall serve for a fixed four-year period which can be extended for further period (s) subject to re-nomination.

Each member of the Board will have one vote but it is expected the Board will as far as possible reach a consensus.

Representatives shown below:

<b>Independent Chair</b>	<b>Employer Representative (3)</b>	<b>Employee Representative (3)</b>
Jonathan Bunt	Andrew Frater Clea Holmes* Joanne Sladden	Mark Holder Yasmin Ramjohn Dionne Weekes

\*Replaced Denise Broom from the meeting on 17 September 2024

# LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

## 3. GUIDANCE AND MONITORING

### 3.1 Pensions Committee

The Pensions Committee is supported by the Strategic Director of Resources / S151 Officer and oneSource Shared Support Service.

The Director of Exchequer and Transactional Services (oneSource) has the responsibility to administer the day to day administration operations of the Council's Pension Fund.

The Strategic Director of Resources / S151 officer is responsible for providing advice in the overall management of the Pension Fund supported by expert advisors. The Accounting functions formerly managed under oneSource reverted back to Havering Council in December 2023, this has no impact on the services that support the Pensions Committee.

Members also receive briefings and advice from the Fund's investment advisor at each committee meeting.

The Pensions Committee also considers advice, as necessary, from the Fund's appointed professional actuary who also attend the meetings as and when required.

Investment Managers are invited to present at the Pensions Committee meeting on a rotational basis. Only one fund manager will attend each committee meeting to give greater focus to investment strategy development. Mandates that operate within the London Collective Investment Vehicle (LCIV) are now managed and monitored by them. However, if there are any specific matters of concern to the Committee relating to the manager's performance, arrangements will be made for additional presentations.

### 3.2 Local Pension Board

Officers will attend the Board meetings and provide support and advice as and when required. A budget has been allocated for the Board to fulfil its tasks and this budget includes an allocation for professional advice.

## 4. REIMBURSEMENT

### 4.1 Pensions Committee

Members expenses are reimbursed in line with the Council's constitution as laid down in part 6 'Members Allowance Scheme'.

## LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

### 4.2 Local Pension Board

Board members will receive an allowance per scheduled meeting attended, at the same rate paid to co-opted members' amounts for other committees. No payment will be made for non-attendance. The Independent Chair will receive an annual allowance of £7,000 payable monthly.

Reasonable travelling expenses for training will be reimbursed.

## 5. TRAINING

### 5.1 Pensions Committee

Associated training aligned with the Pensions Committee's forward plan is submitted to the Pensions Committee for approval as part of the Business Plan. Committee Members receive in depth training on a wide range of topics. Training is given on specific investment topics prior to any key decisions being taken. This approach ensures that important decisions are taken whilst training is still fresh in Members minds.

The Fund uses the Chartered Institute of Public Finance and Accountancy (CIPFA)'s Knowledge and Skills self-assessment training questionnaire to identify and evidence the knowledge and skills of the members. In addition to the cyclical training that the Committee will have over the lifetime of their membership, training will be provided in the areas where it has been specifically requested or has been identified as required. Associated training and development is linked to the Pensions Committee meeting cyclical coverage.

The Fund has commissioned an online learning course developed by Hymans Robertson, to make it easier for members of the Pensions Committee to obtain the core knowledge required to meet the CIPFA Knowledge & Skills Framework and The Pensions Regulator (TPR) General Code of Practice requirements. This online training is deemed mandatory.

### 5.2 Local Pension Board

A joint training strategy has been developed and adopted by the Pensions Committee and the Board. Board members will comply with Scheme Managers training policy.

Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. The Fund uses the CIPFA's Knowledge and Skills self-assessment training questionnaire for this purpose.

## **LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT**

Training will be provided in the areas where it has been specifically requested or has been identified as required.

The Fund has commissioned an online learning course developed by Hymans Robertson, to make it easier for members of the Board to obtain the core knowledge required to meet the CIPFA Knowledge & Skills Framework and TPR's General Code of Practice requirements. This training is deemed mandatory.

### **6. MEETINGS**

#### **6.1 Pensions Committee**

The Pension Committee meets five times per year and occasionally holds extra meetings if required. Three Members constitute a quorum.

#### **6.2 The Local Pension Board**

The Board meets five times per year, which includes one General Annual meeting (board members only in attendance). Board members should endeavour to attend all Board meetings during the year and are required to attend at least 3 meetings each year, one of which must be the Annual meeting. Two members constitute quorum providing that there is present at least one member from both the Employer and Scheme Member Groups. In the absence of the chair, at any meeting, the members attending can appoint a deputy for that meeting. Advisors and officers do not count towards the quorum. No substitutes are permitted.

### **7. SCOPE**

7.1 Members of the Pension Committee are encouraged to look beyond administration procedures to really understand the key risks associated with all the functions and activities of the scheme. They are expected to consider risk management and stewardship in broad terms. Key risks include:

- Risk of fraud
- Corporate risk – risk of deterioration in the strength of employer covenant
- Funding and Investment risk – inappropriate investment strategies (one example of this could be risk of a mismatch of assets and liabilities)
- Compliance of Regulatory risk – risk of failure to comply with scheme rules and legislation
- Climate Risk - risk of failure to manage climate risk impact on Investment Strategy and comply with reporting requirements

## LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

7.2 The further practical steps undertaken to cover these risks are as follows:

- The Investment Strategy Statement includes procedures to undertake a risk management review, and ensures terms of reference of delegations cover all key responsibilities.
- The Funding Strategy Statement identifies the measures in place to control the key risks identified as financial (including investment risk), demographic, regulatory and governance.
- The Risk Register identifies the key risks that the Pension Fund may face and the measures that can and have been put in place to mitigate those risks
- The Pension Committee annually agrees a Business Plan for the year.
- The Pension Committee comply with the Whistle Blowing requirements of the Pension Act 2004. It urges anyone to inform the correct authorities of any known wrong doings.
- Climate Risk Policy and Action Plan was adopted in September 2023, objectives developed and targets agreed. The Policy will be revised on an ongoing basis and the Committee to hold in-depth discussions about progress of actions against objectives

### 8. ACCESS AND PUBLICATION

#### 8.1 Pensions Committee

Details of the Pension Committee meetings are published on the Council's website, seven days prior to the meeting date, together with agendas and minutes. All members have equal access to papers. The meetings of the Pension Committee are held at the Town Hall and are generally open to the public.

