Public Document Pack

Havering
LONDON BOROUGH

PENSIONS COMMITTEE AGENDA

7.00 pm	Tuesday 10 December 2024	Council Chamber - Town Hall

Members 7: Quorum 3

COUNCILLORS:

Conservative Group (2)	Havering Residents' Group (3)	Labour Group (1)
Joshua Chapman Viddy Persaud	James Glass Williams Stephanie Nunn (Vice-Chair)	Mandy Anderson (Chairman)

Trade Union Observers	**Admitted/Scheduled Bodies Representative**
(No Voting Rights) (1)	**(Voting Rights) (0)**
Derek Scott	

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

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

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

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

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

Reporting means:-

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

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

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

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

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF

What matters are being discussed?

DPI

Does the business relate to or is it likely to affect a disclosable pecuniary interest. These will include the interests of a spouse or civil partner (and co-habitees):
• any employment, office, trade, profession or vocation that they carry on for profit or gain;
• any sponsorship that they receive including contributions to their expenses as a councillor; or the councillor's election expenses from a Trade Union;
• any land licence or tenancy they have in Havering
• any current contracts leases or tenancies between the Council and them;
• any current contracts leases or tenancies between the Council and any organisation with land in Havering in they are a partner, a paid Director, or have a relevant interest in its shares and securities;
• any organisation which has land or a place of business in Havering and in which they have a relevant interest in its shares or its securities.

YES → Declare Interest and Leave

NO ↓

PERSONAL INTEREST

Might a decision in relation to that business be reasonably be regarded as affecting (to a greater extent than the majority of other Council Tax payers, ratepayers or inhabitants of ward affected by the decision)
• Your well-being or financial position; or
• The well-being or financial position of:

o A member of your family or any person with whom you have a close association; or
- Any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
- Any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000;

o Any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your Authority; or

o Any body exercising functions of a public nature, directed to charitable purposes or whose principal includes the influence of public opinion or policy (including any political party or trade union) of which you are a member or in a position of general control or management?

YES ↓ / **NO** → You can participate in the meeting and vote (or remain in the room if not a member of the meeting)

PECUNIARY INTEREST

You must disclose the existence and nature of your personal interests

↓

Would a member of the public, with knowledge of the relevant facts, reasonably regard your personal interest to be so significant that it is likely to prejudice your

NO → You can participate in the meeting and vote (or remain in the room if not a member of the meeting)

YES ↓

- Does the matter affect your financial position or the financial position of any person or body through whom you have a personal interest?
- Does the matter relate to an approval, consent, licence, permission or registration that affects you or any person or body with which you have a personal interest?
- Does the matter not fall within one of the exempt categories of decisions?

NO → You can participate in the meeting and vote (or remain in the room if not a member of the meeting)

YES ↓

Speak to Monitoring Officer in advance of the meeting to avoid allegations of corruption or bias

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 be received at future meeting

5 EXCLUSION OF THE PUBLIC

To consider whether the public should now be excluded from all relevant parts of the meeting on the grounds that it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public were present during those items there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972; and, if it is decided to exclude the public on those grounds, the Committee to resolve accordingly on the motion of the Chairman.

6 PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED SEPT 2024 (Pages 7 - 92)

7 TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (Pages 93 - 102)

8 INVESTMENT STRATEGY UPDATE - EQUITY PORTFOLIO REVIEW (Pages 103 - 112)

9 SERVICE REVIEW OF THE PENSION FUND CUSTODIAL & PERFORMANCE MONITORING SERVICE (Pages 113 - 122)

10 THE HAVERING PENSION FUND PENSIONS ADMINISTRATION STRATEGY AND CHARGING POLICY (Pages 123 - 152)

Zena Smith
Head of Committee and Election Services

Agenda Item 6

PENSIONS COMMITTEE 10 DECEMBER 2024

Subject Heading:	**PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED SEPT 2024**
ELT Lead:	**Kathy Freeman**
Report Author and contact details:	***Debbie Ford*** ***Pension Fund Manager (Finance)*** ***01708 432 569*** ***Debbie.Ford@havering.gov.uk***
Policy context:	Pension Fund performance ("the Fund") is regularly monitored to ensure investment objectives are being met and to keep the committee updated with Pension issues and developments.
Financial summary:	This report comments upon the performance of the Fund for the period ended 30 September 2024

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

People – Supporting our residents to stay safe and well	X
Place – A great place to live, work and enjoy	X
Resources – Enabling a resident-focused and resilient Council	X

SUMMARY

This report provides an overview of how the Fund's investments are performing, how the individual Investment Managers are also performing against their set targets and any relevant Local Government Pension Scheme (LGPS) updates for the quarter ending **30 September 2024**.

Significant events that occur after production of this report will be addressed verbally at the meeting.

The Fund's value increased by **£14.8m** over the quarter. The overall fund performance of 1.51% underperformed the tactical benchmark by -0.20% and the strategic benchmark by -0.34%.

The Fund’s performance is behind the tactical benchmark but remains ahead of the strategic benchmark over the longer time periods.

Equities continued to perform well over the quarter, with all the Fund’s equity mandates providing positive absolute returns. Most equity mandates were ahead of, or broadly in line with, their respective benchmarks.

The LCIV Global Bond Fund also returned positively and outperformed over the quarter, benefitting from a fall in real gilt yields but also positive sector/stock selection. The bond allocation within the Absolute Return Fund positively contributed to performance.

Real gilt yields fell over the quarter and as such, the Fund’s RLAM ILG Fund slightly increased in value. The value of the Fund’s liabilities is expected to have increased due to this over the same period (as proxied by the Fund’s strategic benchmark).

The Fund’s performance of 1.5% was marginally behind the tactical benchmark of 1.7%.

Due to limited reporting available for the Fund’s private market funds as at quarter-end, performance figures predominantly account for cashflows/currency movements only over the period. Sterling strengthened significantly against the US Dollar and Euro over the quarter, leading to negative performance of private market assets and CBRE in unhedged Sterling terms.

The currency overlay strategy performed positively and served to mitigate this impact.

Property capital values overall rose modestly over the quarter – particularly in the industrial sector, through continued to decline in the office sector.

The general position of the Fund is considered plus other matters including any current issues as advised by Hymans. The manager attending the meeting will be:

UBS – UK property Manager

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

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

RECOMMENDATIONS

That the Committee:

1) Consider Hymans Market Background, Strategic Overview and Manager Performance Report (Appendix A)
2) Consider Hymans Performance Report and views (Appendix B **Exempt)**
3) Receive presentation from the Funds UK Property Manager (UBS) for an overview on the fund's performance (Appendix C – **Exempt**)
4) Consider the quarterly reports sent electronically, provided by each fund manager.
5) Note the analysis of the cash balances.

REPORT DETAIL

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

2. Where appropriate topical LGPS news that may affect the Fund will be included.

3. BACKGROUND

a. The Committee adopted an updated Investment Strategy Statement (ISS) in September 2023.

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

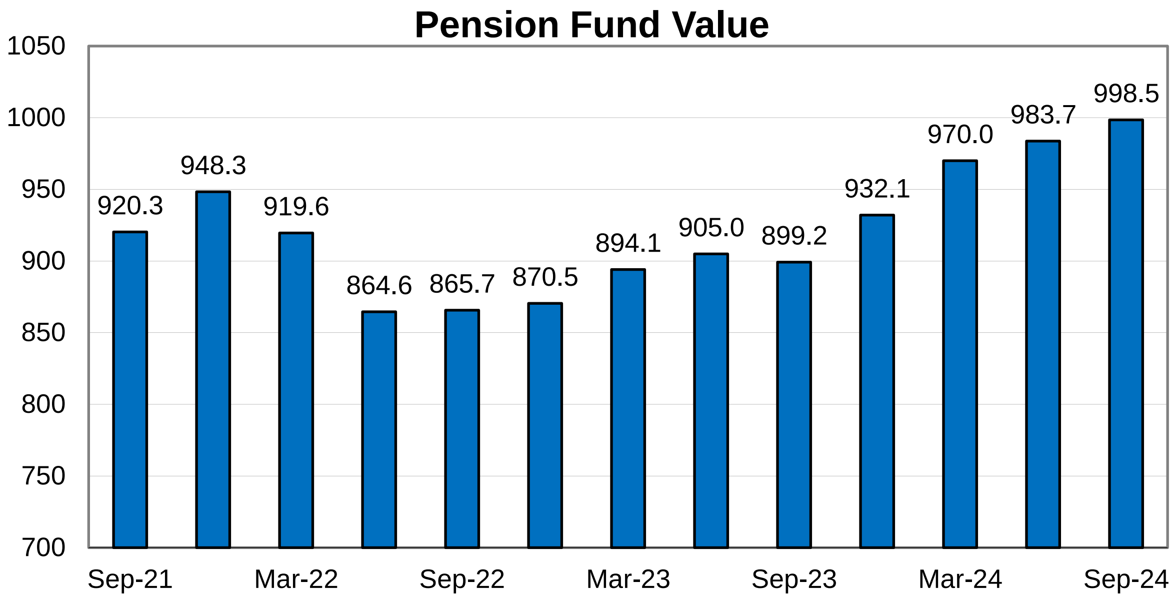
c. The Fund's assets are monitored quarterly to ensure that the long-term objective of the ISS is being delivered.

d. We measure returns against tactical and strategic benchmarks.

4. PERFORMANCE

a. The Fund invested asset value at 30 September 2024 was £998.5m compared with £983.7m at 30 June 2024; an increase of £14.8m. The increase in valuation is largely due to the Fund's equity allocations, followed by the Fund's credit allocations (i.e. the LCIV Global Bond Fund and RLAM MAC Fund) which all performed positively.

Chart 1 – Pension Fund Asset Value



Source: Northern Trust Performance Report

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

Table 1: Tactical Performance

	Quarter to 30/09/2024 %	**12 Months to 30/09/2024 %**	**3 Years to 30/09/2024 %**	**5 years to 30/09/2024 %**
Fund	1.51	10.72	20.1	5.08
Benchmark	1.71	12.55	6.40	6.70
*Difference in return	-0.20	-1.83	-4.39	-1.62

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

c. The overall net performance of the Fund against the **Strategic Benchmark** (i.e. the strategy adopted of Gilts + 1.8% Net of fees). The strategic benchmark represents the expected rate at which the Fund's liabilities are growing (or falling) in value. The asset performance relative to the strategic benchmark performance gives an indication of whether the funding level has improved or weakened over a given period.

Table 2: Strategic Performance

	Quarter to 30/09/2024 %	12 Months to 30/09/2024 %	3 Years to 30/09/2024 %	5 years to 30/09/2024 %
Fund	1.51	10.72	20.1	5.08
Benchmark	1.85	7.79	-9.99	-5.32
*Difference in return	-0.34	2.93	12.00	10.40

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

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

5. CASH FORECAST

a. At the end of September 2024, the cash balance stood at £25.0m, which is invested with LBH and available for operational cash requirements as needed.

Table 3: Cash Flow Forecast

	ACTUALS TO 30/09/2024 £000	ESTIMATE Year to 31/03/2025 £000	ESTIMATE Year to 31/03/2026 £000	ESTIMATE Year to 31/03/2027 £000
Balance b/f	24,276	24,959	24,263	17,425
Benefits paid	(17,266)	(17,460)	(35,308)	(35,986)
BACS expenses*	(6,490)	(6,910)	(14,030)	(14,321)
Lump sums by faster payment	(1,870)	(1,850)	(3,720)	(3,720)
Transfers in	2,388	3,000	6,000	6,000
Contributions received**	22,800	21,694	39,720	32,620
Pension strain	185	50	300	300
Interest	-	780	200	100
Sweep	936	-	-	-
Balance c/f	24,959	24,263	17,425	2,418

* BACS expenses also includes grants i.e. lump sums made to members via payments team
** Contributions received from LBH are net of pension payroll deductions (e.g. HMRC)

b. Members updated the cash management policy at their committee meeting on the 19 March 2024.

c. An operational cash balance in the range of £5m to £13m has been set. In the event that cash levels rise above the upper limit of £13m cash will be invested in the most underweight liquid asset allocation.

d. Cash balance may be retained above the upper limit at the discretion of the Section 151 officer.

e. The Section 151 officer has approved the use of some surplus cash for portfolio rebalancing. This will take place in the current quarter (by the end December 2024).

6. REPORTING ARRANGEMENTS

a. At each reporting cycle, the Committee will see a different fund manager until members have met them all unless there are performance concerns that demand a manager be brought back again for further investigation.

b. Summary fund manager reviews are included within Hymans performance report at **Appendix A.**

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

d. The fund manager attending this meeting is **UBS** who manage the Funds UK property portfolio**.** Their report is attached at **Appendix C (Exempt).**

8. FUND UPDATES:

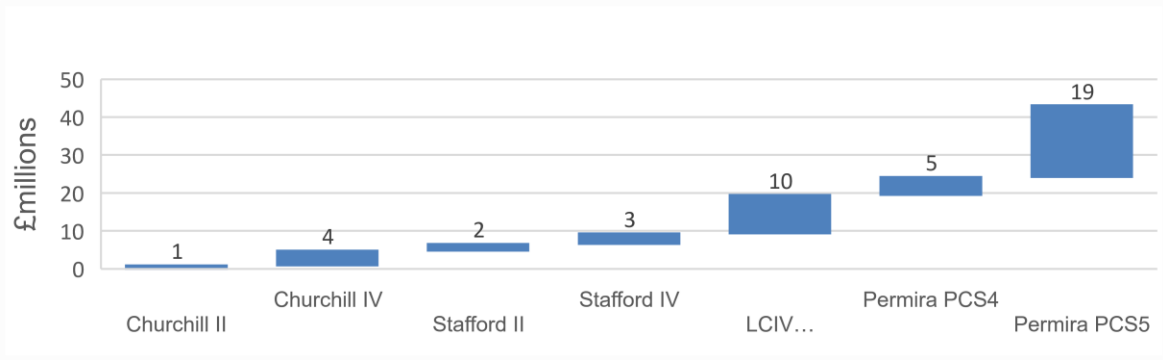
8.1 Changes since the last report and forthcoming changes/events:

a. In the quarter ending 30 September 2024, the Fund completed £1.2m of capital draw down requests, which were funded from investment income received and held with the Custodian.

b. The Churchill 'release of pledge' reported to the September committee was related to the termination of a banking contract. The outstanding commitment across Fund's II and IV has been reinstated.

c. At 30 September 2024 there was £43m of outstanding capital commitments as follows:

Chart 2 – Outstanding capital commitments at 30 September 2024



8.2 **London CIV UPDATES -**The LCIV is the appointed asset pool manager for the Fund and the governance of investments held with the LCIV is their responsibility. It is therefore crucial that regular communication and contact is upheld and activity updates are reported and covered here as follows:

8.2.1 LCIV meetings (since the last report)

a. Virtual weekly "Coffee with the CIO" are held to share news, learn and develop opportunities. Recordings can be made available to members on request.

b. Business Update Meetings take place monthly (currently held virtually) – since the last report, meetings were held on the 26 Sept 2024 and the 24 Oct 2024. Recordings can be made available to members on request.

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

- **Fund Monitoring Updates**: All LCIV sub funds undergo investment reviews and annual in-depth reviews unless there are any concerns, in which case the frequency of reviews occurs every six months. All Havering investment funds are on **"normal"** monitoring. A number of Investment reviews and update meetings have taken place over the last quarter and a summary follows of those that relate to mandates held by Fund:
    - **4 November 2024 Investor update meeting Fixed Income - LCIV Global Bond Fund (GBF) -** this review covered performance as at the end of Sept 24 (outperformed benchmark over the quarter by 0.16% and 0.35% since inception). The LCIV uses traffic light for scoring and the GBF achieved a GREEN score for the categories; Resourcing, Strategy/Process, Responsible Investment & Engagement,

Business Risk, Risk Management & compliance, Cost Transparency/Value for money, Best Execution/liquidity/deployment. An AMBER score was awarded for performance. A deep dive review is scheduled during the quarter ending Dec 2024.

- **7 November 2024 – Investor Update meeting – Equities** – **LCIV Global Alpha Paris Aligned Fund (GAPAF)** - this review covered performance as at the end of Sept 24 (underperformed benchmark over the quarter by -0.29% and -0.46% since inception). The LCIV uses traffic light for scoring and the GAPAF achieved a GREEN score for the categories; Resourcing, Strategy/Process, Responsible Investment & Engagement, Business Risk, Risk Management & Compliance, Best Execution / liquidity / deployment. An AMBER score was awarded for performance and Cost Transparency/Value for money.

- **Fund Activity - New/Changes to Sub Fund Launches:**
  - *New:* Natural Capital/ Nature Based Solution – launched on the 12 July – 3 managers appointed. Legal and tax due diligence underway with manager names to be announced in due course. Havering currently has no plans to invest in this fund
  - *New*: Private Debt II Fund – launched on 28 June 2024 - Implementation stage - four managers appointed. Legal and tax due diligence underway with names to be announced in due course. The Fund could consider this mandate when more details are available.
  - *New*: Indirect Property Pooling – Draft legal documents being finalised and shared with Partner Funds in Nov 2024. Aiming to launch 31 December 2024. Havering currently has no plans to invest in this fund.
  - *New:* Global Equity Value – was launched on the 28 October 2024. Havering currently has no plans to invest in this fund
  - *New:* Buy and maintain Fund - was launched on the 9 October 2024. Havering currently has no plans to invest in this fund
  - *New: Private Debt II* – Fund is now available and targeting first close in December 2024.
  - *Change:* LCIV MAC Fund – ESG elements to be strengthened and new Investment Management Agreements came into effect on the 1 October 2024 Havering currently does not invest in this fund.
  - *Change:* LCIV Global Bond Fund – Approvals obtained to enhance the ESG credentials and new Investment Management Agreements came into effect on the 1 October 2024. Havering invests in this fund.