An Annual Pension Fund Report and Accounts is published on the Council's web-site, reporting on the activities and investment performance of the fund. The report also includes the meetings held and details of matters considered.

#### 8.2 Local Pension Board

Board papers, agendas and minutes are published on the Council's website. These may at the discretion of the Scheme manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified under regulations.

The meetings of the Board are held at the Town Hall during office hours or held virtually via MS Teams or Zoom.

## **LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT**

### **9. REVIEWING AND UPDATING**

As well as undertaking an annual review the Council will review the policy as and when material changes occur.

### **10. COMPLIANCE TABLE**

A table is appended to this document and shows the extent of compliance with guidance given by the Secretary of State.

## LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

	PRINCIPLE	HAVERING POSITION
Page 202	<b>A. <u>Structure</u></b>  a. The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council.	<b>Full compliance - GREEN</b> Duties and terms of reference are laid out in the Council's constitution (Part 3) and states that management of the pension fund assets lies with the Pensions Committee. Day to day management of the administration of benefits of the Pension Fund is delegated to the oneSource Shared Services (Director of Exchequer and Transactional Services. Select link to Havering Website to read the Council's constitution: <a href="#">Havering constitution</a>  Section 1 the Governance Compliance Statement refers.
	b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the committee.	<b>Full compliance - GREEN</b> Admitted/Scheduled bodies may appoint one representative to attend committee meetings. The staff Trade Unions may appoint two representatives to attend and speak at meetings. The Local Pension Board includes three employer representative and three scheme member representatives. There is no secondary committee.  Section 2 of the Governance Compliance Statement refers.
	c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	No secondary committee or panel has been established.
	d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	No secondary committee or panel has been established.

**LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT**

<b>PRINCIPLE</b>	<b>HAVERING POSITION</b>
<p><b>B</b> <b><u>Committee Membership and Representation</u></b></p> <p>a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <ul style="list-style-type: none"> <li>i) employing authorities (including non-scheme employers, e.g. admitted bodies);</li> <li>ii) scheme members (including deferred and pensioner scheme members),</li> <li>iii) where appropriate, independent professional observers, and</li> <li>iv) expert advisors (on an ad-hoc basis)</li> </ul>	<p><b>i) Full compliance - GREEN</b>                      A position has been established for Admitted/Scheduled bodies' representative to be a member of the Pensions Committee but is currently vacant. Supplementary to the above, stakeholders are consulted for their views with regard to various policies and where applicable are directed to papers and reports held on the Council's website.</p> <p><b>ii) Full compliance – GREEN</b>                      via trade union representation</p> <p><b>iii) Non-compliance - AMBER</b>                      The Pension Committee have considered this and decided that it is not appropriate to appoint an independent observer on the basis that the current monitoring arrangements are sufficient for the size of the fund.</p> <p><b>iv) Full compliance – GREEN</b>                      The Fund has appointed an Investment Advisor, an Actuary and Performance Measurers, who attend meetings as and when required.</p> <p>Sections 2 and 3 of the Governance Compliance Statement refers.</p>

## LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

	<b>HAVERING POSITION</b>	
C	<p><b><u>PRINCIPLE</u></b></p> <p><b><u>Selection and role of lay members</u></b></p> <p>a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</p>	<p><b>Full compliance - GREEN.</b> Duties and terms of reference are laid out in the 'Council's Constitution and states that management of the pension fund lies with the Pensions Committee.</p> <p>Sections 1 and 2 of the Governance Compliance Statement refer.</p>
Page 204	<p>b. That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.</p>	<p><b>Full compliance - GREEN.</b> Declarations of interest are a standing agenda item for the Pension Committee meetings.</p> <p>Section 1 of the Governance Compliance Statement refers.</p>
D	<p><b><u>Voting</u></b></p> <p>a. The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.</p>	<p><b>Full compliance GREEN.</b> The Governance Compliance Statement is clear about voting rights</p> <p>Section 2 of the Governance Compliance Statement refers.</p>
E	<p><b><u>Training/Facility time/Expenses</u></b></p> <p>a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.</p>	<p><b>Full compliance GREEN.</b> Member's expenses and allowances are laid out in the Council's Constitution (Part 6). Local Pension Board members will receive an allowance per scheduled meeting attended, at the same rate paid</p>

## LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

	<b>PRINCIPLE</b>	<b>HAVERING POSITION</b>
Page 205		<p>to co-opted members for other committees. No payment will be made for non-attendance. The Independent Chair will receive an annual allowance of £7,000 payable monthly.</p> <p>Reasonable travelling expenses for training will be reimbursed to Local Pension Board members.</p> <p>The Business Plan includes the policy on training. Sections 4 and 5 of the Governance Compliance Statement refer.</p>
	b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	<p><b>Full compliance GREEN</b> As above.</p>
	c. That the administrating authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken	<p><b>Full compliance - GREEN</b></p> <p>A joint training policy has been adopted by the Pensions Committee and the Local Pension Board and is included within the Annual Business Plan/Work of the Committee. The Business Plan is agreed by the Pensions Committee and all committee members and nominated substitutes are offered training.</p> <p>A training log is maintained which records attendance and training undertaken.</p> <p>Section 5 of the Governance Compliance Statement refers.</p>



## LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

	PRINCIPLE	HAVERING POSITION
<b>G</b>	<p><b><u>Access</u></b></p> <p>a. That subject to any rules in the Council’s constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.</p>	<p><b>Full compliance GREEN</b>                      Committee papers are sent to members at least seven days prior to the meeting and non confidential papers are published on the Council’s website.</p> <p>Section 8 of the Governance Compliance Statement refers.</p>
<b>H</b>  Page 207	<p><b><u>Scope</u></b></p> <p>a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements</p>	<p><b>Full compliance - GREEN</b>                      The Committee already considers a wider range of pension issues.</p> <p>Section 7 of the Governance Compliance Statement refers.</p>
<b>I</b>	<p><b><u>Publicity</u></b></p> <p>a. That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.</p>	<p><b>Full compliance GREEN</b>                      Governance arrangements are published on the Council’s website and comments are invited from stakeholders.</p> <p>Section 8 of the Governance Compliance Statement refers.</p>

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## PENSIONS COMMITTEE

**Subject Heading:**

Havering Pension Fund Communications  
Policy 2024 to 2027

**ELT Lead:**

Kathy Freeman  
Strategic Director of Resources

**Report Author and contact details:**

Caroline Guyon  
01708 4321852  
[Caroline.guyon@havering.gov.uk](mailto:Caroline.guyon@havering.gov.uk)

**Policy context:**

Local Government Pension Scheme  
Regulations 2013

**Financial summary:**

To achieve savings where possible  
through effective and efficient  
communications

**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 to Members the 2024-2027 Communications Policy for the London Borough of Havering Pension Fund (the Fund), in relation to the Local Government Pension Scheme (LGPS). It considers key communications with stakeholders, the method and frequency of the communications.

The actions are reviewed in line with an associated communication plan which is reported to the Local Pensions Board. A summary of the key actions is included in the Pension Fund Annual Report.

## **RECOMMENDATIONS**

It is recommended that the Committee consider and approve the Pension Fund Communications Policy for the three year period to November 2027, attached as appendix A.

## **REPORT DETAIL**

1. Regulation 61 of the Local Government Pension Scheme Regulations 2013 requires an Administration Authority to prepare and publish a written statement covering communications with members and scheme employers.
2. The statement must set out the following:
  - Communications with members, representatives of members, prospective members and scheme employers
  - The provision of information and publicity about the scheme to the above
  - Format, frequency and distribution method of the information or publicity
  - The promotion of the scheme to prospective members
3. The key objectives of the Communication Policy are to communicate in the most appropriate medium for the audience, educate the various stakeholders of the benefits of the LGPS and to improve the service our members receive.
4. The policy also aims to better utilise modern media that is cost effective and efficient, placing a greater emphasis on the use of the pension websites, including the PensionPoint self-service facility and Civica's Universal Pensions Management System which is the Local Pensions Partnership Administration's secure portal for employers.
5. The Havering pension team ensure the policy requirements are met through the use of an annual communication plan for members, also covering perspective

members, and scheme employers. The plan is presented to the Local Pensions Board twice a year to provide an oversight and enable them to monitor progress.

6. The policy content remains unchanged from the previous version. We have removed the sections that document the evidence of meeting the policy requirements following the annual review. This will continue to be presented to the Local Pensions Board and included within the Pension Fund Annual Report. We have also included a glossary of communications to provide further clarification on the various documents we use.
7. Appendix A to this report is the Havering Pension Fund Communication Strategy 2024-2027.

## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

There is a risk of breaching the Fund's statutory obligations if communications with all relevant stakeholders is not met.

Budgetary provisions are available and any communication costs are met by the Pension Fund either as a direct charge to the fund, via contract costs from the third party administrative provider or as recharge from the Council.

### **Legal implications and risks:**

The relevant legal duties are set out in the body of the Report and there are no other apparent legal implications.

### **Human Resources implications and risks:**

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

### **Equalities implications and risks:**

The policy states that requests for documents in alternative font, format and language can be accommodated.

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.



**Havering**  
L O N D O N B O R O U G H

**HAVERING PENSION FUND  
COMMUNICATIONS POLICY**

**2024-2027**

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## 1. Introduction

An effective communications policy is vital for any organisation which strives to provide a high quality and consistent service to their stakeholders.

Havering Council, as the administering authority for the Havering Pension Fund (the Fund), must maintain a communications policy as required by the Local Government Pension Scheme Regulation 2013.

The provision of timely, relevant information in a suitable format is key to ensuring efficient and effective communications. It is important that we consider the costs in terms of resource and staff time for all communications and work with the LPPA to ensure there are appropriate systems and processes in place to facilitate these communications with our stakeholders.

This policy identifies our key stakeholders and details the different forms and methods of communications required to maintain the successful governance and administration of the Fund.

Every effort is made to ensure all our communications are accessible to all. Documents can be re-produced in different fonts, formats and languages where required by the recipient.

### Strategy Review, Ownership and Authorisation

The Havering Pension Fund Communications Policy is effective from November 2024.

The administering authority will review this policy as required to reflect changes in regulations, governance or working practices with a full review every three years.

Evidence to support the policy will be presented annually to the Local Pensions Board and a summary will be included within the Havering Pension Fund Annual Report.

The policy lead is the Pension Projects and Contracts Manager. The document has been reviewed and approved by the Pensions Committee in November 2024.

If you have any questions or comments regarding the Communications Policy, please contact Caroline Guyon, Pensions Projects and Contracts Manager.

Telephone: 01708 432185 or via email [caroline.guyon@haverling.gov.uk](mailto:caroline.guyon@haverling.gov.uk)

### Pensions Administration

From 1 November 2017, 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. The Local Pensions Partnership was formed in 2016 through a collaboration between Lancashire County Council and the London Pensions Fund Authority and provides pension services to the Local Government Pension Scheme, Police and Firefighter Schemes.

LPPA can be contacted via telephone on 0300 323 0260 or via the contact form on the [website](#).

## 2. Legislative Framework

The Fund is required by regulation 61 of the Local Government Pension Scheme Regulations 2013 to maintain and publish a communications policy statement. Regulation 61 is reproduced below:

**61.** (1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with-

- a) Members
- b) Representatives of members
- c) Prospective members
- d) Scheme employers

(2) In particular the statement must set out its policy on-

- a) The provision of information and publicity about the scheme to members, representatives of members and Scheme employers
- b) The format, frequency and method of distributing such information or publicity
- c) The promotion of the Scheme to prospective members and their employers

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

In accordance with the Public Sector Pensions Act 2015, the LGPS is regulated by the Pensions Regulator who has provided guidance in Code of Practice 14 on providing good quality communications to Scheme members and other stakeholders.