- **Staffing updates:**
    - **Brian Lee,** Chief Financial Officer at the Company will be leaving at the end of October. **Darren Gray** has been appointed as Interim Finance Director whilst the recruitment process is ongoing.
    - **Cameron McMullen,** Client Relations Team Manager will be leaving on the 07 November 2024.
    - **Sian Kunert**, Client Relations Manager joins LCIV from East Sussex County Council in January 2025,
    - **Tim Mpofu,** currently Head of Pensions and Treasury at the London Borough of Haringey will be joining London CIV in January 2025, in the newly-created role Head of Partner Fund Solutions.

8.3 LGPS GENERAL UPDATES:

8.3.1 LGPS – Fit for the Future Consultation

a. Following the Chancellor's Mansion House speech on the 13th November 2024, the Ministry of Housing, Communities, and Local Government (MHCLG) issued a consultation '*LGPS – Fit for the Future'*, with a deadline to respond of 16 January 2025. The consultation being the next step following the launch of the Pension Investment Review and Call for Evidence issued back in September 2024. The consultation sets out the governments intentions for the future path of the LGPS. It covers three main areas:

- **Pooling**. By 31 March 2026, the government require all pools to be FCA regulated investment management companies. All assets be invested through the pool with implementation of investment strategies fully delegated to pools. Funds maintain the decision regarding investment strategy, but this is to be limited to either high-level investment objectives, or a high-level asset allocation. Pools will advise on the setting of these.
- **Local investment**. Funds will be required to invest locally, setting out their approach to local investment, including a target range within their investment strategies. Funds will also be required to work with local combined authorities and mayors to achieve this investment. These investments, and their impact, will also be included in annual reports. Pools will be required to undertake the due diligence on potential investments and will decide whether to invest.
- **Good governance**. After four years, the Government is acting on the recommendations of the Good Governance Review. This includes proposing a requirement that committee members have the appropriate knowledge and skill, funds publish strategies on governance, training and administration (including conflicts of interest), and that a senior LGPS officer is appointed at each fund. A key inclusion is the proposal that funds will be required to participate in a biennial independent governance review to obtain

assurance that they are meeting governance requirements. One new recommendation is the proposal that pension committees appoint an independent advisor to drive governance improvement, challenge and delivery. Similarly, Pool boards may also need to include representatives from their funds and improve transparency,

8.4 Training Requirements - UPDATE

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

b. In addition to an induction training session, members are expected to complete the LOLA training modules v1.0 (modules 1- 5) or LOLA V2.0 Training modules (1- 8) in support of meeting the Committee procedure rules.

c. The Fund transitioned over to LOLA v2.0 on the **1 October 2023.**

d. New committee members yet to complete modules under version 1.0 will now be required to undertake the LOLA v2.0 to meet the committee procedure rules.

e. New committee members will have 6 months from **1 October 2023** or date of joining to complete the LOLA v2.0 modules.

f. Officers will provide the Committee with regular progress reports allowing it to easily evidence member's development and progress, as follows:

Chart 3 – Pension committee progress LOLA v1

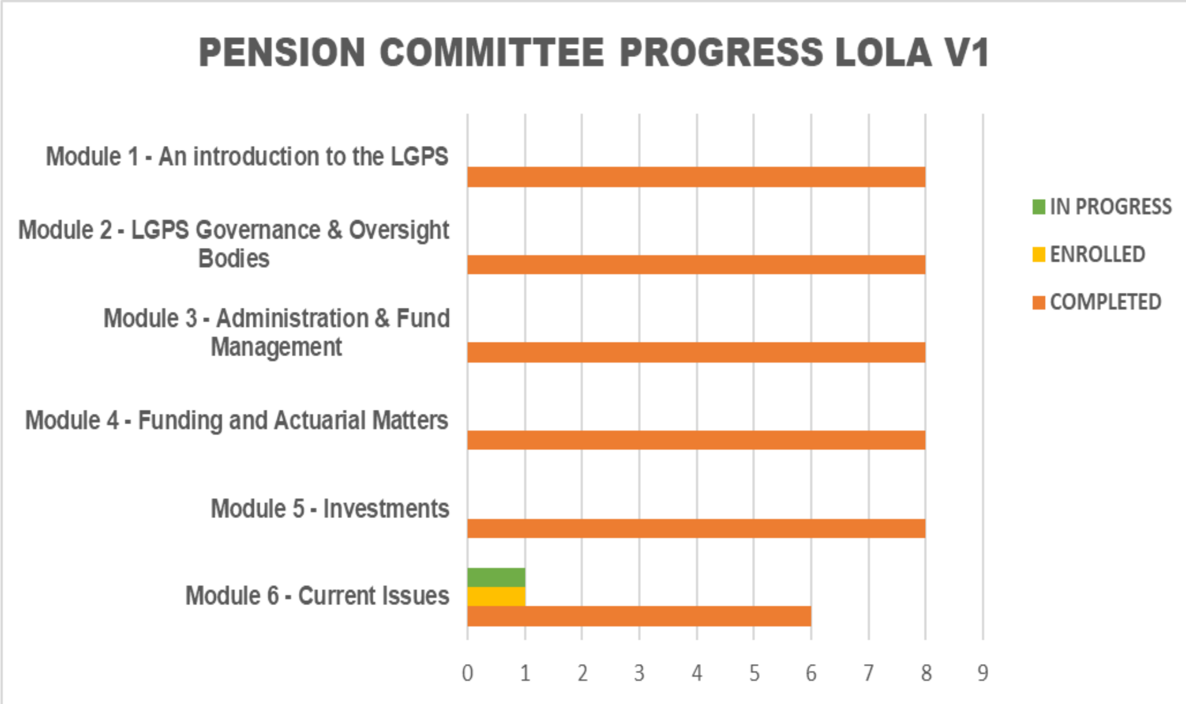
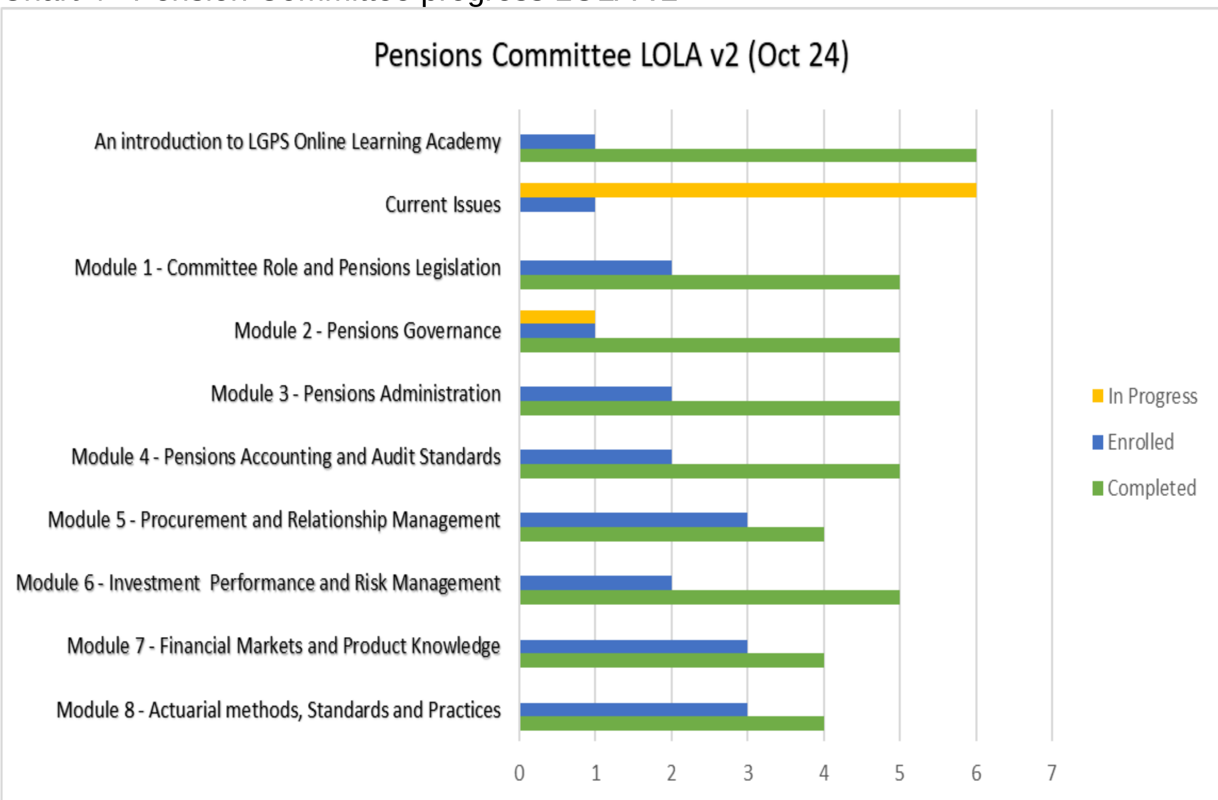


Chart 4 –Pension Committee progress LOLA v2



IMPLICATIONS AND RISKS

Financial implications and risks:

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

Legal implications and risks:

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

Human Resources implications and risks:

There are no immediate HR implications.

Equalities implications and risks:

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

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

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

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 EHIA (Equality and Health Impact Assessment) is usually carried out and on this occasion this is/isn't required/attached

The Council seeks to ensure equality, inclusion, and dignity for all in all situations.

There are no equalities and social inclusion implications and risks associated with this decision

BACKGROUND PAPERS

None

London Borough of Havering Pension Fund

Q3 2024 Investment Monitoring Report

Shaun Nicol – Investment Consultant

The person responsible for this advice is Shaun Nicol. Members of the London Borough of Havering client team who contributed to the production of this paper but are not responsible for the advice are Meera Devlia and Jennifer Aitken.

HYMANS ROBERTSON

This section outlines the key points included in this report.

The tactical benchmark in the Fund Performance table represents the aggregate performance target of the Fund's assets and is a measure of relative outperformance / underperformance from the asset managers.

The strategic benchmark represents the expected rate at which the Fund's liabilities are growing (or falling) in value. The asset performance relative to the strategic benchmark performance gives an indication of whether the funding level has improved or weakened over a given period.

Key Takeaways

Equities continued to rise over the quarter.	• Equities continued to perform well over the quarter, with all the Fund's equity mandates providing positive absolute returns. • Most equity mandates were ahead of, or broadly in line with, their respective benchmarks.
Bonds performed positively and outperformed respective benchmarks.	• The LCIV Global Bond Fund also returned positively and outperformed over the quarter, benefitting from a fall in real gilt yields but also positive sector/stock selection. • The bond allocation within the Absolute Return Fund positively contributed to performance.
Real gilt yields fell, pushing up expected liability values.	• Real gilt yields fell over the quarter and as such, the Fund's RLAM ILG Fund slightly increased in value. • The value of the Fund's liabilities is expected to have increased due to this over the same period (as proxied by the Fund's strategic benchmark).
Overall Fund performance remained positive, but the Fund continued to underperform its tactical benchmark.	• The Fund's performance of 1.5% was marginally behind the tactical benchmark of 1.7%.
Currency movements over the quarter influenced private market/property returns.	• Due to limited reporting available for the Fund's private market funds as at quarter-end, performance figures predominantly account for cashflows/currency movements only over the period. • Sterling strengthened significantly against the US Dollar and Euro over the quarter, leading to negative performance of private market assets and CBRE in unhedged Sterling terms. • The currency overlay strategy performed positively and served to mitigate this impact. • Property capital values overall rose modestly over the quarter – particularly in the industrial sector, through continued to decline in the office sector.

Fund Performance

	Last 3 months (%)	Last 12 months (%)	Last 3 years (%)	Last 5 years (%)
Total Fund Performance	**1.5**	**10.7**	**2.0**	**5.1**
Tactical Benchmark	1.7	12.6	6.4	6.7
Strategic Benchmark	1.9	7.8	-10.0	-5.3

Fund Asset Valuation

	Fund value (£m)
Q2 2024	**983.7**
Q3 2024	**998.5**

The Fund's assets returned 1.5% over the quarter, marginally underperforming the benchmark return of 1.7%.

Global equities fell sharply at the beginning of August, on the back of disappointing US economic data and Japanese interest rate hikes. Despite this, global equities bounced back as interest rate cuts, and expectations of more to come, buoyed sentiment. However, some of the equity mandates were marginally behind their respective benchmarks over the quarter.

The LCIV Absolute Return Fund and LCIV Global Bond Fund posted positive returns – the former due its defensive positioning when equities declined, and the latter benefiting from a fall in real gilt yields.

Sub-investment grade credit spreads narrowed marginally, leading the RLAM MAC fund to deliver positive returns.

Real gilt yields fell over the quarter – as a result the RLAM ILG Fund delivered positive returns.

The Fund is in the process of disaggregating the MAC and ILG components within the RLAM mandate structure and updating the ILG component benchmark to the FTSE Actuaries UK Index-Linked Gilts All Stocks Index (from the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index).

Due to Q3 manager valuation/performance reporting not being available for private market funds at time of writing, the performance figures shown are sourced from Northern Trust which allow for cashflows/currency movements only over Q3 2024. Currency movements will have negatively impacted non GBP-denominated funds, given the strengthening of Sterling. The currency overlay strategy served to mitigate this impact.

Manager Performance

	Actual Proportion	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
		Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth	**52.6%**												
LGIM Global Equity	4.3%	0.5	0.8	**-0.2**	19.5	20.2	**-0.6**	8.5	8.8	**-0.2**	11.9	11.9	**-0.1**
LGIM Emerging Markets	4.2%	4.3	4.7	**-0.4**	15.8	16.8	**-0.9**	2.3	2.8	**-0.5**	5.7	6.0	**-0.3**
LGIM Future World Fund	11.0%	0.9	1.0	**-0.1**	14.3	14.6	**-0.2**	7.1	7.2	**-0.1**	5.7	5.9	**-0.1**
LCIV Global Alpha Growth Paris Aligned Fund	16.1%	0.7	0.2	**0.4**	19.8	20.5	**-0.6**	-1.2	9.3	**-9.6**	12.3	12.2	**0.1**
LCIV PEPPA Passive Equity	5.8%	0.3	0.3	**0.0**	24.1	23.9	**0.2**	-	-	**-**	7.5	6.5	**0.9**
LCIV Absolute Return Fund	11.2%	2.5	2.2	**0.3**	4.3	9.4	**-4.6**	1.3	7.4	**-5.7**	4.4	5.4	**-0.9**
Income	**38.8%**												
LCIV Global Bond Fund	4.9%	4.9	4.7	**0.1**	-	-	**-**	-	-	**-**	11.9	13.2	**-1.2**
UBS Property	5.0%	2.2	1.2	**0.9**	-0.2	1.7	**-1.9**	-0.1	-0.4	**0.3**	4.9	5.4	**-0.5**
CBRE	3.0%	-5.9	1.3	**-7.1**	-12.2	6.6	**-17.7**	0.5	11.1	**-9.5**	3.4	8.9	**-5.0**
JP Morgan	4.8%	-4.0	1.3	**-5.2**	-0.4	6.6	**-6.6**	8.2	11.1	**-2.6**	7.5	8.9	**-1.3**
Stafford Capital Global Infrastructure SISF II	4.4%	-2.7	1.3	**-4.0**	-0.9	6.6	**-7.0**	6.4	11.1	**-4.2**	6.4	8.8	**-2.2**
Stafford Capital Global Infrastructure SISF IV		0.1	1.3	**-1.1**	4.3	6.6	**-2.2**	4.8	11.1	**-5.7**	14.4	11.0	**3.1**
LCIV Renewable Energy Infrastructure Fund	1.6%	-0.8	1.3	**-2.0**	0.9	6.6	**-5.4**	10.2	11.1	**-0.8**	9.4	11.0	**-1.5**
RLAM Multi-Asset Credit	6.9%	3.3	3.1	**0.2**	11.4	11.8	**-0.4**	2.1	3.7	**-1.6**	3.6	6.7	**-2.9**
Churchill Senior Loan Fund II	3.0%	-3.4	2.2	**-5.5**	1.0	9.4	**-7.7**	8.2	7.4	**0.7**	5.7	6.0	**-0.3**
Churchill Senior Loan Fund IV		-3.3	2.2	**-5.4**	1.6	9.4	**-7.2**	-	-	**-**	8.0	7.7	**0.2**
Permira IV	5.2%	3.0	2.2	**0.8**	10.4	9.4	**0.9**	7.9	7.4	**0.4**	5.7	6.2	**-0.5**
Permira V		2.5	2.2	**0.2**	10.7	9.4	**1.2**	-	-	**-**	9.3	9.3	**0.0**
Protection*	**8.6%**												
RLAM Index-Linked Gilts	2.3%	2.3	1.5	**0.7**	7.9	6.4	**1.4**	-17.0	-14.3	**-3.2**	-9.9	-8.0	**-2.1**
Total Scheme		1.5	1.7	**-0.2**	10.7	12.6	**-1.6**	2.0	6.4	**-4.1**	7.7	-	**-**

Source: 3m, 12m and 3yr performance returns – Northern Trust and Investment Managers. Individual SI performance returns – Hymans calculated chain-linked. Performance figures for RLAM (including SI performance) and the 3m LGIM Emerging Markets Fund have been taken from the Investment Manager. Longer term performance for Baillie Gifford Global Equity and Ruffer Absolute Return funds is inclusive of performance prior to their transfer into the LCIV. Please note, Hymans are conducting a wider review of Northern Trust provided performance figures for the Fund's mandates against investment manager provided performance figures over the respective periods. LGIM Global Equity mandate was managed by SSGA prior to November 2017 and we have retained the performance history for these allocations.. All asset performance is in GBP terms and does not make an allowance for currency fluctuations. The total Fund performance includes the impact of the Russell currency overlay mandate. Please see separate slide for further detail on the Russell mandate, along with asset performance excluding the impact of currency fluctuations.

**Includes cash at bank and currency hedging*

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The Fund's investment strategy is implemented through the London Collective Investment Vehicle ("LCIV"), and retained assets including life funds (with fee structures aligned with LCIV).

The target allocation to LCIV and life funds totals 61.0% of Fund assets. Other retained assets will be delivered through external managers, with the position reviewed periodically.