## 3. Key Objectives

The key objectives of the communications policy are:

- To improve the understanding of members, their representatives and prospective members of the benefits of the Local Government Pension Scheme
- Assist Scheme employers in understanding their roles and responsibilities within the LGPS and to provide guidance and support
- To improve the service that Pension Fund Members receive
- Use plain English for all communications
- Identify and use the most appropriate communication method to take account of stakeholders' different needs
- To communicate in the most effective and cost efficient way
- To communicate using accessible methods and formats

## 4. Communications with Scheme Members

Our aims for communicating with our scheme members are:

- to better educate members of the benefits of the scheme to reduce the general queries being directed to the LPPA help desk
- to encourage the use of the pension scheme website and registration to PensionPoint, the member self-service webpage

The Key actions will be:

- continual review of employee communication methods to ensure they are effective and efficient
- on-going promotion of the pension websites and PensionPoint
- working with LPPA to ensure communications are relevant and timely
- raising awareness of the 50/50 scheme

The Administering Authority will ensure the following communications are provided as required, in addition to day to day individual communications with members.

<b>Communication</b>	<b>Media</b>	<b>Frequency of Issue</b>	<b>Distribution</b>	<b>Audience</b>
Pension Websites	Web	Continually available. Updated as required	Advertised on all communications	All
Havering staff intranet site	Web	Continually available. Updated as required	Advertised regularly via internal communications	Havering Corporate staff
Scheme booklet	Web	Continually available.	For viewing as required	All
Factsheets and guides	Web	Continually available. Updated and replaced as required	For viewing as required	All
Newsletters and scheme updates	Web or paper	As required	For viewing as required. Post to home address for targeted communication	All
Forms	Web or paper	As required	Available to download or post to home address	All
Annual Benefit Statements	Web or paper if opted out of online statements	Continually available. Updated annually	For viewing as required. Members are informed of availability via personal email, email to employers or internal Global News	Active and Deferred

Retirement Workshops	Web	Periodically	LPPA run retirement workshops for members nearing retirement. These are advertised via employer communications	
Road shows/ Workshops	Face to face in person or virtually	When required	Advertised via email, Global News, Posters and employers	Active
Pensioner payslips	Paper	1 <sup>st</sup> pension payment and every April, May and October	Post to home address	Pensioner
Notice of Pensions Increase	Paper	Annually in April	Post to home address with April payslip	Pensioner
Internal Disputes Resolution Procedure	Paper or Web	Continually available. Updated as required	Post to home address or available to download	All
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All

For a further explanation of communications, see Glossary in Section 9.

## 5. Communications with Prospective Scheme Members

Our aims for communicating with our prospective scheme members are:

- to increase the take up of the LGPS
- to better educate members of the benefits of the scheme to reduce the general queries being directed to the LPPA help desk

The Key actions will be:

- review of communication methods to ensure they are effective and efficient
- on-going promotion of the pension websites
- ensuring automatic enrolment and re-enrolment is well communicated
- raising awareness of the 50/50 scheme

The Administering Authority will work with LPPA and employers to provide the following communication as required.

Communication	Media	Frequency of Issue	Distribution	Audience
New Joiner Option Form	Paper or electronic	On commencing employment	Via LPPA with new starter information	New employees
Pension Websites	Web	Continually available. Updated as required	Advertised on all communications	All
Scheme booklet	Web	Continually available. Updated as required	For viewing as required	All
Education Sessions	Face to Face or virtually	As required	Part of induction workshops	New Employees
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All

For a further explanation of communications, see Glossary in Section 9.

## 6. Communications with Scheme Employers

Our aims for communicating with our scheme employers are:

- to improve relationships
- to assist them in understanding their role as a scheme employer
- to assist them in understanding funding/cost requirements
- to work together to achieve accurate scheme actuary data submissions
- to ensure smooth staff transfers
- to improve the service our pension fund members receive

The Key actions will be:

- offer induction meetings for all new scheme employers
- support employers with training and technical guidance
- on-going promotion of the employer section of the LPPA pension website and use of the UPM secure portal
- working with relevant parties to admit new employers to the fund

The Administering Authority will provide the following communication to employers as required.

<b>Communication</b>	<b>Media</b>	<b>Frequency of Issue</b>	<b>Distribution</b>	<b>Audience</b>
Induction meeting	Face to Face or virtually	On becoming a scheme employer	By email	New scheme employers
New employer information pack	Electronic	On becoming a scheme employer	By email	New scheme employers
Employer Responsibility Guide	Electronic	On becoming a scheme employer. Continually available	By email and for viewing as required	New scheme employers – Existing Scheme Employers when required
Pensions Administration Strategy	Electronic and Web	On becoming a scheme employer. Continually available	By email and for viewing as required	All
Pension Websites	Web	Continually available. Updated as required	Advertised on all communications	All
Tupe - Outsourcing Guide and Admissions Policy	Web	Continually available. Updated as required	For viewing as required	Scheme employers and potential admitted bodies
Employer roadshows	Face to Face or virtually	When required following scheme changes	Advertised via email to employer	All
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All
Pension Fund Valuation reports	Electronic	Every three years	By email	All
Funding Strategy Statement	Web	Continually available. Replaced every three years and updated as required	For viewing as required.	All
Employer Newsletters	Electronic and Web	Periodically	By email or for viewing as required	Scheme employers

For a further explanation of communications, see Glossary in Section 9.

## 7. Communications with Representatives of Members

### A. Pensions Committee

Our aims for communicating with Pensions Committee are:

- to provide information to enable the Committee to make decisions delegated under the Council’s constitution
- to provide information to ensure the Committee are kept informed of pension related matters
- to ensure the Committee are aware of their responsibilities in relation to the Scheme
- to provide training with regards to investment and administration matters

The Key actions will be:

- to submit Committee reports, which have been reviewed by the relevant Council business partners and senior manager
- To arrange training sessions with Fund officers, advisors and external experts when required

The Administering Authority will provide the following communication to Pensions Committee Members as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Committee Reports	Paper and Web	Quarterly and as and when required	By email and available on the Havering.Gov website	Pension Committee Members and Trade Union representatives
Pensions Committee Briefings	Face to face or Hybrid	Quarterly and as and when required		Pensions Committee Members and Trade Union representatives
Training sessions	Face to face or virtually	When there is a new Pensions Committee and as and when required	By email	Pensions Committee Members and Trade Union representatives

For a further explanation of communications, see Glossary in Section 9.