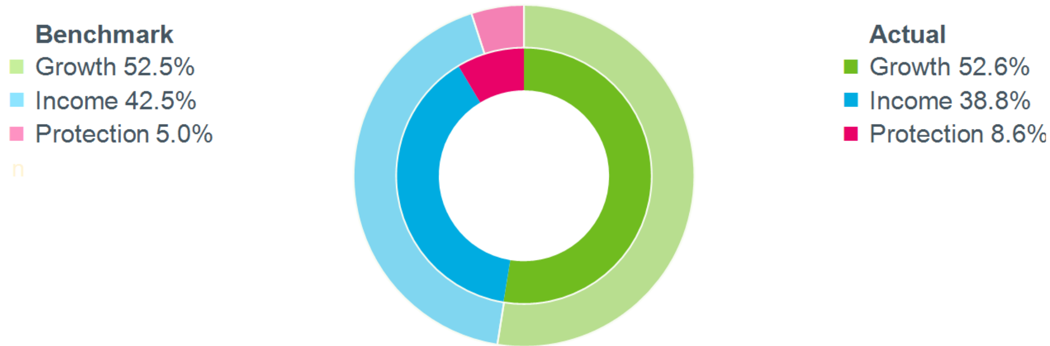
The chart below right illustrates the underlying asset allocation of the Fund, i.e. taking account of the underlying holdings in the multi-asset funds on a 'look through' basis.

The Fund's overall allocation to gilts increased over the quarter to c.6.1% (c.5.0% at 30 June 2024) owing to the LCIV Absolute Return Fund's allocation to government bonds increasing over the period – from c.40.7% to 49.7%.

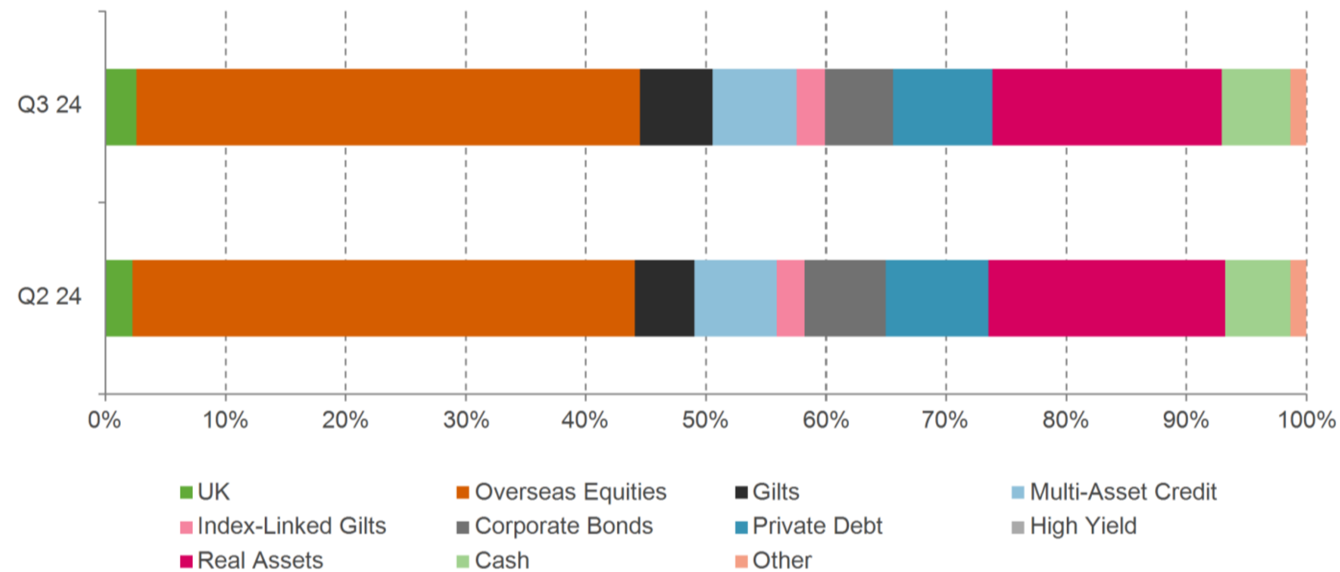
The Fund's allocation to corporate bonds decreased over the period to c.5.6% (c.6.8% as at 30 June 2024) with the LCIV Absolute Return Fund allocation to corporate bonds decreasing over the period – from c.21.5% to c.9.8%.

The Fund's allocations to equities, multi-asset credit, private debt, high yield and real assets remained broadly unchanged over the quarter.

Asset Allocation



Asset Class Exposures



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The total value of the Fund's assets increased by £14.8m over the quarter to £998.5m as at 30 September 2024.

The increase in valuation is largely due to the Fund's equity allocations, followed by the Fund's credit allocations (i.e. the LCIV Global Bond Fund and RLAM MAC Fund) which all performed positively.

The Fund's allocation to 'Income' assets remains broadly unchanged and slightly below target allocation.

The Fund's 'Protection' assets increased over the quarter – primarily due to an increase in the cash held by the Fund over the period. The increase in cash held was primarily due to distribution payments made by the Fund's private market mandates over the period and the increase in value of the Russell currency hedging overlay.

Shortly before quarter-end, the Officers agreed to invest the Fund's 'surplus' cash balance between the RLAM ILG Fund and LCIV Absolute Return Fund to bring these allocation back in line with target.

The Fund paid the following capital calls during the quarter:

- c.£537k to the LCIV Renewables Fund.
- c.£95k to the Permira Credit V Senior Fund

Asset Allocation

		Valuation (£m)		Actual Proportion	Benchmark	Relative
		Q2 24	Q3 24			
Total Growth		**518.7**	**524.9**	**52.6%**	**52.5%**	**0.1%**
LGIM Global Equity	LCIV Aligned	42.9	43.1	4.3%	5.0%	-0.7%
LGIM Emerging Markets	LCIV Aligned	40.5	41.5	4.2%	5.0%	-0.8%
LGIM Future World Fund	LCIV Aligned	109.1	110.1	11.0%	10.0%	1.0%
LCIV Global Alpha Growth Paris Aligned Fund	LCIV	159.3	160.4	16.1%	15.0%	1.1%
LCIV PEPPA Passive Equity	LCIV	57.5	57.7	5.8%	5.0%	0.8%
LCIV Absolute Return Fund	LCIV	109.4	112.1	11.2%	12.5%	-1.3%
Total Income		**390.3**	**387.8**	**38.8%**	**42.5%**	**-3.7%**
LCIV Global Bond Fund	LCIV	46.9	48.7	4.9%	5.0%	-0.1%
UBS Property	Retained	49.3	50.0	5.0%	6.0%	-1.0%
CBRE	Retained	32.0	30.1	3.0%	4.0%	-1.0%
JP Morgan	Retained	50.7	48.1	4.8%	5.5%	-0.7%
Stafford Capital Global Infrastructure SISF	Retained	45.5	44.0	4.4%	3.5%	0.9%
LCIV Renewable Energy Infrastructure Fund	LCIV	15.7	16.1	1.6%	3.5%	-1.9%
RLAM Multi-Asset Credit	Retained	66.8	69.1	6.9%	7.5%	-0.6%
Churchill Senior Loan Funds	Retained	32.0	29.5	3.0%	3.0%	0.0%
Permira Credit	Retained	51.5	52.2	5.2%	4.5%	0.7%
Total Protection		**74.7**	**85.7**	**8.6%**	**5.0%**	**3.6%**
RLAM Index-Linked Gilts	Retained	22.9	23.3	2.3%	5.0%	-2.7%
Cash at Bank	Retained	47.3	50.3	5.0%	0.0%	5.0%
Currency Hedging P/L	Retained	4.5	12.1	1.2%	0.0%	1.2%
Total Scheme		**983.7**	**998.5**	**100.0%**	**100.0%**	

Source: Northern Trust and Investment Managers.
Valuation figures for RLAM have been taken from the Investment Manager.
Note: The target allocations were agreed in August 2023 as part of the last investment strategy review.

Pooling refers to whether the holding benefits from some form of collective bargaining. LCIV and LCIV aligned reflect mandates aligned with or managed by the LCIV. Other pooled indicates mandates where there are collective LGPS fee arrangements in place. Not pooled indicates mandates outside pooling arrangements.

Russell Currency Hedging

Russell Investments have been appointed to manage the Fund's currency overlay mandate.

The current policy is to hedge non-sterling exposures in the Fund's private markets mandates. Currency exposure in equity mandates is retained.

At present, 100% of the exposure to USD, EUR and AUD from the private market investments is hedged with any residual currency exposure retained on a de-minimis basis.

The volatility of returns (measured as the standard deviation of quarterly returns since inception) is c.4.6% to date when the impact of currency fluctuations is included and c.4.0% when currency movements are stripped out by the Russell currency overlay mandate. This continues to indicate that the Russell mandate is reducing overall volatility and increasing the predictability of returns, as intended.

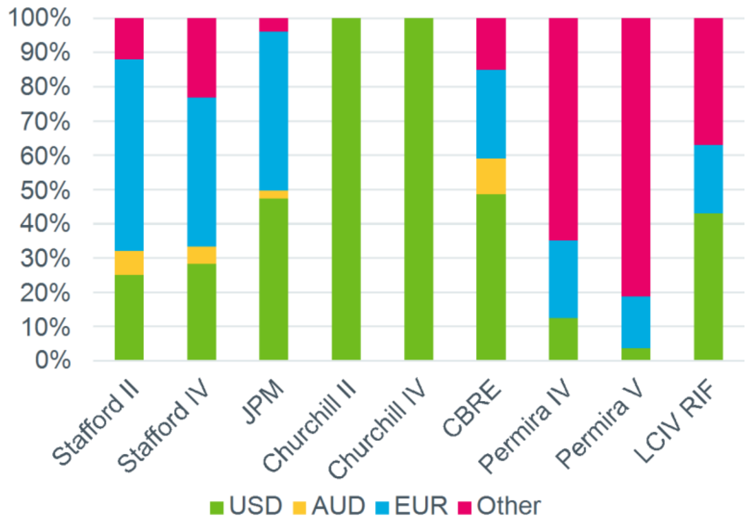
Q3 2024 Performance

	Asset return (inc. FX impact)	Currency return (via Russell mandate)	Asset return (ex. FX impact)	BM return	Relative return (ex. FX impact)
Stafford II	-2.7	2.9	0.1	1.3	-1.1
Stafford IV	0.1	2.6	2.8	1.3	1.5
JPM	-4.0	3.8	-0.2	1.3	-1.4
Churchill II	-3.4	5.8	2.4	2.2	0.2
Churchill IV	-3.3	5.8	2.5	2.2	0.3
CBRE	-5.9	3.6	-2.2	1.3	-3.5
Permira IV	3.0	2.0	5.0	2.2	2.7
Permira V	2.5	2.1	4.6	2.2	2.3
LCIV RIF	-0.8	2.6	1.8	1.3	0.5

Performance Since Mandate Inception*

	Asset return (inc. FX impact)	Currency return (via Russell mandate)	Asset return (ex. FX impact)	BM return	Relative return (ex. FX impact)
Stafford II	6.6	0.5	7.1	8.8	-1.6
Stafford IV	14.5	0.0	14.5	11.0	3.1
JPM	8.2	0.4	8.7	8.9	-0.2
Churchill II	6.7	-0.5	6.2	6.0	0.2
Churchill IV	8.0	-0.8	7.2	7.7	-0.5
CBRE	3.1	0.3	3.4	8.9	-5.0
Permira IV	5.7	0.8	6.5	6.2	0.3
Permira V	7.8	0.2	8.1	9.3	-1.1
LCIV RIF	9.2	0.1	9.3	11.0	-1.5

Hedged Currency Exposure**



Sterling Performance vs. Foreign Currencies (Rebased to 100 at 30 June 2024)

Source: Northern Trust and Investment Managers.
**Since inception performance is since individual fund inception or inception of the currency hedging mandate, whichever is more recent. ** As at 30 June 2024 (latest available).*

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Since March 2018, the Fund has made commitments to seven private markets funds as outlined right. The table provides a summary of the commitments and drawdowns to 30 September 2024.

Mandate	Infrastructure			Private Debt		
Vehicle	Stafford Infrastructure Secondaries Fund II	Stafford Infrastructure Secondaries Fund IV	LCIV Renewable Energy Infrastructure Fund	Churchill Middle Market Senior Loan Fund IV	Permira Credit Solutions IV Senior Fund	Permira Credit Solutions V Senior Fund
Commitment Date	25/04/2018	18/12/2020	30/06/2021	29/09/2021	12/2018	07/11/2022
Fund Currency	EUR	EUR	GBP	USD	EUR	EUR
Gross Commitment	€28.5m	€30m	£25m	$26.5m	£36.0m	£43.0m
Gross Commitment (GBP estimate)	£26.3m	£25.0m	-	£19.8m	-	-
Capital Called During Quarter (Payments Less Returned Capital)	-	-	£0.5m	-	-	£0.1m
Capital Drawn To Date	£26.3m	£19.5m	£13.3m	£17.8	£31.2m	£18.3m
Distributions/Returned Capital To Date (Includes Income and Other Gains)	£15.1m	£1.7m	-	£4.9m	£10.1m	£3.6
NAV at Quarter End	£18.4m	£25.7m	£16.0m	£15.0m	£27.6m	£24.6m
Net IRR Since Inception *	7.6% p.a.	12.2% p.a.	7-10% p.a. (Target)	9.1% p.a.**	7.4% p.a.	13.3% p.a.
Net Cash Yield Since Inception*	6.7% p.a.	3.8% p.a.	3-5% p.a. (Target)	-	-	-
Number of Holdings*	22 funds	22 funds	7 investments	141 investments	46 investments	26 investments

**as at 30 June 2024 (latest available) **Refers to IRR of realised assets in the portfolio*

Source: Investment Managers

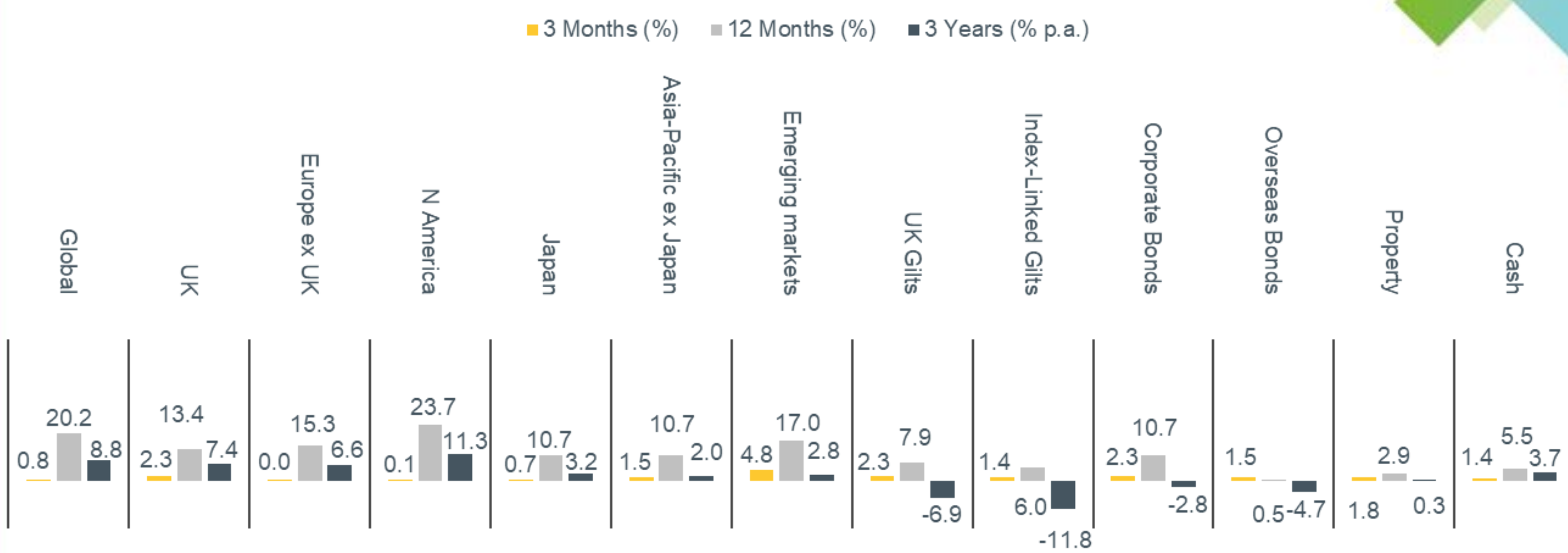
US GDP expanded at a faster-than-expected annualised quarterly pace of 3.0% in Q2, easing concerns of a major economic slowdown. The UK economy grew at a quarterly pace of 0.5% in Q2, while eurozone growth was revised down, to a quarterly pace of 0.2% due to its struggling manufacturing sector and lacklustre demand from China.

US headline CPI inflation slowed to 2.4% year-on-year in September, while it fell below target in the UK and eurozone for the first time in 3 years, to 1.7% and 1.8%, respectively. Core inflation is still higher, at 3.3%, 3.2%, and 2.7% in the US, UK, and eurozone.

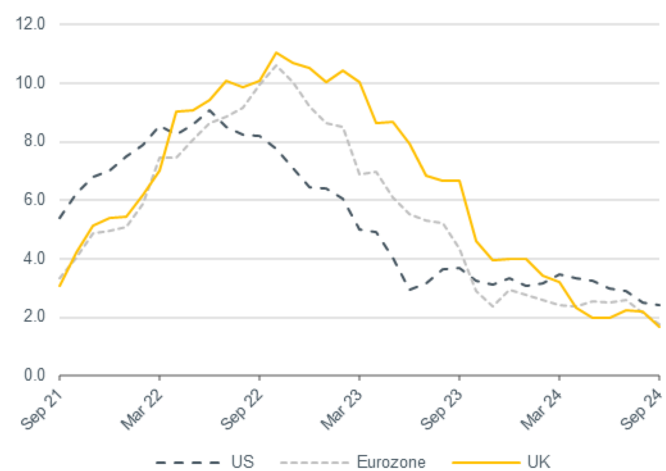
Progress against inflation encouraged major central banks to reduce interest rates in Q3. The ECB cut rates for the second time in Q3, taking rates to 3.5% pa, while the BoE lowered interest rates 0.25% pa, to 5.0% pa. The Fed opted for a bumper 0.5% pa reduction, with their first cut of the cycle taking the Fed funds target range to 4.75 – 5.0% pa. Implied interest rates fell sharply in Q3, with markets expecting more rate cuts by the end of this year.