### B. Local Pensions Board

Our aims for communicating with the Local Pensions Board are:

- to provide information to enable the board to assist the Scheme Manager in executing their duties
- to provide information to ensure the board are kept informed of pension related matters

- to ensure the board are aware of their responsibilities in relation to the Scheme
- to provide training with regards to investment and administration matters

The Key actions will be:

- to submit reports on areas identified for review by the Board.
- To arrange training sessions with Fund officers, advisors and external experts when required

The Administering Authority will provide the following communication to the Local Pension Board as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Local Pension Board Reports	Paper and Web	Quarterly and as and when required	By email and available on the Havering.Gov websites	Local Pension Board
Local Pension Board Briefings	Face to face or virtually	Quarterly and as and when required	Fund officers attend each meeting	Local Pension Board
Training sessions	Face to face and online	When a new member is appointed. Continual self- development is also required	Face to face, web based or virtually	Local Pension Board

For a further explanation of communications, see Glossary in Section 9.

### C. Havering and oneSource Managers

Our aims for communicating with the Havering and oneSource managers are:

- to provide information to be able to make decisions delegated under the Council’s constitution
- to provide accurate, timely and relevant information on request
- to ensure managers are aware of any pension related employer costs

The Key actions will be:

- to submit executive decision reports on areas identified as requiring management approval.
- to ensure that employer requests for pension estimates are monitored against the contractual key performance indicator and include employer costs.

The Administering Authority will provide the following communication to managers as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Key and non-key executive decision reports and background papers where required	Paper or electronic	As and when required	By email	Officer delegated responsibility under the Council's constitution
Employer requested pension estimates, usually for redundancy, flexible retirement or ill health retirement	Paper or electronic	As requested	By email	HR or Head of Service

For a further explanation of communications, see Glossary in Section 9.

## 8. Other Key Stakeholder roles and responsibilities

### Pension Fund Manager (Finance)

The Pension Fund Manager (Finance) responds to staff, employer and other enquiries. Skills and knowledge are kept up to date through participation in seminars and conferences.

### Pension Projects and Contracts Manager

The Pensions Projects and Contracts Manager is responsible for monitoring the administration contract with the Local Pensions Partnership Administration. Quarterly client reviews take place to monitor the contract and check the service level agreements are being met. They are also responsible for maintaining relationships with scheme employers, trade unions and other relevant stakeholders.

### Investment Fund Managers

Day to day contact between the Pension Fund Manager (Finance) and the investment fund managers is maintained. Each fund manager is required to present their performance reports to the Pensions Committee on a cyclical basis, unless performance concerns override this.

### Trade Unions

Trade unions in the London Borough of Havering are valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pension Scheme's availability are brought to their members' attention and assist in negotiations under TUPE transfers in order to ensure, whenever possible, continued access to the Scheme.

## 9. Glossary of Communications

**Annual Benefit Statements** – For active members these include the current value of benefits and projected benefits to normal retirement date. The associated death benefits are also shown. For deferred members these show the current value of the pension benefits and associated death benefits. These are released by the end of August and are available on PensionPoint – Member Self Service. Members can opt out of the online service and elect to receive a paper copy sent to their home address.

**Annual Report and Accounts** – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the Havering pension website.

**Education sessions** – A presentation providing an overview of the benefits of the pension scheme and an opportunity to ask questions.

**Employee Roadshows** – These are available, when required, providing staff with the opportunity to have a face to face conversation about their pension rights. These can also be held virtually.

**Employer requested pension estimates** – A detailed statement of the scheme member's pension benefits and any cost to the employer due to the payment of the pension to the member.

**Employer Responsibility Guide** – A detailed guide to assist Employers realise and meet their responsibilities outlined in the Pensions Administration Strategy document.

**Employer Roadshows** – Provided by LPPA/LB Havering as required following a significant change in the scheme, or upon request.

**Factsheets** – Leaflets that provide information in relation to specific topics for example automatic enrolment, retirement.

**Forms** – LGPS forms are available on the pension website such as opt out form, 50:50 or Main Scheme election form and nomination form.

**Funding Strategy Statement** – A summary of the Fund's approach to funding its liabilities, including reference to the Fund's other policies although it is not an exhaustive statement of policy on all issues.

**Induction Meeting** – A meeting offered to all new academies and admitted bodies to discuss roles and responsibilities.

**Internal Disputes Resolution Procedure** – A formal notification of the procedure to follow in the event that a dispute cannot be resolved by the LPPA or the Havering Pensions Projects and Contracts Manager

**Key and non-key executive decision report** - Formal reports written by Pension Fund officers and reviewed by Business Partners and agreed by a Senior Leadership Team member in accordance with the Council's constitution.

**Local Pension Board reports** – Written by Pension Fund officers to provide a formal update to a particular area of work

**Local Pension Board briefings** – Pension Fund officers attend each Board meeting to provide a verbal overview of written reports and to provide updates on any on-going work

**Newsletters** – General newsletters are issued annually and additionally as required, usually when a significant change to the scheme occurs. Pensions Increase newsletters are sent annually to advise pensioner members of the increase to their pension.

**New Employer Information Pack** – Email sent to welcome an employer to the Havering LGPS, including all information relevant to being a scheme employer, e.g. paying contributions and the pensions administration strategy detailing their role and responsibilities.

**New Joiner Option Form** – Form provided to all new employees which provides the details of the pension scheme website and allows them to advise of any previous pension entitlements.

**Pensions Administration Strategy** – Guide that details the key responsibilities for Scheme employers and the Administering Authority and sets out the deadlines and expectations.

**Pensioner payslips** – The payslips are sent when a member receives their first pension payment, if the monthly amount varies by more than £5, each April and May. They are posted to the pensioner's home address.