In contrast, the Bank of Japan (BoJ) surprised markets with a 0.25% pa interest rate rise. This, along with unwinding of the yen carry trades, saw trade-weighted yen rise 8.7%. The equivalent US dollar measure fell 2.7% as interest rate-differentials between the US and other developed markets narrowed. Sterling gained close to 3%, due to a more gradual pace of rate cuts than elsewhere expected at the end of Q3. Oil prices fell 16.8% as a weak demand outlook outweighed rising tensions in the Middle East, while geopolitical tensions and rate cuts saw gold prices rise 13.2%.

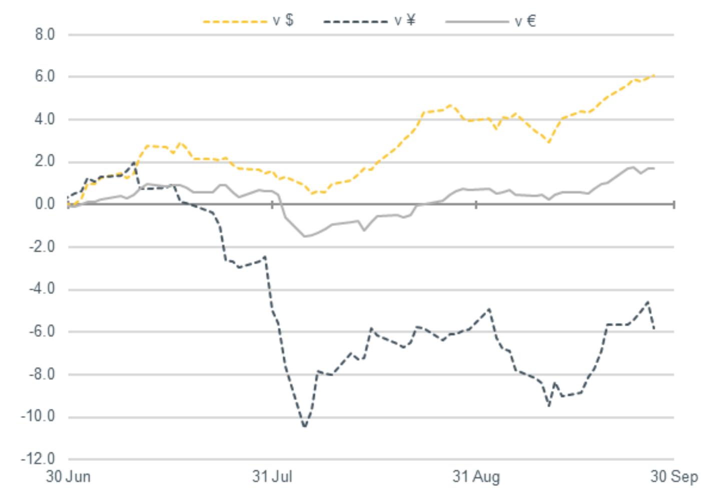
Historic returns for world markets [1]



Annual CPI Inflation (% year on year)



Sterling trend chart (% change)



Source: DataStream. [1] Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, ICE BofA Global Government Index, MSCI UK Monthly Property; UK Interbank 7 Day

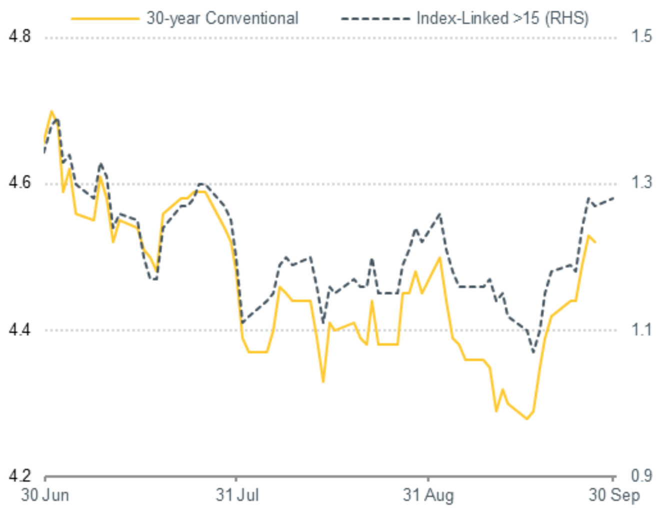
Easing inflation and interest-rate expectations and rate cuts have led sovereign bond yields lower in Q3. US 10-year yields declined by a significant 0.6% pa to 3.8% pa. Equivalent German yields fell by 0.4% pa to 2.1% pa as growth and inflation releases both came in lower than expected. Set against more stubborn wage and core inflation, UK 10-year gilt yields underperformed, declining by a 0.2% pa to 4.1% pa.

Credits spreads spiked higher in early August amid equity market volatility, but ultimately ended the quarter slightly tighter. Global investment grade credit spreads remained at a historically low level of 1.0% pa. Speculative grade credit spreads declined 0.2% pa to 3.3% pa, after rising as much as 0.6% pa above end-June levels in early August.

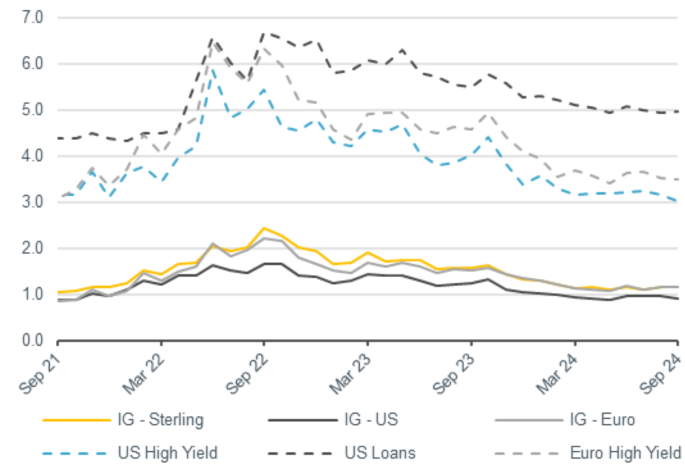
Global equities fell sharply in early August but rebounded, with the FTSE All World Total Return Index rising 5.1% in Q3. Rate cuts, easing inflation, and decent growth fuelled hopes of a soft landing. Q3 saw broader equity market leadership, with 'value' stocks and small caps outperforming as investors anticipated lower borrowing costs. Emerging markets rallied late in the quarter as China announced new policy support. Japan underperformed due to rapid yen appreciation, which impacted its export-heavy market.

The MSCI UK Property Total Return Index rose 1.8% in Q3 as income was supplemented with a modest rise in capital values. On an annual basis, aggregate capital values are down 2.8%, largely owing to a 10.5% decline in office values. However, capital value declines eased in recent months.

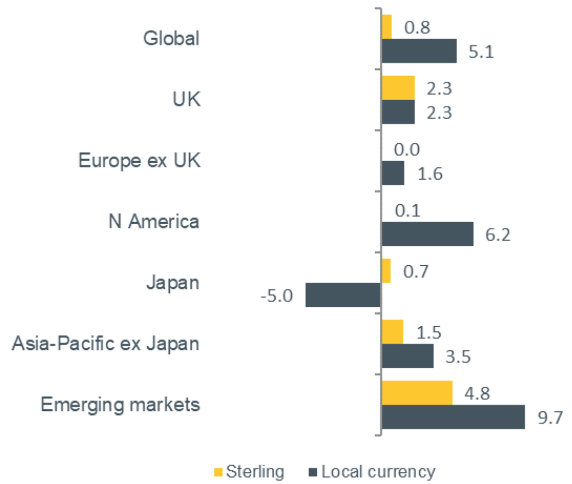
Gilt yields chart (% p.a.)



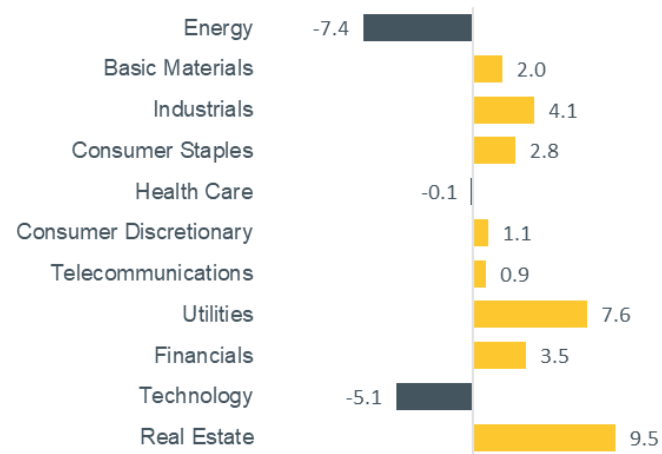
Investment and speculative grade credit spreads (% p.a.)



Regional equity returns [1]



Global equity sector returns (%) [2]



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

Asset Class	Market Summary
Equities	The resilience of the US economy has largely offset the slowing in other regions, which has kept aggregated earnings expectations as they were last quarter - following flat, full-year earnings growth in 2023, analysts' earnings forecasts for global equities for 2024 and 2025 stand at 9.7% and 13.5%, respectively. The equity market rally so far in 2024 has been driven by multiple expansion and price-to-earnings ratios are now significantly elevated relative to long-term averages, weighing on the overall attractiveness of the asset class over the medium-term. However, while valuations, there is wide dispersion across regions, sectors, and factors.
Investment Grade Credit	Attractive yields and ongoing demand from institutional investors continue to draw strong demand for fixed income credit. However, while the dramatic rise in yields over the past few years might have enhanced the strategic role of investment-grade corporate credit, very tight spreads would still see us adopt an underweight position relative to strategic benchmark
Emerging Market Debt	High real policy rates leave room for interest rate cuts, which is supportive for local currency duration and, all else being equal, the beginning of US interest rate cutting cycle improves the outlook for EM FX. However, the potential for protectionist, dollar-positive, policy outcomes in the US election is potential headwind. Emerging market local currency sovereign bond yields have fallen, alongside their developed market counterparts, and now sit within our neutral band.
Liquid Sub-Investment Grade Debt	Debt affordability metrics are likely to come under further pressure, but both leverage and interest coverage are starting from relatively healthy levels. Put another way, high yield debt affordability metrics are weakening, slowly, but from a relatively strong position. However, very tight spreads already more than reflect the reasonable fundamental backdrop.
Private Lending	Affordability metrics in the floating-rate loan markets are much weaker, and defaults higher. As a result, spreads in the loan market, around long-term median levels, are less tight than those on similarly-rated high yield bonds. Having said that, loan market fundamentals, having instantly absorbed rate rises, will now be seeing some relief from interest rate cuts. Or, in contrast to high yield bond markets, loan affordability metrics will be improving, more quickly, from a relatively weak position
Core UK Property	We have seen continued improvement in several of the fundamental indicators we track for UK commercial property, as evidenced by the latest Royal Institute of Chartered Surveyors survey. Real rental growth remains positive amid strong nominal rental growth and falling inflation. However, vacancies have continued to rise in the office sector and, given shifts in working patterns and office space requirements, the rise in vacancies in the sector in recent years looks somewhat structural. The technical environment remains challenging, however, characterised by selling pressure on open-ended property funds, low transaction volumes and potentially large discounts to net asset value upon disposal.
Conventional Gilts	While quarterly growth is likely to slow from H1 2024's above-trend pace, we see trend-like average year-on-year growth over the forecast horizon, consistent with a neutral fundamental outlook. Nominal gilt yields have fallen over the quarter and, while there remains decent value in long-term yields, likely near-term interest rate cuts look priced in. Gilt demand has improved, and bid-offer spreads have normalised, but heavy issuance is likely to prevent long-term yields from falling too far, and the autumn budget poses further upside risks to gilt supply.
Index-Linked Gilts	Index-linked gilt yields also fell but are still broadly in-line with our neutral assessment. Given a larger fall in nominal than real yields, implied inflation has cheapened but still looks slightly expensive.

The table summarises our broad views on the outlook for markets.

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Source: Hymans Robertson

Disclaimer

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

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

This report may contain fund and fund manager specific research ratings and comments based on the views of our investment research team. Please speak to your investment adviser before taking any investment decisions or actions. They will advise whether formal investment advice is necessary, including a risk assessment and investment suitability information where appropriate.

Geometric vs. Arithmetic Performance

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

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

Some industry practitioners use the simpler arithmetic method as follows:

$$Fund\ Performance\ - Benchmark\ Performance$$

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

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

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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LONDON BOROUGH

PENSIONS COMMITTEE **10 December 2024**

Subject Heading:	**TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES – Report for year ending 31 March 2024**
CLT Lead:	**Kathy Freeman**
Report Author and contact details:	***Debbie Ford Pension Fund Manager (Finance)*** ***01708432569*** **Debbie.ford@havering.gov.uk**
Policy context:	**Reporting against climate risk disclosures**
Financial summary:	**Estimated cost £3,000 for the report**

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

People – Supporting our residents to stay safe and well	X
Place – A great place to live, work and enjoy	X
Resources – Enabling a resident-focused and resilient Council	X

SUMMARY

Appendix A to this report summarises the Funds current position concerning the 11 climate-related disclosures under the scope of the Taskforce on Climate-related Financial Disclosures (TCFD), for the year ending 31 March 2024.

RECOMMENDATIONS

That the Committee:

Agree the 31 March 2024 TCFD report as attached as **Appendix A.**

REPORT DETAIL

1. The Fund’s Investment consultant (Hymans) have set out in a report (Appendix A) the Fund’s current approach with reporting against the 11 climate-related disclosures under the scope of the TCFD framework for the year ending 31 March 2024.

2. BACKGROUND

a. The TCFD was established in 2015 by the Financial Stability Board at the request of G20, to review how the financial reporting on climate-related issues could be improved. In June 2017, the TCFD published its final recommendations providing a framework against which to report on their climate-related risks and opportunities.

b. TCFD reporting is structured around four themes, **Governance, Strategy, Risk Management** and **Metrics and Targets.** Across these four themes, there are 11 disclosures.

c. The United Kingdom has announced its intention to make TCFD aligned disclosures mandatory by 2025.

d. The Ministry of Housing, Communities and Local Government (MHCLG), formerly Department of Levelling Up, Housing and Communities (DLUHC) issued a consultation *Local Government Pension Scheme (LGPS): Governance and reporting of climate change risks,* which closed in November 2022. This consultation follows the TCFD framework setting out how to report against the four key themes.

e. The consultation proposed that regulations will apply to all LGPS Administering Authorities with the first reporting year covering the financial year 2023/24, with the first report published by December 2024.

f. On the 15 June 2023, the then DLUHC confirmed that implementation of climate reporting obligations would be delayed at least until the following year. No changes to regulation have been forthcoming so the Committee continues to report on a voluntary basis.

g. This is the Fund’s fourth report under the TCFD framework, summarising the current position across the 11 disclosures. Future reports will continue to highlight actions taken over the year to improve the position in line with suggested actions developed as a result of this report and underlying analysis.

h. The 2024 report will be published as a standalone document.

IMPLICATIONS AND RISKS

Financial implications and risks:

The Committee believe that climate change is a systemic risk and seek to manage that risk on behalf of their members. The Committee are supportive of initiatives they believe will in the long-term financial interest of the Fund's members. Early adoption of the TCFD is one such initiative, as greater disclosure will lead to engagement and a more structured approach to managing this risk.

Early planning will also help with speedy compliance of TCFD guidance once published by MHCLG. No timelines have been made available as to when the regulations and guidance will be published.

Climate rated risks are incorporated within the Funding Strategy Statement (FSS) and the 2022 Valuation report. These risks will be similar to the TCFD report, and it includes how risks have been considered when setting the FSS and employer contribution rates.

The cost of producing this report will cost £3,000 and will be met from the Pension Fund.

Legal implications and risks:

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

Human Resources implications and risks:

There are no immediate HR implications.

Equalities implications and risks:

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

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

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

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

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:

Note: 'Protected characterises' 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 determents.

An EHIA (Equality and Health Impact Assessment) is usually carried out and on this occasion this isn't required.

The Council seeks to ensure equality, inclusion, and dignity for all in all situations. There are not equalities and social inclusion implications and risks associated with this decision.

BACKGROUND PAPERS

None

Climate disclosures for the year ended 31 March 2024

The Pensions Committee ("the Committee") of the London Borough of Havering Pension Fund ("the Fund") believe that climate change is a systemic risk and seek to manage that risk with respect to the pension scheme on behalf of their members. The Committee are supportive of initiatives they believe will be in the long-term financial interest of the Fund's members and believe greater disclosure will lead to more engagement and a more structured approach to managing this risk.

The Committee has prepared this report, their fourth such report, setting out their approach to managing climate related risks in line with the Task Force on Climate-Related Financial Disclosures ("TCFD") framework. As with previous reports, the Committee has taken a proportionate approach to reporting, recognising the size and available resources of the Fund. Future reports will continue to highlight actions taken over the year to improve the position in line with the suggested actions developed as a result of this report and underlying analysis. The Committee also recognises that the Ministry of Housing, Communities and Local Government ("MHCLG") (previously DLUHC) has consulted on the adoption of TCFD reporting within the Local Government Pension Scheme ("LGPS") and will comply with the reporting requirements when these are finalised. A response was submitted to this consultation on behalf of the Committee.

Governance

Disclosure A: Describe the Committee's oversight of climate related risks and opportunities.

The Committee has ultimate responsibility for the strategy employed to meet the Fund's objectives. This strategy and objectives are set out in the Fund's current Investment Strategy Statement ("ISS"). Over the year, the ISS was updated to reflect agreed changes in the Fund's strategy over the period.

In the development and implementation of strategy, the Fund is supported by Officers and Advisers who the Committee expect to raise climate related risks and opportunities up for discussion as appropriate.

The Committee has established and published a Statement of Investment Beliefs which reflects the broad views of members on investment, Environment, Social and Governance ("ESG") and climate matters. These beliefs are documented within the ISS and include recognition of the financial materiality of climate risk. There were no changes made to the Investment Beliefs over the year to 31 March 2024. The Committee expects the Fund's Officers and Advisers to reference these beliefs in the management and evolution of the Fund. These beliefs have previously driven the Fund's various strategic changes and will continue to do so over time.

The Committee members are expected to undertake training on all matters relevant to the governance of the Fund. In March 2024, the Committee attended a 'Climate Workshop' relating to the Fund's Climate Policy and Action Plan. The workshop provided a recap on the climate actions progressed by the Fund, as well as discussions and decisions on the actions to be progressed by the Fund over 2024 and beyond. The workshop also had a particular focus on the development of a Net Zero journey plan for the Fund, focussing on four areas of emissions reduction, transition alignment, investment into climate solutions, and engagement).

The Committee, on an annual basis, undertakes a high-level review of the Fund's stewardship activity and considers the actions taken by its managers to address climate risk

The voting and engagement activity of the two investment managers through which the Fund has equity exposure - LGIM and the London CIV ("LCIV") was reviewed. LGIM voted directly on behalf of the Fund whilst LCIV delegated voting to EOS at Federated Hermes for global equity funds, using a custom policy, and delegated voting to underlying investment managers for multi-asset funds. The Committee was satisfied that the vast majority of votes that were eligible to be exercised were voted on, and that, on occasion, investment managers demonstrated preparedness to vote against company management. Additionally, any engagement activity undertaken by LGIM and LCIV was in line with expectations.

It was recommended that where LGIM or LCIV present at future Committee meetings, focus should be given to voting practices and the progress climate ambitions. It was also recommended that a number of case studies and a shortlist of focus companies should be identified in order to facilitate discussion at Committee meetings and provide points to actively challenge the investment managers' activity on. It was also further recommended that the Committee or Officers undertake a more structured engagement on stewardship issues with key investment managers, such as LGIM and LCIV.

As part of the Committee developing the Fund's Climate Policy and Action Plan in 2023, it was recommended that stewardship activity be revisited, and the Committee consider how it could develop its approach to demanding accountability and scrutiny. The Committee strives to continually improve its approach in this area.

Disclosure B: Describe management's role in assessing and managing climate related risks and opportunities.

A number of parties are involved in the management of the Fund and are thus expected to assess climate related risks and opportunities and take steps to address these. In particular:

- Officers are expected to ensure that climate related issues are considered in their discussion with all Fund stakeholders. Over the year to 31 March 2024, Officers have engaged in discussions on climate related risks and opportunities with the Fund's investment managers, LCIV as pooling provider and the Fund's Investment Adviser. Officers report the outcome of such discussions and any actions arising to the Committee for decision, as necessary.
- The LCIV is the Fund's pooling provider with responsibility for the development of appropriate solutions for the management and governance of Fund assets. During previous years, LCIV has sought to develop and introduce several pooled vehicles which directly manage climate related risks for its clients. LCIV has also engaged third-party stewardship provider, EOS at Federated Hermes, to provide input on voting and engagement and a data provider , to provide fund level analytics, including the measurement of climate related metrics.
- The Investment Adviser is expected to raise climate related risks and opportunities in the development and delivery of advice. During the year, the Fund's Investment Adviser considered the potential impacts of proposed investment strategy changes (i.e. the increased allocation to infrastructure and the allocation to investment grade corporate bonds) to the Fund's overall climate metrics. Where possible, the Investment Advisor will consider and note the potential impact of any proposed changes to the Fund's strategy on the Fund's climate-related risks.
- Investment managers employed by the Fund are also expected to competently address climate related issues in their management of Fund issues. The Committee, as a minimum, expect its managers (including the LCIV) to be signatories to the Principles for Responsible Investment and, where appropriate, the FRC UK Stewardship Code. The Committee also question their managers on climate issues as part of regular meetings so as to scrutinise actions being taken.

Strategy

Disclosure A: Describe the climate related risks and opportunities the organisation has identified over the short, medium and long term.

The Committee regards climate risk as an issue that must be considered over all time horizons, given the Fund remains open to new members. The Committee has the belief that "climate change and the expected transition to a low carbon economy represents a long-term financial risk to Fund outcomes and should be considered as part of the Committee's fiduciary duty." and as such, has considered the embedding of climate risk management into the Fund via its Climate Policy and Action Plan.

Over the year, the main action completed by the Fund was the development and implementation of its Climate Policy and Action Plan.

The following actions have been achieved as at March 2024:

- Conducted and established a baseline of climate metrics as at 31 March 2022 and received associated education on this.
- Established a Climate Policy and Action Plan including:
  - The adoption of a long-term ambition for the Fund to achieve 'net zero' emissions by 2050.
  - Targets for individual climate metrics and actions to achieve those targets.
  - Framing on how the Fund wishes to approach Net Zero across the four associated 'pillars' to achieve this.
- Received training on TCFD climate metrics and three TCFD reports published.
- Invested in several funds with a climate focus and an allocation made to renewable energy infrastructure.

The following actions are expected to take place over the course of 2024:

- Update the Fund's climate metrics as at 31 March 2024 position. Following this, write to providers with data gaps.
- Receive analysis on listed equity funds held with LCIV.
- Conduct climate focused engagement with LGIM and LCIV to set out the Committee's expectations.
- Gather information on private market opportunities/climate solutions.

Looking further forward, the following areas been identified as areas of focus for 2025.

- Focus on climate solutions investment as private markets mandates mature over time.
- Improve the data collection across all the Fund's investment mandates.
- Better understand the Fund's climate uncertainty through scenario analysis as part of the actuarial valuation exercise.

Disclosure B: Describe the impact of climate–related risks and opportunities on the organisation's business, strategy and financial planning.

Whilst climate related issues have been reflected in certain investment decisions and the evolution of the Fund's strategy (e.g. the integration of climate-related risk considerations in the Fund's equity allocation), the Committee has not undertaken a stand-alone review of how climate risks and opportunities should be addressed. Rather, in conjunction with Officers and Advisers, the Committee has phased the consideration of climate-issues into its strategy and business planning – as part of its Climate Policy and Action Plan.

This process was accelerated in 2023 with Committee agreeing a complete programme of activity to address climate change.

Over the year, this process continues to be progressed with a programme of activity being set out over 2024 and 2025 (as mentioned above).

The Committee agreed to adjust the Fund's strategy to reduce exposure to multi-asset mandates, specifically the LCIV DGF, and increase exposure to infrastructure and investment grade bonds. This was implemented over the year, via an allocation to investment grade corporate bonds achieved through the LCIV. Prior to implementation, the net effect of this change on the Fund's Weighted Average Carbon Intensity ("WACI") was considered and was expected to reduce.

Disclosure C: Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios including a 2 degree or lower scenario.

Climate scenario analysis was last undertaken as part of the Fund's triennial actuarial valuation as at 31 March 2022 and shared with the Committee in October 2022. The analysis sought to stress-test outcomes from the asset-liability modelling undertaken as part of the actuarial valuation.

Three stressed scenarios were considered, all of which assumed that there would be a period of disruption linked either to the response to climate risk (transition risks) or the effect of it (physical risks). This disruption would lead to high volatility in financial markets, and the later the disruption, the more pronounced it would be.

The stress test results are set out below.

Scenario	Likelihood of being fully funded in 20 years	Average of worst 5% of outcomes in 20 years
Core	67%	43%
Green Revolution	68%	44%
Delayed Transition	64%	41%
Head In The Sand	61%	41%

The results were worse in the Delayed Transition and Head in the Sand scenarios. This was to be expected given the strategies seek to emphasise downside outcomes. Whilst the outcomes were lower under the stressed scenarios, they were not sufficiently material for Committee to make any adjustments to the Fund's high-level funding and investment strategy.

Over the year, no further climate scenario analysis was undertaken. The Fund is expected to update its climate scenario analysis as part of the next triennial actuarial valuation, to be undertaken as at 31 March 2025.

Risk Management

Disclosure A: Describe the organisation's processes for identifying and assessing climate-related risks.

At a simple level, the Committee's risk management process comprises identification, assessment, monitoring and control of risk. Climate risks are identified by the Committee with support from Officers and Advisors as appropriate. Once risks are identified, they are then evaluated and prioritised based on the overall threat posed to the Fund. The Committee prioritise risks based on the size, scope and materiality of the risk event. This includes rating the likelihood and impact of the risk event to produce a score reflecting the threat that the risk event poses to the Fund, then making a decision on the appropriate action (mitigation, control or acceptance) based on this score and available courses of action.

Shortly after the Fund's year-end, the Committee reviewed the Fund's the ESG-related exclusions and restrictions on an underlying investment mandate level. No changes were made to investments by Committee because of this exercise.

Disclosure B: Describe the organisation's process for managing climate-related risks.

Risks and opportunities are considered both in absolute terms and in relation to the risk appetite of the Fund. Risk appetite can be defined in terms of a willingness to take risk or the acceptability of risk. The management of climate related risks take place at several levels within the decision-making processes of the Fund:

- Within strategy management, the Committee will consider market and policy developments with particular regard to climate change and discuss how such factors may influence asset allocation. The Committee has undertaken high level climate scenario analysis as part of the Fund's funding and investment strategy review, as part of its last triennial actuarial valuation as at 31 March 2022.
- Within mandate selection, the Committee will consider how climate related risks may influence the design of a particular strategy, taking advice where appropriate. Previously, the Committee has considered this factor in the implementation of the Fund's equity portfolio strategy. More recently, the Committee considered this factor in the implementation of the Fund's allocation to investment grade corporate bonds.
- Within manager selection and ongoing monitoring, the Committee will consider the actions managers are taking to address climate related risks in the management of a mandate. This includes questioning the managers' approach to climate risk, stewardship, governance and its level of engagement with investee companies as a positive influence for ESG action. During the year, the Committee formally met with four of their investment managers, with discussion on climate related risks forming an element of these meetings. The Committee's process for reviewing managers includes receiving a briefing on manager activity and areas for discussion being highlighted.
- Within stewardship, the Committee includes discussions on governance and voting with the Fund's equity managers on a periodic basis. The Committee reviews stewardship activity, including voting on climate issues, on an annual basis and the effectiveness of its managers in exercising the responsibilities that have been delegated to them. The Fund had investments through two investment managers (LGIM and LCIV) across six mandates with equity exposure. Over the year to 31 March 2024, the Committee reviewed the Fund's equity investment managers' voting and engagement activities over the 12-month period to 30 June 2023.
- Over the period, the majority of votes that were eligible to be exercised were voted on, on behalf of the Committee. Exercise rates for all mandates were at least 95%. Climate change remained the most frequent reason for engagement across all managers. The Fund will undertake this review again in 2024/25.

Disclosure C: Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

Officers and Advisors raise new or updated risks at quarterly Committee meetings or other appropriate points in time, depending on urgency. Following this, where appropriate, training sessions are provided on the respective risks. This includes rating the likelihood and impact of the risk event to produce a reflection of the threat that the risk event poses to the Fund and then making a decision on the appropriate action (mitigation, control or acceptance) based on this and available courses of action.

Metrics and Targets

Disclosure A: Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Committee has assessed the Fund's baseline position as at 31 March 2022 against a range of standard climate metrics, in particular:

- Emissions intensity is measured using Weighted Average Carbon Intensity ("WACI").
- Exposure to potentially stranded assets is measured using % assets with ties to fossil fuels.

- Exposure to climate solutions considers both green revenue exposure and direct exposure to climate solutions.

The Committee expects to determine which of these climate metrics, in consideration with TCFD reporting requirements, to monitor over time in order for the Fund to achieve its key climate targets and objectives, as set out in the Climate Policy and Action Plan.

A summary of the Fund's updated climate metrics position as at 31 March 2024 can be found further below.

On an informal basis when considering individual investment solutions, the Committee considers a range of metrics as part of their initial discussions including WACI, carbon footprints, exposure to materially impacted sectors and stewardship behaviours of managers.

Disclosure B: Disclose Scope 1, Scope 2 and if appropriate Scope 3 greenhouse gas (GHG) emissions and the related risks.

Committee has collated data across its three measurement areas as at 31 March 2024 (or more recent date of assessment if otherwise necessary). These metrics have been averaged across all mandates within the portfolio and are set out below:

<table>
<tr><th>Mandate</th><th>WACI (tCO2/£m)*</th><th>% of Portfolio with Fossil Fuel Ties</th><th>% Exposure to Green Revenues/Climate Solutions</th></tr>
<tr><td>Equity</td><td>107</td><td>6%</td><td>6%</td></tr>
<tr><td>Multi-Asset</td><td>201</td><td>12%</td><td>N/A</td></tr>
<tr><td rowspan="2">Property</td><td>56 (UBS – tCO2/£m)</td><td rowspan="2">0%</td><td rowspan="2">60%</td></tr>
<tr><td>39 (CBRE – tCO2/m^2)</td></tr>
<tr><td>Infrastructure</td><td>225</td><td>22%</td><td>30%</td></tr>
<tr><td>Private Debt</td><td>51</td><td>0%</td><td>N/A</td></tr>
<tr><td>Bonds</td><td>113</td><td>5%</td><td>5%</td></tr>
</table>

Asset class figures based on a weighted average of the underlying mandates for which data was available.

The Committee notes that gaps in the Fund's climate data remained and agreed to engage with their investment managers to improve the quality of underlying data over time.

Disclosure C: Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

The Committee has set objectives and actions for the Fund to achieve as part of its management of climate-related risks and opportunities and these are detailed in the Climate Policy and Action Plan. The broad objective areas set by the Fund include portfolio emissions, climate solutions and opportunities, alignment with Net Zero pathways and engagement. Each of these objective areas have respective key targets the Committee will assess and actions the Committee will take to achieve these key targets and objectives both in the nearer term and over the longer term to 2050.

Havering
LONDON BOROUGH

PENSIONS COMMITTEE 10 December 2024

Subject Heading:	**INVESTMENT STRATEGY UPDATE – EQUITY PORTFOLIO REVIEW**
ELT Lead:	**Kathy Freeman**
Report Author and contact details:	**Debbie Ford** **Pension Fund Manager (Finance)** **01708432569** Debbiie.ford@havering.gov.uk
Policy context:	Regulation 7 of the LGPS (Management and Investment of Funds) Regulations 2016 requires an administrative authority to periodically review the Investment Strategy Statement
Financial summary:	Implementation of the investment strategy will be met from restructuring existing mandates

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

People – Supporting our residents to stay safe and well	[X]
Place – A great place to live, work and enjoy	[X]
Resources – Enabling a resident-focused and resilient Council	[X]

SUMMARY

This report includes the outcome of a review of the Fund's equity portfolio by the Funds Investment Consultant, to assess whether the current allocation remains appropriate and outlines their key recommendations.

RECOMMENDATIONS

That the Committee is asked to agree:

1. To reduce the allocation to the London Collective Investment Vehicle Global Alpha Growth Paris Aligned (LCIV GAGPA) Fund from 15% to 12.5%

2. To increase the allocation to the Legal & General Investment Management (LGIM) Future World Fund from 10% to 12.5%

REPORT DETAIL

1. Background

a) The Committee agreed the current version of the Investment Strategy Statement (ISS) at its meeting on the 12 September 2023. As set out in the ISS, the Fund has a 40% allocation to listed equity. Of this, 20% is invested in mandates within the London Collective Investment Vehicle (“LCIV”) and 20% is invested in mandates managed by Legal and General Investment Management (LGIM) (which are LCIV aligned).

b) Following the Fund’s post-Valuation investment strategy review in 2023, it was agreed to consider the Fund’s equity portfolio in greater detail to assess whether the current allocation remains appropriate. This review was included within the Business Plan to be considered during 2024/25.

c) Hymans, the Fund’s Investment Consultant carried out the review of the equities portfolio in September 2024.

d) The proposed changes as recommended by Hymans will not affect the 40% allocation to listed equities but includes a switch of a 2.5% allocation from the LCIV GAGPA Fund to the LGIM Future World Fund.

e) Based on the position as at 30 June 2024, this change would:

- Slightly reduce the growth bias within the overall equity allocation.

- Reduce exposure to active management within the overall equity allocation from 15% to 12.5%.

- Marginally change the regional and sectoral distribution of assets, for example, exposure to North American equity falls by 0.3% of equity exposure.

- Increase the Weighted Average Carbon Intensity of the equity portfolio (from 111.2 to 111.8), exposure to companies tied to fossil fuel (5.9% to 6.3%) and climate solutions exposure (19% to 19.1%). It also increases the proportion of assets subject to LGIM's climate impact pledge.

- Slightly reduce total investment management costs

f) This change would also provide greater balance across the mandate benchmark allocations, whilst retaining a well-diversified aggregate equity allocation across region/sector/style

f) **Appendix A**, as attached, sets out a summary of the review and details of the key recommendations.

IMPLICATIONS AND RISKS

Financial implications and risks:

The proposed change of increasing the allocation to the LGIM Future World Fund by 2.5% will be funded from the decrease in allocation from the LCIV GAGPA. 2.5% equates to c£25m based on holdings as at 30 September 2024.

The estimated costs of transitioning the LCIV GAGPA assets to the LGIM Future World Fund comprise of:

- Advisory costs: The advisory costs of the review of the equities portfolio will be incurred through the Investment Management consultancy services contract with Hymans. The costs incurred to date is £12.5k plus further costs in the region of £4k.
- Transaction costs – The estimated transaction costs for the disinvestment from the LCIV GAGPA is £20,000 and subsequent investment into the LGIM Future World Fund is £17,500.00. Overall, this is c.0.15% of the assets being traded. However, the Investment management fees for the LGIM Future World Fund is less expensive than the LCIV GAGPA and this will generate savings of c£46k p.a.

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

Legal implications and risks:

None directly arising from this report

Human Resources implications and risks:

None arise directly from this report.

Equalities implications and risks:

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

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

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

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

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:

Note: 'Protected characterises' 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 determents.

An EHIA (Equality and Health Impact Assessment) is usually carried out and on this occasion this isn't required.

The Council seeks to ensure equality, inclusion, and dignity for all in all situations. There are not equalities and social inclusion implications and risks associated with this decision

BACKGROUND PAPERS

None

HYMANS ROBERTSON

Equity Portfolio Review

Addressee and Purpose

This paper is addressed to the Pensions Committee (the "Committee") of the London Borough of Havering Pension Fund ("the Fund"). The purpose of this paper is to summarise the review of the Fund's equity portfolio undertaken in September 2024 and outline our key recommendations.

Introduction

Following the post-valuation investment strategy review in 2023, it was agreed to consider the Fund's equity portfolio in greater detail to test whether the current allocation remains appropriate. As a reminder, the Fund currently has a 40.0% allocation to listed equity. Of this, 20% is invested in mandates within the London Collective Investment Vehicle ("LCIV") and 20% is invested in mandates managed by LGIM (which are LCIV aligned).

We considered three areas as part of our review of equity allocations:

1. Performance of the mandates relative to respective benchmarks and opportunities for change.
2. Exposures relative to benchmark, including style, geography, sector.
3. Climate characteristics of the current strategy.