**Pension Committee Briefings** – Pension Fund officers attend each Committee meeting and provide a verbal briefing on each Committee report

**Pensions Committee Reports** – Formal reports written by Pension Fund officers and reviewed by Business Partners and a Senior Leadership Team member. Published on the [havering.gov.uk](http://havering.gov.uk) website

**Pension Fund Valuation Reports** – A report issued every three years setting out estimates assets and liabilities of the Fund as a whole and setting individual employer contribution rates for the next three-year period

**Pension Websites** - The LPPA website ([www.lppapensions.co.uk](http://www.lppapensions.co.uk)) provides LGPS information for all of their clients, including forms, guides, newsletters, links to related sites including PensionPoint Member Self Service and contact information. The Havering Pension website [LGPS Pension Administration | London Borough of Havering](#) provides information specific to Havering Fund members such as our

retirement process factsheet and planning guide, IDR policy, Annual report and accounts and information about the Local Pensions Board.

**Retirement workshops** – LPPA run a programme of retirement workshops held virtually throughout the year. We advertise these via employer and internal communications

**Scheme booklet** - A booklet providing detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to purchase additional pension.

**Training sessions** – Provided by Pension Fund officers, advisors or external experts on investment or administration related matters. Targeted training is also available for Local Pension Board members online via the Pensions Regulator website. Training is shared with the Pensions Committee members and Local Board Pension Board members where applicable

**TUPE - Outsourcing Guide and Admissions Policy** – These documents are relevant to Letting Authorities that are looking to outsource a service to a third party supplier



## PENSIONS COMMITTEE

**Subject Heading:**

Review of the policy for the overpayment of pensions following the death of a pensioner or dependant member

**ELT Lead:**

Kathy Freeman  
Strategic Director of Resources

**Report Author and contact details:**

Caroline Guyon  
01708 432185  
[Caroline.guyon@havering.gov.uk](mailto:Caroline.guyon@havering.gov.uk)

**Policy context:**

Local Government Pension Scheme  
Regulations 2013

**Financial summary:**

In applying the policy to automatically write off pension overpayments of less than £250 following the death of a pensioner or dependant member, where there is no ongoing dependant pension payable, has resulted in overpayments of £1,529.98 being written off during 2023/24.

**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**

It is good practice to ensure the Council has a policy in place regarding the treatment of overpaid pensions following the death of a pensioner or dependant member.

A policy was introduced in March 2019 enabling overpayments of pension of less than £250 net following the death of a pensioner or dependant member, where there is no ongoing dependant pension payable, to be automatically written off.

This ensures that any overpayments are treated in a fair and equitable manner and will prevent the administration team seeking individual write off approvals. It was agreed that the policy would be reviewed annually.

During 2023/24 the overpayments written off in line with the policy totalled £1,529.98, which falls within the expected maximum of £5,000.

From 2024, it is recommended the policy be reviewed every three years in line with other administration policies.

## **RECOMMENDATIONS**

It is recommended that the Committee agree to:

- the continuation of the Policy for the overpayment of pension following the death of a pensioner or dependant member
- the policy be implemented for a three year period and next reviewed in 2027 in line with other administration policies

## **REPORT DETAIL**

1. Notification of the death of a pensioner or dependant member does not always happen immediately. When notified in time the payroll team will stop or recall the last monthly pension payment to prevent a potential overpayment of pension benefits.
2. If this is unsuccessful, the policy allows the Pension Fund to automatically write off an overpayment of pension of less than £250 net, where there is no ongoing dependant pension to be paid.

3. A value of less than £250.00 net in the instance of the death of a pensioner or dependant member has been deemed by Officers as uneconomical to pursue when taking into account the cost of the administration involved in additional correspondence and raising and chasing an invoice. The cost of this work has been estimated as £76.91 per case.
4. It is important to ensure we are acting with compassion and in support of the bereaved families and we take into account the reputation of the Council if seeking to recover relatively small sums.
5. Where there is an ongoing dependant benefit due this will be used to recover any overpaid pension, regardless of the value of that overpayment.
6. An invoice will be raised by the Fund to recover an overpayment which is £250.00 net or more following the death of a pensioner or dependant member which is then chased and escalated in line with the Councils debt collection procedure.
7. The total debt automatically written off during 2023/24 in line with the policy was £1,529.98 covering 19 different cases, which is an average of £80.53 per case, and falls below the expected maximum of £5,000 per annum.
8. It is proposed that the policy moves from an annual review to a three yearly review in line with other pensions administration policies. The table below shows the summary of overpayments covered by the report since its introduction in 2019.

Year	Total written off	Number of cases	Average write off per case
2019/20	£3,361.62	48	£70.03
2020/21	£3,792.30	53	£71.55
2021/22	£4,321.89	48	£90.04
2022/23	£1,943.04	22	£88.32
2023/24	£1,529.98	19	£80.53

## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

It is not economical to pursue recovery of any overpayment below £250 net, cases are few and the amount of write –off in any year is typically less than £5,000

### **Legal implications and risks:**

There are no apparent legal implications or risks approving the recommendations of this Report.

### **Human Resources implications and risks:**

There appear to be no HR implications or risks arising directly that impact on the Councils 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.



**Haverling**  
L O N D O N B O R O U G H

## **HAVING PENSION FUND**

**Policy regarding the overpayment of  
pension following the death of a  
pensioner or dependant member**

**2024 to 2027**

## Havering Pension Fund

### Policy regarding the overpayment of pension following the death of a pensioner or dependant member

#### Purpose

It is good practice to ensure the Council has a policy in place regarding the treatment of overpaid pensions following the death of a pensioner or dependant member. This will ensure that any overpayments are treated in a fair and equitable manner and will prevent the administration team seeking individual write off approvals from the Head of Pensions and Treasury.

The policy is designed to ensure that any overpayments are treated in a fair and equitable manner.

#### Policy Detail

Notification of the death of a pensioner or dependant member does not always happen immediately. Whenever possible, the payroll team will stop or recall the last monthly pension payment to prevent a potential overpayment of pension benefits.

If this is unsuccessful, the London Borough of Havering agree to automatically write off an overpayment of less than £250 net, where there is no ongoing dependant pension to be paid.