Asset Allocation as at 30 June 2024

The table below summarises the Fund's equity holdings as at 30 June 2024,

Mandate		Active vs. Passive	Valuation (£m)	Actual Proportion (%)	Benchmark (%)	Relative (%)
LGIM Global Equity	LCIV Aligned	Passive	42.9	4.4%	5.0%	-0.6%
LGIM Emerging Markets	LCIV Aligned	Passive	40.5	4.1%	5.0%	-0.9%
LGIM Future World Fund	LCIV Aligned	Passive	109.1	11.1%	10.0%	1.1%
LCIV GAGPA	LCIV	Active	159.3	16.2%	15.0%	1.2%
LCIV PEPPA	LCIV	Passive	57.5	5.8%	5.0%	0.8%

Source: Individual valuation figures shown are provided by respective Investment Managers. Actual proportion % figures calculated include valuation figures provided by Northern Trust for the Fund's non-equity allocations.

The Fund's largest allocation to an individual equity mandate is to the LCIV Global Alpha Growth Paris Aligned ("LCIV GAPGA") fund, with a total benchmark allocation of 15% of Fund assets. As at 30 June 2024 the actual allocations of the equity mandates were broadly in line with strategic allocations.

Key conclusions of review

The results of this review have been discussed with Officers, the main conclusions arising from this being as follows:

- The overall equity allocation has provided strong absolute returns over short- and long-term horizons. The main detractor from performance has been the LCIV GAPGA fund which has materially underperformed its benchmark, this being in part due to the growth bias of the underlying strategy. The allocation to the Emerging Markets has also underperformed relative to global equities over the three-year period however has outperformed over the shorter-term horizons.

- From a style perspective, the overall allocation is well balanced, with the ‘Growth’ style overweight of the LCIV GAPGA fund tempered by the passive allocation (in particular, the Emerging Markets allocation)

- The overall portfolio exhibits an overweight to Emerging Markets and an underweight to North America relative to a global benchmark. We are comfortable with these positions and in particular note that the unweight to North America reduces to some extent the concentration risk associated with the seven largest ‘mega-cap’ tech stocks which dominate US equity markets, and which have been drivers of recent performance.

- From a sector perspective the allocation is broadly aligned with the global index, with lower exposure to more carbon intensive sectors (such as Energy) resulting from the Fund’s allocation to climate-tilted strategies.

- 75% of the Fund’s overall equity allocation is held in funds with a climate-related objective. These funds have significantly lower carbon emissions than the broad market benchmark and thus contribute to the overall climate objective of the Fund.

Recommendations

The single biggest allocation in the equity portfolio is the LCIV GAPGA fund (15% strategic allocation, representing 37.5% of total equities). Although recent performance of the fund has been challenging, the Global Alpha Growth fund has delivered strong returns over a longer time horizon (pre-2021). We retain conviction in the strategy overall but believe a modest reduction in allocation to the LCIV GAPGA fund to be an appropriate step to balance the overall equity exposures in the portfolio.

We therefore propose reducing the allocation to the LCIV GAPGA from 15% to 12.5%, with the proceeds invested in the LGIM Future World Fund (thereby increasing the allocation from 10% to 12.5%).

Mandate	Active vs. Passive	Current Benchmark (%)	Proposed Benchmark (%)	Proposed Change (%)
LGIM Global Equity	Passive	5.0%	5.0%	-
LGIM Emerging Markets	Passive	5.0%	5.0%	-
LGIM Future World Fund	Passive	10.0%	12.5%	+2.5%
LCIV GAGPA	Active	15.0%	12.5%	-2.5%
LCIV PEPPA	Passive	5.0%	5.0%	-

Based on the position as at 30 June 2024, this change would:

- Slightly reduce the growth bias within the overall equity allocation.
- Reduce exposure to active management within the overall equity allocation from 15% to 12.5%.
- Marginally change the regional and sectoral distribution of assets, for example, exposure to North American equity falls by 0.3% of equity exposure.
- Increase the Weighted Average Carbon Intensity of the equity portfolio (from 111.2 to 111.8), exposure to companies tied to fossil fuel (5.9% to 6.3%) and climate solutions exposure (19% to 19.1%). It also increases the proportion of assets subject to LGIM's climate impact pledge.
- Slightly reduce total investment management costs (by c0.01%, or £100k p.a., at an overall Fund level).

This change would provide greater balance across the mandate benchmark allocations, whilst retaining a well-diversified aggregate equity allocation across region/sector/style. This is illustrated in the Appendix.

We have also considered the availability of other actively managed equity strategies within the LCIV, particularly for the Emerging Market equity allocation although do not currently believe there is a compelling case for change.

Finally, one area for possible exploration and dialogue with LGIM and/or LCIV relates to investment in the climate transition. Strategies that invest in companies that are both critical to the transition to a lower carbon economy, but which have higher emissions, could be considered as a future investment opportunity to ensure that such companies are supported to change. This would be consistent with the Fund's climate goal of ensuring companies in material sectors are aligned to the climate transition.

Next Steps

We look forward to discussing this paper at the Committee meeting on 10 December 2024. If the Committee is supportive of the proposal, we will work with the Officers to implement the proposed change.

Prepared by:-

Simon Jones, Partner

November 2024

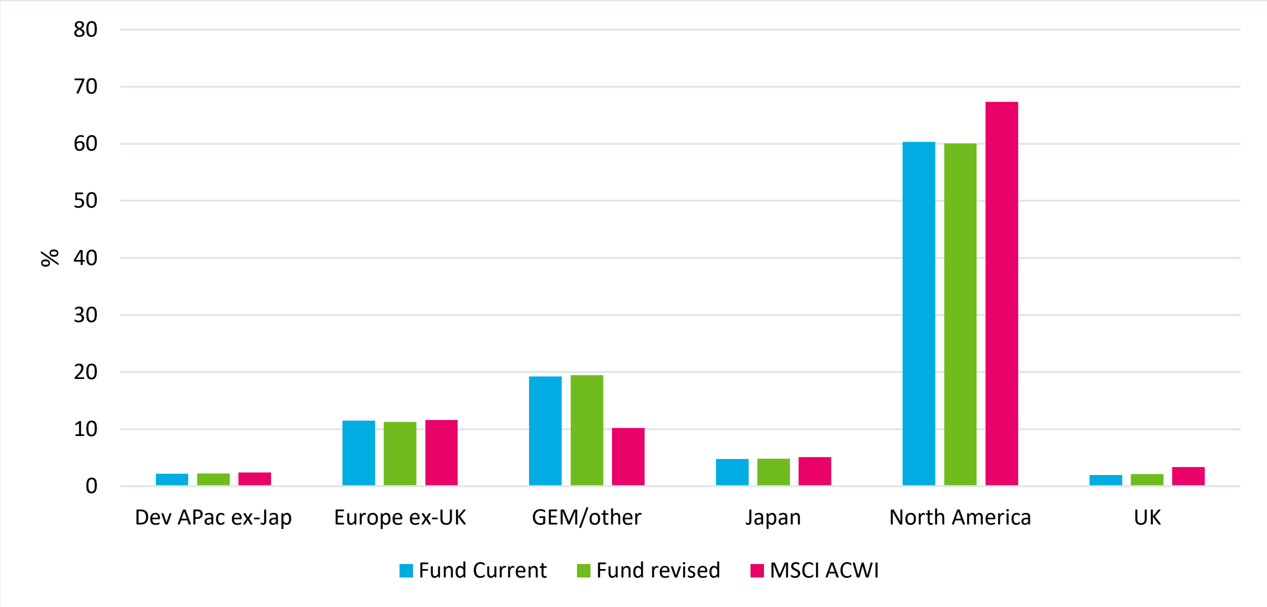
For and on behalf of Hymans Robertson LLP

General Risk Warning

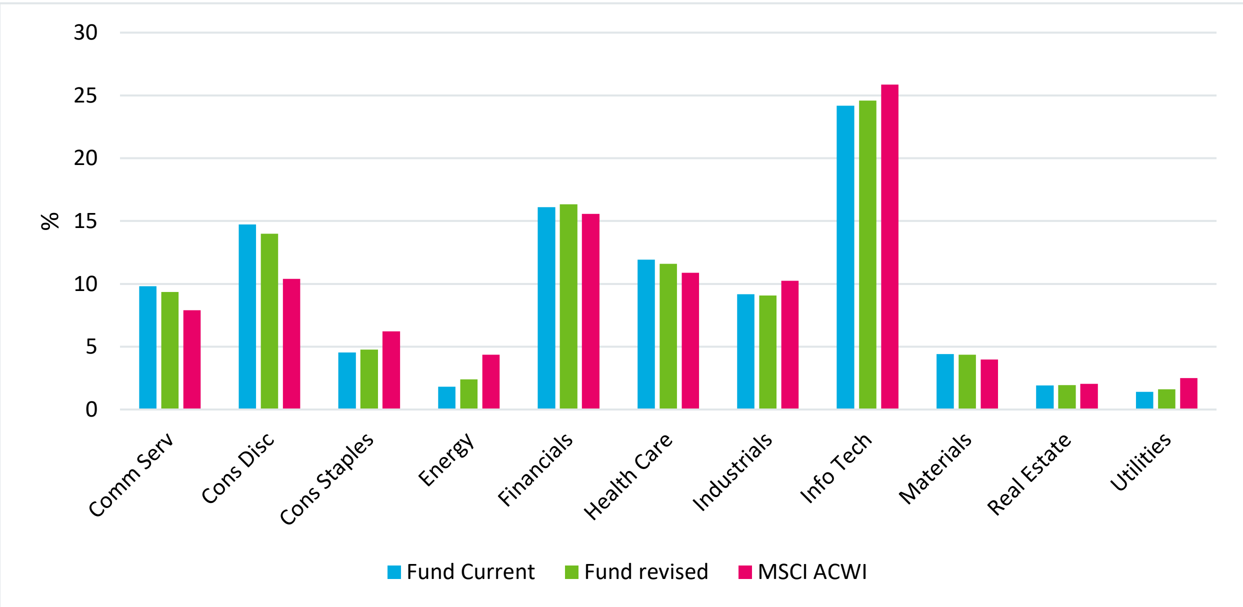
Please note the value of investments, and income from them, may fall as well as rise. You should not make any assumptions about the future performance of your investments based on information contained in this document. This includes equities, government or corporate bonds, currency, derivatives, property and other alternative investments, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the full amount originally invested. Past performance is not necessarily a guide to future performance. As technical actuarial work is not central to any advice contained in this paper, we are not required to ensure that it is TAS100 compliant.

Appendix: Comparators

Regional distribution of current/proposed strategies relative to global equity

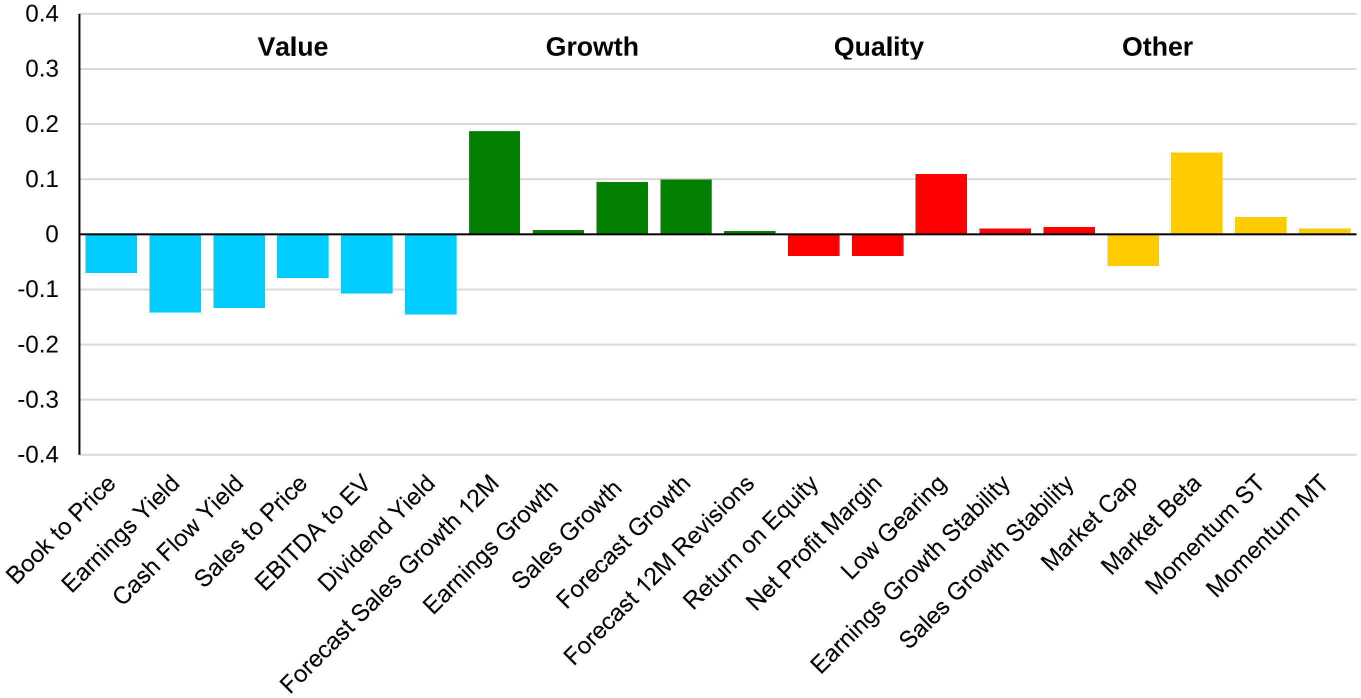


Sector distribution of current/proposed strategies relative to global equity

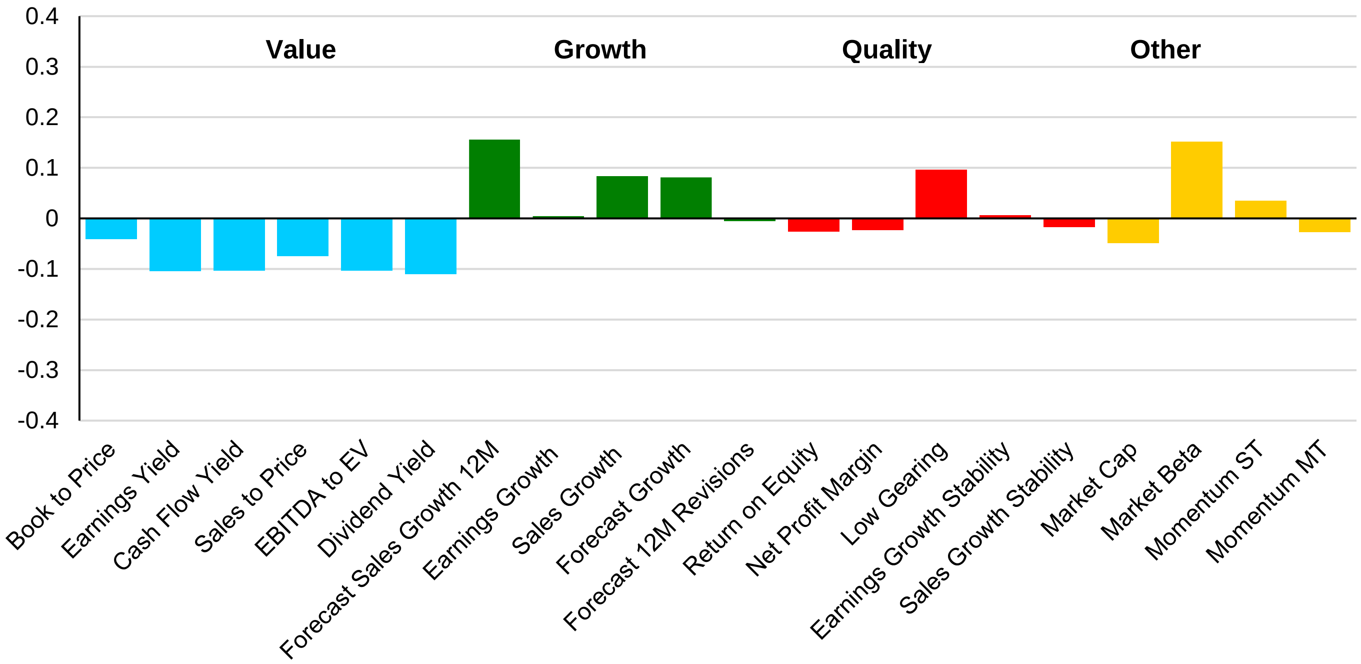


Source: Investment managers, Style Analytics

Style exposure of current strategy



Style exposure of proposed strategy



Source: Investment managers, Style Analytics

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PENSIONS COMMITTEE 10 December 2024

Subject Heading:	**SERVICE REVIEW OF THE PENSION FUND CUSTODIAL & PERFORMANCE MONITORING SERVICE - 1 October 2023 to 30 September 2024**
ELT Lead:	**Kathy Freeman**
Report Author and contact details:	***Debbie Ford*** ***Pension Fund Manager (Finance)*** ***01708432569*** ***Debbie.ford@havering.gov.uk***
Policy context:	Services are reviewed to ensure that the Pension Fund is receiving best value for money and is benefiting from all the services the custodian has to offer
Financial summary:	Costs for the custodial services for the period are met by the Pension Fund

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

People – Supporting our residents to stay safe and well	X
Place – A great place to live, work and enjoy	X
Resources – Enabling a resident-focused and resilient Council	X

SUMMARY

This report reviews the performance of the Custodial and Performance Measurement services provided by Northern Trust, for the period 1 October 2023 to 30 September 2024.

Authorisation is also being sought to procure a new Custodial Services contract for the Pension Fund, using the National Local Government Pension Scheme (LGPS) Frameworks.

RECOMMENDATIONS

It is recommended that the Committee:

a) Note the views of officers on the performance of the Custodian and Performance Measurement Service (Table 1 and Section 2 refers).

b) Agree to the commencement of tendering for a new Custodial Services contract using the new 'National Framework for Global Custody Services' for a period of 10 years from October 2026 at the estimated cost of £650k-£700k over the full contract period.

c) to enter into an Access Agreement to join the new National Framework for Global Custody Services Framework once refreshed, at the estimated cost of £8,000.00.

REPORT DETAIL

1. Background

1.1 The Custodian and Performance Measurement services currently provided by Northern Trust, operate a wide range of functions. This falls into the following main categories:

(a) Investment Accounting and Reporting

The Custodian produces accounting reports that are used for producing the Pension Fund Statement of Accounts and enable the Fund to comply with the International Financial Reporting Standards (IFRS), Statements of Recommended Practice (SORP) and Chartered Institute of Public Finance & Accounting (CIPFA) accounting guidance. These reports are accessed and downloaded from their client portal "passport".

They keep a record of the book costs (valuations) and the holdings in the various asset classes for each of the investment managers' portfolio as well as at the total Fund level.

The Fund also subscribes to Northern Trust's additional specialist accounting reporting service which provides:

- a comprehensive suite of financial accounting reports to help facilitate compliance with SORP and assists the Fund in compiling its Statement of Accounts and,
- includes completion of the relevant investment sections of the UK Office of National Statistic Returns (ONS), which is a statutory requirement.

(b) Safe Keeping and Custody of assets

This refers to the maintenance of accurate records and certificates of the ownership of stock and ensuring that dividend income and other distributions are received appropriately.

(c) Performance measurement

This is a key part of the investment management process and forms an essential component of the reporting requirements of the Fund. Performance measurement enables the Pensions Committee, Investment Consultants and officers to understand whether the investment objectives of the Fund are being met and if the fund managers are achieving their targeted performance.

Northern Trust produce monthly and quarterly reports which include performance returns versus benchmarks for each manager and for the whole Fund over a number of time periods, extending from one month to inception. These reports enable the Fund to comply with CIPFA guidance “Preparing the Annual Report”, which must include investment performance set out for each asset class and fund manager against the benchmarks set for one year, three years and five years.

2. REVIEW OF THE CUSTODIAN’S and PERFORMANCE MEASUREMENT SERVICES

2.1 Services are reviewed annually to ensure that the Fund is receiving best value for money and is benefiting from all the services the custodian has to offer. Monitoring the contract also meets post contract award procedures and ensures services are being delivered in accordance to the contract.

2.2 This period of review covers the custodial and performance measuring services delivered by Northern Trust for the period **1 October 2023 to 30 September 2024.**

2.3 Officers have assessed the service against a set of criteria and adopted the RAG rating method to define Red (Unfavourable). Amber (Neutral - may require further monitoring) Green (Favourable output). Officers have shared the outcome of the service review with Northern Trust, which has been set out in the following table:

Table 1 – Assessment Review

CRITERIA	ASSESSMENT	Rating

CRITERIA	ASSESSMENT	Rating
Safe Keeping and Custody of Assets		
It is important that the Pensions Committee and officers have confidence that all assets are secure and properly accounted for.	Officers review the custodians audited System and Organisation Control (SOC1) report produced annually. This covers internal controls applicable to processing service transactions. No concerns were raised in their latest report covering the 12 months to 30 Sept 2023. The Sept 24 report will not be available until approximately 6 months after the period end date.	**GREEN:** Officers have confidence that the assets are accounted for correctly.
Transfer of funds to/from fund managers	Capital calls are promptly processed to avoid breach of contract.	**Green:** There have been no late payments to fund managers.
Investment Accounting and Reporting		
It is important that accurate accounting records are maintained and appropriate reconciliations can be made against the Fund's investment managers records.	Officers run detailed reports from the custodian's website using their "passport" tool. These reports are reconciled to individual fund manager reports and any differences investigated. This provides assurances that accurate records are maintained. Officers also use the additional reporting functionality that contributes to reconciling the accounts.	**GREEN**: Officers are satisfied that accurate accounting records are maintained with no audit issues identified to date.
Prompt and responsive service	Reponses to queries are dealt with promptly.	GREEN: Officers are very satisfied and appreciative of the responsive service
Good communication and support	Officers communicate frequently with the custodian covering general day-to-day operations and to obtain assistance in ensuring investment instructions templates are posted correctly.	GREEN: Communications and support continue to be very satisfactory.
Provision of data for the Office of National Statistics (ONS) Returns	The Fund uses the custodians ONS service and they complete the investment sections within the return and	GREEN: Officers are very satisfied with this service

CRITERIA	ASSESSMENT	Rating
	answer/resolve any queries raised by ONS. These have been delivered within the required timescales.	
Performance Measurement		
It is important that the Pensions Committee and officers understand whether the investment objectives of the Fund are being met and if the fund managers are achieving their targets.	Northern Trust performance measurement service produce monthly and quarterly reports setting out performance returns versus benchmarks for each manager and the whole fund over a number of time periods, 1 month, 3 months, 1 year, 3 years, 5 years and inception. Performance reports are available via the custodian's website using the "RADAR" tool.	**GREEN** Performance reports are received within specified timescales and officers are very satisfied with this service.

3. Conclusion

3.1.1 Officers are satisfied with the provision of safekeeping and custody functions.

3.2 Officers are satisfied with the overall investment accounting and reporting functions.

3.3 Officers are satisfied with the performance monitoring service.

4. NATIONAL LGPS FRAMEWORK FOR GLOBAL CUSTODY SERVICES

4.1 The National LGPS Frameworks have been created in line with the Government's wish for LGPS Funds to seek ways of extending joint working and collaboration. This will help realise potential efficiencies and give a clearer voice to LGPS Funds within the marketplace, along with helping to share information, knowledge, experience and best practice.

4.2 National LGPS Frameworks reduce the time and cost associated with a full procurement, which in turn allows for more flexibility with the planning and running of any tender process via Further Competition

4.3 Each of the Service Providers on the National LGPS Frameworks have been subject to a rigorous procurement process, ensuring they offer the scope and quality services you require. The pre-agreed terms and conditions offer you contractual safeguards

4.4 The providers on the current framework are:

- Bank of New York Mellon
- Caceis Investor Services
- HSBC Bank plc
- Northern Trust
- State Street

4.5 The current Global Custody Framework is available for further competition until February 2025. Contracts awarded under the Framework may be let up for a maximum contract length of ten years and up to February 2035 at the latest. It is expected that a new framework will be available after the current framework expires in February 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. Based on historical fees this is expected to be in the region of £650k - £700k.

4.6 The framework for Global Custody Services includes:

- Safekeeping of assets in a range of global markets
- Trade settlement
- Tax reclaims
- Corporate actions instruction and collection
- Proxy voting facilitation
- Foreign exchange services
- Cash management
- Investment accounting
- Online reporting
- Performance measurement
- Compliance monitoring
- Passive currency hedging
- Other asset administration services which may arise from time to time

4.7 Northern Trust were appointed to provide Custodial and Performance Measurement Services in October 2019. The current contract expires runs for three years and expires on the **30 September 2026**.

4.8 Authorisation is sought to commence procurement of Global Custody Services and for the Pension Fund to use National Local Government Pension Scheme (LGPS) Frameworks.

4.9 Early authorisation is being sought to commence procurement to aid resource planning as there are two other contracts due for renewal in 2026, this being the Investment Consultancy Services and Actuarial Services, which were both agreed by Pensions Committee at the 5 November 2024 meeting.

4.10 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.

4.11 The cost to access the Global Custody Framework costs £8,000 for the current version of the Framework. Costs are yet available for the new Framework expected to be released after the current version expires in February 2025.

IMPLICATIONS AND RISKS

Financial implications and risks:

As the Fund's asset pool provider London CIV use Northern Trust as their appointed custodian the Fund benefits from a reduced pricing structure offered for those funds that have assets invested on the London CIV platform.

Northern Trust introduced a new pricing structure applicable from the 1 April 2023, offering a more beneficial pricing structure for the provision of custodial services.

See fee table below for fee breakdown:

Table 2 – Fees since inception

Fee Breakdown	**Oct 19 to Sept 20**	**Oct 20 to Sept 21**	**Oct 21 to Sept 22**	**Oct 22 to Sept 23**	**Oct 23 to Sept 24**	**Total**
	Actual £	**Actual £**	**Actual £**	**Actual £**	**Actual £**	**Actual £**
Custody Fee	29,085	28,127	31,144	25,952	19,211	133,519
Accounting Services	0	5,000*	10,013	10,000	11,507	36,519
Performance Measurement Fees	23,110	23,849	26,947	33,917	43,532	151,355
Total	**52,195**	**56,976**	**68,104**	**69,869**	**74,250**	**321,394**

* part year only – this service commenced 1 April 2021

Custody – fees cover transaction charges, administration costs, foreign exchange charges and data for use in ONS submissions.

Accounting Services – production of reports used for producing the Pension Fund Statement of Accounts. This additional service was procured from 1 April 2021

Performance Measurement - fees are applied against each manager's performance data and the index against which it is measured.

Based on historical fees, a new ten-year contract is expected to be in the region of £650k to £700k. Costs may vary as charges applied are based on the number of funds being managed, which may increase or decrease over time, and the index fees charged by external third parties for performance monitoring.

All custodian and performance measurement fees are met from the Pension Fund and within the budget of £80k set for the each of the 3 years for 2024/25, 2025/26 and 2026/27.

There is a risk that the Fund's value could be misstated if poor or incorrect data was provided by the custodian. This is mitigated by frequent reconciliations by the custodian to fund manager records and officer reconciliations. Accounting and reporting information is critical for year-end processes and these need to be produced in a timely manner to ensure accounts can be closed within statutory timeframes.

Officers also carry out reviews of Northern Trust Internal Control reports issued by their external auditor. These reports detail tests undertaken by the auditors, testing their internal control environments and key procedures. No material internal control issues were reported.

Legal implications and risks:

There are no apparent legal implications or risks arising from this report.

Human Resources implications and risks:

The recommendations made in this report do not 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.

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:

Note: ‘Protected characterises’ 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 determents.

An EHIA (Equality and Health Impact Assessment) is usually carried out and on this occasion this isn’t required.

The Council seeks to ensure equality, inclusion, and dignity for all in all situations. There are not equalities and social inclusion implications and risks associated with this decision

BACKGROUND PAPERS

None

Havering
LONDON BOROUGH

PENSIONS COMMITTEE

Subject Heading:	The Havering Pension Fund Pensions Administration Strategy and Charging Policy
ELT Lead:	Kathy Freeman Strategic Director of Resources
Report Author and contact details:	Caroline Guyon 01708 432185 caroline.guyon@havering.gov.uk
Policy context:	Local Government Pension Scheme Regulations 2013.
Financial summary:	The Pensions Administration Strategy and Charging Policy ensure there is no adverse financial impact on the Fund regarding the scheme employers and their obligations and aids an efficient administration service.

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

People	Supporting our residents to stay safe and well	[x]
Place	A great place to live, work and enjoy	[x]
Resources	Enabling a resident-focused and resilient Council	[x]

SUMMARY

The Pensions Administration Strategy (PAS) is made under Regulation 59 of the Local Government Pension Scheme Regulations 2013 which allows an administering authority to prepare a PAS for the purpose of improving administrative processes to enable provision of a cost-effective, high quality pension administration service.

The Havering Pension Fund (the Fund) introduced a PAS in 2021 following a recommendation from the Pensions Regulator. The PAS is reviewed every three years. The amendments made this review follow the introduction of mandatory monthly reporting requirements which should ease the administrative burden on employers and their payrolls by negating the need to submit individual member forms.

The charging policy was originally introduced in November 2014 to formally set out the Fund's policy relating to the actuarial and legal charges for specific areas of work along with more general costs such as strain costs or charges relating to poor performance and late payment of scheme contributions or member benefits.

The charging policy is reviewed every three years. This year the policy has been updated to provide more specific detail of the charges that can be applied if an employer does not meet their obligations under the PAS.

RECOMMENDATIONS

It is recommended that Committee:

- approve the Pensions Administration Strategy for a further 3 year period, or earlier if required to reflect changes in regulation
- approve the Charging Policy for a further 3 year period

REPORT DETAIL

The Pensions Administration Strategy (PAS)

1. The LGPS Regulations 2013 (Regulation 59) enables an administering authority to prepare a Pensions Administration Strategy (PAS).

2. The Fund introduced a PAS in 2021 to provide clear guidelines on the responsibilities of being a part of the LGPS for scheme employers and the

administering authority. An effective PAS will aid in the provision of a good quality pension administration service, ensure clean and accurate data and an improved member experience.

3. The PAS includes a clear set of performance standards that the administering authority and scheme employers should meet and an escalation process for any unsatisfactory performance.

4. The main amendments to the PAS are to accommodate the change from submitting individual member forms to a full monthly return via the LPPA secure online portal. We are also changing the effective date of the policy to 1 April 2025, rather than 1 December 2024, to ensure consistency throughout a full scheme year and to allow sufficient time to communicate the updates with scheme employers.

5. The draft PAS has been reviewed by the Local Pensions Board and the comments received have been incorporated.

6. The draft PAS was sent to all scheme employers on 14 October 2024 for consultation with feedback requested by 8 November 2024. One employer commented that non-compliance may be as a result of their payroll provider not submitting information on time. The responsibility of ensuring the Fund receive the information required to administer the scheme sits with the scheme employer, and not their chosen payroll provider so no update to the PAS has been made following the feedback. We have however, initiated a support programme for all employers to demonstrate how they can access the LPPA portal to provide an overview of the performance of their payroll team. The Administering Authority did not consider that there were any other persons appropriate to consult.

7. The PAS will next be reviewed in 2027 or earlier if required to reflect changes in regulations, governance or working practices.

The Charging Policy

8. The Fund introduced a charging policy in 2014 to provide guidance on the charges associated with being an employer in the LGPS and provide clarity on who is responsible for meeting those costs.

9. The policy has been updated to provide more specific detail of the charges that can be applied if an employer does not meet their obligations and reporting requirements under the PAS.

10. Setting out a charging policy is an effective tool to minimise the risk to the Fund of increased costs associated with supporting a growing number of scheme employers and encourages good practice in the flow of data to ensure an efficient fund administration service.

11. The draft charging policy has been reviewed by the Local Pensions Board and the comments received have been incorporated.

12. The draft charging policy was sent to all scheme employers on 14 October 2024 for consultation with feedback requested by 8 November 2024. The only feedback received is detailed in point 6 of the report. The Administering Authority did not consider that there were any other persons appropriate to consult.

13. The charging policy will next be reviewed in 2027 or earlier if required to reflect changes in regulations, governance or working practices.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no direct financial implications arising directly from this report.

However, the establishment and review of a charging policy ensures the costs of scheme administration are charged as fairly as possible amongst employers. Underperforming employers can be held to account via the PAS and charging policy which should help to ensure good quality timely data is used in the scheme valuation.

Legal implications and risks:

Regulation 59 of the Local Government Pensions Schemes Regulations 2013 requires the administering authority to consult scheme employers and any other persons it considers appropriate before making revisions to the Pensions Administration Strategy.

With any statutory consultation the consultees must be given sufficient time and information to respond meaningfully and the decision maker must then carefully take any comments they make into consideration before making a final decision. The Report sets out the consultation that has been undertaken which appears to comply with these legal requirements and therefore there is minimal risk in approving the recommendations.

Human Resources implications and risks:

There are 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.

An EHIA (Equality and Health Impact Assessment) is usually carried out and on this occasion this isn't required.

The Council seeks to ensure equality, inclusion, and dignity for all in all situations. There are not equalities and social inclusion implications and risks associated with this decision

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Havering
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HAVERING PENSION FUND

CHARGING POLICY

Effective from 1 April 2025

Contents

1. Introduction

This is the Charging Policy 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 type of work that will incur charges associated with being a scheme employer within in the LGPS and provides clarity on who is responsible for meeting those costs.

The general administration costs of the Fund are borne across all employers through the employer contribution rate. Administration costs for bespoke work directly related to and requested by a scheme employer are recharged to the employer.

The introduction of the Pensions Administration Strategy gives clear guidance regarding the use of the Charging Policy where unsatisfactory employer performance is impacting the effectiveness and quality of the pensions administration service.

The policy applies to all past, current and future Employers participating in the Fund.

Policy Review, Ownership and Authorisation

The Charging Policy is effective from 01 October 2021, reviewed and approved in 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. Employers will be consulted in the event of any changes.

The policy lead is the Pension Projects and Contracts Manager. The document has been developed in consultation with scheme employers and 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@havering.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

Each employer in the Havering Pension Fund is responsible for the pension costs incurred in relation to its current and former employees.

Some of those costs are covered by the Local Government Pension Scheme Regulations (LGPS) 2013 (Regulations 67-71).

The administering authority may also charge for additional administration work and legal and actuarial fees incurred in support of scheme employers.

This policy covers costs outside of the standard employer contribution rate costs, for services provided to support Scheme Employers in delivering their legislative responsibilities.

Havering Pension Fund reserve the right to make charges to employers in circumstances not covered by this policy.

In accordance with the Public Sector Pensions Act 2015, the LGPS is regulated by the Pensions Regulator. The administering authority and its employers are required to comply with regulatory guidance or Code of Practice issued by the Pensions Regulator.

3. Key Objectives

The key objectives of the Charging Policy are:

- To provide guidance on the scenarios for charging or re-charging costs to scheme employers to avoid cross subsidy by all other employers in the Fund.
- To provide guidance on the type of work that will incur charges
- To provide guidance on the costs, how they are calculated and how they can be paid

4. Costs chargeable to Scheme Employers

Standard Costs

Most costs to the Fund will continue to be charged by the Actuary proportioning them to all employers, based on size, as part of the Triennial Actuarial Valuation exercise. These are then picked up by employers through their employer contributions. We already consider these costs to be spread across employers in a fair manner and therefore this method will remain unchanged.

Examples of costs included in this category:

- Governance costs
- Benefits administration
- Payroll processing for pensioners
- Actuarial fees associated with completing the triennial valuation
- Investment management costs
- Audit Fees
- Most other administrative work and officer's time

Employer Specific Costs

Some costs are incurred as a result of the decision and actions of a particular employer. It is fair that these should be paid by the employer who generates them, rather than being shared across all scheme employers.

A quotation of the fees and charges will be provided on request, and scheme employers must contact the Pensions Projects and Contracts Manager at the earliest opportunity before taking any action that would give rise to the situations that incur a charge.

Examples of the costs included in this category:

- Becoming a new LGPS scheme employer
- The outsourcing of a service or function
- Ceasing to be a scheme employer
- Accounting reports
- Unsatisfactory performance charges
- Interest on late payment of contributions
- Interest on late payment of member benefits
- Pension Fund Strain Costs

Actuarial costs are commercially sensitive so cannot be published but are available on request or will be provided as part of any quote supplied.