A value of less than £250.00 net in the instance of the death of a pensioner or dependant member has been deemed by the Fund as uneconomical to pursue when taking into account the cost of the administration involved in additional correspondence and raising and chasing an invoice. However, where there is an ongoing dependant pension benefit due this can be used to recover any overpaid pension, regardless of the value of that overpayment.

An invoice will be raised by the Fund to recover an overpayment which is £250.00 net or more following the death of a pensioner or dependant member.

#### Ownership and authorisation

The policy lead is the Pension Projects and Contracts Manager, who will be responsible for the review of the policy as and when there are regulatory, audit or legislative changes. The Head of Pensions and Treasury will approve the policy and any future revisions as allowed under the OneSource Scheme of Delegation.

The policy is effective from 20<sup>th</sup> March 2019 and will be reviewed every three years.



## PENSIONS COMMITTEE

<b>Subject Heading:</b>	Introduction of the Policy for Reporting Breaches of the Law
<b>SLT Lead:</b>	Kathy Freeman Strategic Director of Resources
<b>Report Author and contact details:</b>	Caroline Guyon 01708 432185 <a href="mailto:Caroline.guyon@havering.gov.uk">Caroline.guyon@havering.gov.uk</a>
<b>Policy context:</b>	The Pensions Regulator General Code of Practice and Pensions Act 2004
<b>Financial summary:</b>	None

### 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**

Following the introduction of the Pensions Regulators (tPR) new General (Single) Code of Practice for Occupational Pension Schemes, the London Borough of Havering Pension Fund (the Fund) is required to implement a policy for reporting breaches of the law. The new policy will become effective from 1 April 2025 and is attached as Appendix A to this report.

In 2005, the Fund introduced a whistleblowing policy and whilst the intent remains the same, the policy for reporting breaches of the law will replace that document to ensure compliance with the new code.

The policy ensures clear direction for the identification, recording and reporting of a breach of the law.

This report also presents the annual review for the year to 31 March 2024 and confirms no material breaches of the law have been reported and consequently no reports to tPR have been made.

## **RECOMMENDATIONS**

It is recommended that Committee:

- approve the policy for reporting breaches of the law
- note there have been no reportable breaches for the 12 month period to March 2024

## **REPORT DETAIL**

1. Since the introduction of the whistleblowing requirements of the Pensions Act 2004, the Fund has complied with the Havering whistleblowing policy. In March 2024 the Pensions Regulator's General (Single) Code of Practice (the code) for occupational pension schemes came into effect and a new policy for reporting breaches of the law is now required to ensure compliance with the code.
2. The policy will be effective from 1 April 2025 and ensures clear direction on the types of breach, how to identify them and the recording, monitoring and reporting of breaches. It also covers the role of the responsible officer, named

as the Strategic Director of Resources) who will oversee the management and execution of the breaches policy.

3. Guidance within the code will be used to determine any breaches materiality and whether it should be reported to tPR. The code defines a material breach as an occurrence where:
  - A significant proportion of fund membership is affected
  - There is a significant effect on the benefits being paid
  - There is a pattern of recurrence
  - Knowledge and understanding is insufficient resulting in the scheme not being properly governed or administered and/or leading to a breach of other legal requirements
  - Unmanaged conflicts of interest lead to prejudice, ineffective governance or administration
  - The scheme is not run in line with its own governance documents and legal requirements
  - Risk is not properly managed and/or money is not paid to or by the scheme at the right time
  - Accurate information is not provided to fund members to aid effective decision making
  - Records are not accurately maintained resulting in incorrect benefit payment
  - Governing bodies or anyone associated with the scheme misappropriate fund assets
4. The final decision regarding a breaches materiality will be made by the responsible officer after consultation with parties deemed to be appropriate, for example legal services, pensions committee or professional advisers.
5. All identified breaches, however minor, will be recorded in a log maintained by the Pensions Projects and Contracts Manager and will be reported to the Local Pensions Board and Pensions Committee on an annual basis.
6. The Local Pensions Board have reviewed the draft policy.
7. During the period 1 April 2023 to 31 March 2024, 12 minor administration breaches were noted. These were not assessed as materially significant and no report to the Pensions Regulator was made.

## IMPLICATIONS AND RISKS

### **Financial Implications and risks:**

There are possible financial penalties on non-compliance with the new General Code of Practice hence the need to have the new policy in place.

**Legal Implications and risks:**

Section 70 of the Pensions Act 2004 sets out specific requirements for reporting breaches of the law where the responsible person has reasonable cause to believe that a duty which is relevant to the administration of the scheme in question and which is imposed by law has not been or is not being complied with and the failure is likely to be of material significance to the Pensions Regulator.

The duty would encompass reporting by whistle blowers. The Employment Rights Act 1965 provides protection for employees making a whistleblowing report to tPR.

If the responsible body commits a breach of the law tPR would normally issue a statutory notice setting out the breach but if that is not complied with tPR can issue penalty notices for failure to comply with a statutory notice, or to address particular kinds of breach.

-a fixed penalty notice. The fine is fixed at £400 and must be paid within the period set out in the penalty notice.

- escalating penalty notice where a fixed penalty notice is not paid. The fine will be a daily rate of £50 to £10,000, depending on the number of staff. The fine will continue to grow at the daily rate until compliance with the statutory notice, or until the tPR stops it.

It is therefore necessary for the Council to have in place certain procedures, which draw this to the attention of those persons covered by the legislation and enable any report to be considered and, where appropriate, brought before the Pensions Regulator.

The proposed policy appears to cover all the relevant legal issues and requirements

**Human Resources Implications and risks:**

The Council has a whistle blowing/confidential reporting policy that this policy will complement. Existing and new Finance, Accounting, Payroll, HR and Pension Administration staff should be briefed on the procedure so that they are fully aware of their responsibilities (if they become aware of a possible breach) and how it complements the corporate policy. The actions proposed should ensure that this is the case. The principles of whistle blowing will be adhered to in relation to anonymity.

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

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**Havering**  
L O N D O N B O R O U G H

**HAVING PENSION FUND**

**POLICY FOR REPORTING BREACHES**  
**OF THE LAW**

**Effective from April 2025**

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## 1. Introduction

This is the policy for reporting breaches of the law of the London Borough of Havering Pension Fund (the Fund) in relation to the administration Local Government Pension Scheme (LGPS).

The policy provides guidance on the procedure for identifying, monitoring and where appropriate, reporting breaches of the law.

### Policy Review, Ownership and Authorisation

The Policy is effective from 01 April 2025.

The administering authority will review this policy as required to reflect changes in Regulations, Governance or working practices with a full review every three years.

The policy lead is the Pension Projects and Contracts Manager. The document has been developed in consultation with the Local Pensions Board and with approval from the Pensions Committee.

If you have any questions or comments regarding the charging policy, please contact:  
Caroline Guyon, Pensions Projects and Contracts Manager.  
Telephone: 01708 432185 or via email [caroline.guyon@haverling.gov.uk](mailto:caroline.guyon@haverling.gov.uk)

### Pensions Administration

From 1 November 2017, 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. The Local Pensions Partnership was formed in 2016 through a collaboration between Lancashire County Council and the London Pensions Fund Authority and provides pension services to the Local Government Pension Scheme, Police and Firefighter Schemes.

## 2. Legislative Framework

Breaches can fall into 2 categories:

- a breach of pensions law in accordance with the Pensions Act 2004 or as detailed in the Pensions Regulators General Code of Practice
- non-compliance under the Local Government Pension Scheme (LGPS) Regulations.

## 3. Key Objective

The key objective of the policy for reporting breaches of the law is to document the procedure for the identification, monitoring and potential reporting of material breaches.

## 4. Policy Detail

### What is a breach

A breach of the law is when a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with.

It can encompass many aspects of the management or administration of the scheme including a failure to:

- perform tasks under legislation or code of practice
- maintain accurate records
- act on any breach identified
- pay relevant sums to the pension fund on time
- pay member benefits accurately
- issue annual benefits statements in line with statutory guidance

Non compliance with the LGPS regulations can encompass many aspects of the management or administration of the scheme including a failure to:

- adhere to the LGPS Regulations
- comply with the Funds policies and procedures

### Responsibilities to report a breach

Responsibility to report a breach falls on the following (known as reporters):

- Elected members of the Pensions Committee
- Members of the Local Pensions Board
- Fund Officers and Senior Council Officers
- Scheme Employers
- Professional Advisers (including Fund Actuary, Investment Advisers, Legal Advisers)
- Third Party Provides (including the Local Pensions Partnership)

### Requirement to report a breach of law

Breaches of the law which affect the pension fund should be considered for reporting to the Pensions Regulator.

The decision whether to report will depend on whether:

- There is reasonable cause to suspect a breach of the law
- If so, is that breach likely to be of material significant to the Regulator

It is important to recognise not every breach needs to be reported to the Regulator. For example, where it can be demonstrated that appropriate action has been taken to rectify a breach, it may not be necessary to report this to the Regulator.

All breaches, however minor and regardless of whether it is considered reportable, should be recorded in a breach log. This log will be maintained by the Pensions Projects and Contracts Manager and cases will be reported to the Local Pensions Board and Pensions Committee on an annual basis

Any potential breaches identified in connection with the Havering Pension Fund should be reported immediately. Breaches can initially be reported to either:

- The Pensions Projects and Contracts Manager
- The Assistant Director of Transactional People Services
- The Pension Fund (Finance Manager)

**Any breaches identified as being of material significance to the Pensions Regulator should be reported to the Strategic Director of Resources (nominated responsible person) without delay.**

#### Breaches reportable to the Pensions Regulator

The General Code of Practice requires that a breach should be notified to the Regulator as soon as reasonably practicable (and no later than one month after becoming aware of the breach) once there is reasonable cause to believe a breach that may be considered significant to the Regulator may have occurred.

A breach is likely to be of concern and material significance to the Regulator where a breach has been identified and those involved:

- Do not take prompt action to remedy the breach and identify and tackle its cause to minimise the risk of reoccurrence
- Are not pursuing corrective action
- Fail to notify affected scheme members where it would be appropriate to do so

It is important that the Fund and nominated responsible person are satisfied a breach has actually occurred, rather than acting upon suspicion of such an event, and robust checks should be made.

When assessing the materiality of any breach the following should be considered:

- Cause – eg dishonesty, poor governance or failing to act within the law or regulations
- Effect – eg ineffective internal controls and procedures, lack of knowledge or understanding or inaccurate data
- Reaction – eg taking prompt corrective action and notifying scheme members if applicable
- Wider implications – eg where the breach is as a result of lack of knowledge or poor processes, what steps are to be put in place to prevent a reoccurrence

It should be noted that a failure to report a material breach is in itself likely to be considered a significant breach.

Guidance within the Pensions Regulators General Code of Practice will be used to determine any identified breaches materiality and whether it must be reported.

## Role of the Responsible Officer

The Responsible Officer will oversee the management and execution of this breaches policy.

The Responsible Officer will ensure:

- All identified breaches are recorded in a log, maintained by the Pensions Projects and Contracts Manager
- Investigate the circumstances of breaches of the law and ensure breaches to non compliance are reviewed by the Pensions Projects and Contracts Manager
- Where appropriate an action plan is in place to enable corrective action
- Breaches are reported to the Pensions Committee and Local Pensions Board
- All materially significant breaches are reported to the Regulator in writing either by post or electronically via the online Exchange service.

The Responsible Officer will determine whether any breach or likely breach is materially significant, having regard to the guidance set out in the Code of Practice and after consultation with parties they deem appropriate. Such parties might include Legal Services, the Pension Fund Committee, Pension Board or professional advisers.

## Whistleblowing

It is a statutory duty to report breaches of the law. In rare cases this may involve a duty to whistle blow on the part of an officer of the Fund or a member of the Local Pension Board or Pensions Committee. The duty to report does not override any other duties a “reporter” may have, such as confidentiality. Any such duty is not breached by reporting to the Regulator. Given the statutory duty that exists in exercising this breaches policy, the Fund will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee making a whistleblowing disclosure to the Regulator.

The duty to report, however, does not override ‘legal privilege’, so oral and written communications between the Fund, its representatives and a professional legal adviser do not have to be disclosed if they meet the principles of legal privilege.