Legal fees are charged on an hourly basis and processed annually as at 31 March. Due to the annual charging mechanism some employers will receive a charge later than expected. The costs are specific to the lawyer assigned to the case so cannot be notified in advance.

Costs will be recharged by invoice and any non-payment of invoices will be pursued through the Council's debt management procedure.

Costs associated with outsourcing a service or function

A scheme employer must notify the administering authority of any services that are being outsourced and will involve a Tupe transfer of staff to another organisation, immediately at the point the decision is made to outsource.

Pensions information must be included in Invitation to Tender documents. Costs incurred are chargeable to the letting authority

Typical charges that will be incurred when a letting authority looks to procure a new supplier are detailed below:

<u>Actuarial Fees</u>

- Pensions Information Memorandum: when a service is outsourced, the actuary will provide a Pensions Information Memorandum that must be supplied to potential bidders as part of the Invitation to Tender document pack. This gives all required information about the costs associate with being a scheme employer for the staff in scope of a potential Tupe transfer.
- Actuarial queries: any queries that require an actuarial opinion

<u>Legal Fees</u>

- Legal queries: any queries that require a legal opinion

Costs associated with a new employer joining the Fund

Costs are incurred for new employers joining the scheme following an outsourcing of a service or function or a change in status of a current scheme employer, e.g. a school converting to an academy.

Costs will be notified at the start of the process but may increase with the complexity of the query or report, or due to delays in providing data, incomplete/inaccurate data, and any required recalculations rising from amendments

Typical charges that will be incurred when a new scheme employer joins the scheme are detailed below:

<u>Actuarial Fees</u>

- Employer Contribution Rate Calculation: when a new scheme employer is admitted into the Fund, the actuary will calculate the employer contribution rate that is payable.
- Bond Value Report: the pension fund will not admit a new scheme employer without a form of surety and often this is provided by way of a bond or guarantor.
- Initial Asset Allocation (Opening Funding Position): all employers require an opening funding position to be calculated to ensure the actuary are able to track each employer’s individual position throughout their time in the Scheme.
- Actuarial queries: any queries that require an actuarial opinion

<u>Legal Fees</u>

- Drafting and execution of an Admission/Bond Agreement: new employers require an admission and bond (where applicable) agreement. This is completed by the OneSource legal team
- Legal queries: any queries that require a legal opinion

Costs associated with changes to a continuing employer in the Fund

Periodic assessment is required following a material change to a scheme employer, for example a bulk transfer in or out, merger or demerger or an extension to an outsourcing contract.
Typical charges that will be incurred when there is a material change to a scheme employer are detailed below:

Actuarial Fees

- Bond Value Re-assessment: the administering authority will require the bond to be re-assessed at the end of the initial bond guarantee period or as determined by the actuary or admission agreement
- Bulk transfer calculations: fees incurred for calculating the appropriate bulk transfer into or out of the Fund and associated actuarial advice
- Merger/Demerger: all costs associated with a merger/demerger of employers within the Fund
- Actuarial queries: any queries that require actuarial opinion

Legal Fees

- Legal contracts: drafting and execution of any legal contracts in respect of a Merger/Demerger within the Fund
- Legal queries: any queries that require a legal opinion

Costs associated with employers leaving the Fund

When an employer leaves the fund, the administering authority will need to calculate the final funding position and establish whether the employer is in surplus or deficit.

Costs will be notified at the start of the process but may increase with the complexity of the query or report, or due to delays in providing data, incomplete/inaccurate data, and any required recalculations rising from amendments

Typical charges that will be incurred when there is a material change to a scheme employer are detailed below:

Actuarial Fees

- Full cessation valuation report: to establish whether an employer is in surplus or deficit at the point of leaving the Fund
- Indicative cessation reports: to aid decision making by the scheme employer
- Direction Applications: reports or guidance in respect of employers wishing to move to another LGPS Fund
- Actuarial queries: any queries that require actuarial opinion

Legal Fees

- Drafting and execution of any legal contracts in respect of a Merger/Demerger within the Fund
- Legal queries: any queries that require a legal opinion

Accounting Reports

The FRS102/IAS19 reports are accounting reporting standards that enable employers to account for the total value of pension payments accumulated at an accounting year end. The disclosure is an employer's duty and is not a cost for the Fund to bear. Any officer time spent completing data returns to the actuary on behalf of the employer will be charged. The rate is set at the start of the FRS102/IAS19 cycle and will be communicated to employers at that time and is in addition to the fees charged by the actuary.

Pension Strain Costs

Where an employer makes a decision that results in unreduced or additional benefits being paid to a member, a strain cost is recharged in full to the employer who made the decision.

Pension strain costs are based on actuarial factors relating to a number of aspects such as the members age, sex and scheme membership.

An estimate of the strain cost can be obtained from the Local Pensions Partnership Administration via the estimate request form on the Your Fund Portal. Please visit the website www.lppapensions.co.uk for information.

Early retirement

A strain cost may arise where a member retires early, having attained the age of 55, on the grounds of redundancy or business efficiency; or where the employer exercises their discretions to allow unreduced or additional pension benefits to be paid. Employer discretions include:

- Awarding additional pension,
- Waiving actuarial reductions,
- Agreeing to flexible retirement where a member has relevant protections

The above scenarios should all be covered in the Employer Discretion Policy, as required by the 2013 regulations. Care should be taken regarding any Special Severance Payment or Exit Cap Regulations that may become legislation.

Ill-Health Retirements

A pension strain cost may also arise due following an ill-health retirement, regardless of the age of the member.

Each Scheme Employer is allocated an ill-health allowance at the triennial valuation, or at the time they become a new scheme employer. The cost of ill-health retirements for each Scheme Employer are monitored and employers who exceed their allowance will be invoiced for the excess cost.

Information on ill-health insurance is provided to all Scheme Employers but it not mandatory that an employer takes this up. Employers should be aware that the pension strain cost of a tier 1 ill-health retirement can be significant, in some cases in excess of £100,000. Scheme Employers should carefully consider the level of their ill-health allowance, the cost of the insurance (which does reduce their employer rate), and the risk of a tier 1 ill-health occurring.

Unsatisfactory Performance Recharges

Administrative poor performance by an employer

Where the administering authority considers that it has incurred additional costs as a result of unsatisfactory employer performance, regulation 70 of the Local Government Pension Scheme Regulations allows recovery of these costs. The performance standards and escalation procedure are set out in the Havering Pension Fund Pensions Administration Strategy (PAS).

Where the administering authority escalates an employer to stage 3 of the poor performance process, there will be a penalty of £200 plus an hourly rate for any additional work undertaken by the administering authority due to the unsatisfactory performance. The employer will be provided with an hourly rate and an estimated completion time, with the final invoice being sent upon completion of the work.

Interest payments on retirement benefits

The administering authority has a regulatory obligation (Regulation 81 of the LGPS Regs 2013) to pay interest if a members lump sum retirement grant is paid more than 30 days after their retirement date and on their first pension payment if that is delayed by more than 12 months. If the interest payment is due because an employer has not met the performance standard as set out in the PAS for submitting the leaver form or responding to queries, this interest cost will be passed to the employer.

Late payment of contributions

Employer contributions are due to the Fund by the 22nd of the month following the deduction. Regulation 71 of the LGPS Regulations 2013, allow an administering authority to charge interest on late payment of contributions.

The payment of contributions is also covered by the Pensions Regulator's current General Code of Practice that governs occupational pension schemes.

The contributions and monthly report must be received by 22nd of the month following the deductions. The performance standard is covered in the PAS.

Interest payable under Regulations 71 and 81 must be calculated at one per cent above The Bank of England base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests.

Late payment of contributions will also incur a £50 penalty.

Late or incorrect submission of contribution reconciliation report

An employer must submit a contribution reconciliation file to the administering authority for accounting purposes. This report must be received by 22nd of the month following the deductions and must match the payment being made to the fund.

Any late submissions or instances where the report does not reconcile to the payment received by the Fund will incur a £50 penalty.

The performance standard is covered in the PAS.

<u>Late submission of the LPPA monthly return</u>

An employer must submit the monthly return to the LPPA via the secure UPM portal. This enables early identification of all new starter, leavers and changes to members working arrangements and ensures good quality, timely information is used in the calculation of member benefits, Fund valuations and the forthcoming Pensions Dashboards.

Any late submissions will incur a £50 penalty.

The performance standard is covered in the PAS.

<u>Fines by a third party relating to an employer's performance</u>

If the administering authority is fined by a third party mainly for the action or inaction of one or more employers, the administering authority at its absolute discretion will invoice the employers concerned accordingly.

Bespoke Costs

Bespoke work directly related to a scheme employer will be recharged on a case by case basis. Where such work is commissioned by a scheme employer a quotation will be provided in advance of any agreement to carry out the work. Bespoke work may be carried out where staffing resources are available

HAVERING PENSION FUND

PENSIONS ADMINISTRATION STRATEGY

Effective from 1 April 2025

Contents Page

1. Introduction

This is the Pension Administration Strategy (PAS) of the London Borough of Havering Pension Fund in relation to the Local Government Pension Scheme (LGPS).

The Strategy is made under Regulation 59 of the Local Government Pension Scheme Regulations 2013 which allows an administering authority to prepare a Pensions Administration Strategy for the purpose of improving administrative processes to enable provision of a cost-effective, high quality pension administration service.

The PAS provides clarity on the key roles and responsibilities of the administering authority and scheme employers and confirms the expectations and standards that need to be achieved. It will help to ensure all parties provide the best possible service to scheme members and other relevant stakeholders. The actions that may be taken if employers do not meet the requirements are also defined within the strategy.

The PAS applies to all employers in the Havering Pension Fund. The administering authority and scheme employers must have regard to the pension administration strategy when carrying out their functions under the LGPS Regulations

Strategy Review, Ownership and Authorisation

The Pensions Administration Strategy is effective from 01 April 2025.

The administering authority will review this strategy as required to reflect changes in regulations, governance or working practices with a full review every three years. Employers will be consulted in the event of any changes.

The strategy lead is the Pension Projects and Contracts Manager. The document has been developed in consultation with scheme employers and the Local Pensions Board and with approval from the Pensions Committee.

If you have any questions or comments regarding the Pensions Administration Strategy, please contact Caroline Guyon, Pensions Projects and Contracts Manager.
Telephone: 01708 432185 or via email caroline.guyon@havering.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

Local Government Pension Scheme Regulations (LGPS) 2013

The administering authority and scheme employers must have regard to the PAS when carrying out their Scheme functions and Regulation 59 sets out a number of requirements to facilitate best practice and efficient customer service in respect of the following:

- Administration standards
- Performance measures
- Communication with scheme employers

In addition, Regulation 70 of the LGPS Regulations allows an administering authority to recover additional costs arising from scheme employers where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the administering authority is required to give written notice to the Scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

Regulation 71 gives the administering authority the ability to apply interest on late payments by scheme employers.

Havering Pension Fund has a published Charging Policy that covers the fees that may be applied.

In accordance with the Public Sector Pensions Act 2015, the LGPS is regulated by the Pensions Regulator. The administering authority and its employers are also required to comply with regulatory guidance or Code of Practice issued by the Pensions Regulator.

Appendix 1 provides Additional information regarding the relevant regulations and guidance

3. Key Objectives

The key objectives of the PAS are:

- To set out the performance standards expected of the administering authority, its Scheme Employers and payroll providers and to promote good working relationships and improve efficiencies
- To ensure that the Havering Pension Fund operates in accordance with the LGPS Regulations and relevant Pensions Regulator Codes of Practice for governance and administration of the fund
- To promote open communication between the administering authority, its scheme employers and payroll services
- To achieve accurate record keeping to ensure a high quality service to our pension scheme members

4. Roles and Responsibilities

The Administering Authority's Roles and Responsibilities

The key responsibilities for the administering authority (most of which are discharged by the Local Pensions Partnership Administration under the shared service agreement) are to:

- Administer the LGPS in respect of all scheme members in accordance with Regulations
- Communicate and engage with Employers on LGPS matters
- Provide support/training to Employers
- Maintain and review Strategies, Policies and Reports and all other matters relating to the governance of the LGPS

The Scheme Employer's Roles and Responsibilities

The key responsibilities for the Employer are to:

- Ensure that LGPS information is communicated to eligible staff and participating members of the LGPS
- Ensure timely collection, payment and reporting of the correct levels of pension contributions
- Report member information and data as set out in this PAS or on request.

5. Performance Standards

The administering authority and scheme employers have decision-making and administrative duties under the LGPS regulations and other relevant legislation. Employer performance has a significant impact on the overall level and quality of service provided to scheme members.

A key purpose of the PAS is to set performance standards of the administration function. The performance measures which will be monitored are outlined in Appendix 2 (administering authority) and 3 (employer), with the outcomes subject to scrutiny by the Local Pension Board, with a summary published in the Fund's Annual Report & Accounts.

The PAS is linked to the Charging Policy that can be found on the website LGPS Pension Administration | London Borough of Havering This details the penalties that can be charged to an employer for late submissions and persistent or unresolved poor performance.

6. Monitoring Performance

To ensure the key objectives are being met, the performance measures will be monitored by the Pensions Projects and Contracts Manager and subject to scrutiny by the Local Pensions Board. A summary published in the Fund's Annual Report and Accounts.

The preferred route to resolution in regard to shortfalls in the performance standards is to support and work closely with employers via the Pensions Projects and Contracts Manager and the LPPA employer engagement team. This will allow an opportunity to correct the issue.

However, where persistent failure (which is defined as an ongoing failure to positively engage with the administering authority) occurs in relation to meeting the performance standards, the escalation procedure (Appendix 5) and Charging Policy may be invoked.

If unsatisfactory performance impacts the administering authority's ability to perform statutory functions or provide a high quality administration service to LGPS members and measures are not being taken by the employer to address this the administering authority will consider reporting the employer to the Pension Regulator.

7. Feedback from Employers

The Scheme Manager (or their representative) will monitor the performance of the Local Pensions Partnership Administration and the London Borough of Havering in its role as administering authority against the standards in the PAS.

Employers who wish to provide feedback on the performance of LPPA or the administering authority against the standards in the PAS should send their comments to the Pensions Projects and Contracts Manager.

Any feedback received will be responded to and considered for incorporation into the reports provided to the Local Pension Boards.

APPENDIX 1

Regulations

Overriding Legislation

In performing the role of administering the LGPS, the administering authority, scheme employers and the LPPA must comply with all overriding legislation including:

- The Occupational Pension Schemes (Disclosure of Information) Regulations 2015
- The LGPS Scheme (Amendment) (Governance) Regulations 2015
- The Pensions Act 1995, 2004 and 2014
- The Pension Schemes Act 2021
- The Finance Act 2004,2006 and 2014
- Public Service Pensions Act 2015
- Data Protection Act 2018
- HMRC legislation

This list is not exhaustive and other Legislation and Regulations may and will apply in certain circumstances.

In accordance with the Public Sector Pensions Act 2015, the LGPS is regulated by the Pensions Regulator. The administering authority and scheme employers are required to comply with regulatory guidance or Code of Practice issued by the Pensions Regulator.

The Local Government Pension Scheme Regulations

The LGPS Regulations 2013 (Regulation 59 (1)) enables an administering authority to prepare a written statement of the Administering Authority's policies in relation to such matters mentioned in Regulation 59 (2) that it considers appropriate.

The regulation says that this written statement shall be known as the "Pension Administration Strategy"

In addition Regulation 59 (3-7) sets out the requirements for the review and revision of the PAS.

Regulation 70 of the Local Government Pension Scheme Regulations 2013 enables the administering authority to recover additional costs from a Scheme employer when, in the opinion of the administering authority, it has incurred additional costs because of the poor performance of the scheme employer in relation to the PAS.

Regulation 71 gives the administering authority the ability to apply interest on late payments by scheme employers.

The full Regulations can be viewed on:
https://www.lgpsregs.org/schemeregs/lgpsregs2013/timeline.php

Disclaimer

Overriding legislation dictates the minimum standards that pension schemes should meet. The LGPS regulations also identify a number of requirements for the administering authority, the LPPA and scheme employers. The PAS is designed to highlight the key areas for providing high quality administration of the LGPS but does not cover all regulatory requirements. Nothing in the PAS overrides or negates the duties of the administering authority, the Local Pensions Partnership Administration or scheme employers of their obligations under the LGPS or overriding legislation.

Appendix 2

Performance Standards- Administering Authority

This section outlines the responsibilities of the Administering Authority of the Havering Pension Fund and the performance standards they are expected to meet to enable the provision of an efficient, quality pension administration service.

1.1 Administering Authority - Governance		
	Function/Task	**Performance Standard**
1.1.1	Regularly review the pension administration strategy and consult with all scheme employers	To review at least triennially and revise following any material change in policies that relate to the PAS
1.1.2	Review the Funding Strategy Statement following consultation with scheme employers and the Fund's actuary where required	To review following each Fund valuation or following material change in policy or regulation. Publish by 31 March following the valuation date or as required
1.1.3	Review the Communication Policy	Triennial review and publish within 30 days of the policy being agreed by Pension Committee. An annual update of actions taken to be included in the pension fund annual report
1.1.4	Review the Governance and compliance statement	Annual review and publish within 30 days of any revision being agreed by Pension Committee
1.1.5	Formulate and publish policies in relation to all areas where the administering authority may exercise a discretion within the Regulations	Review following a material change in policy or regulation and publish within 30 days of any revision being agreed by Pension Committee
1.1.6	Maintain the Internal Disputes Resolution Procedure Policy and register of IDRP appeals	To review policy following any change in policy or regulation. Register to be updated within 7 days of receiving notification
1.1.7	Notify scheme employer of issues relating to unsatisfactory performance under the PAS	When performance issues are noted
1.1.8	Notify scheme employer of decision to recover additional costs associated with unsatisfactory performance	Within 10 working days of scheme employer failure to improve performance by notified timescale
1.1.9	Ensure continued and open communications channels are maintained between the Local Pensions Board and Pensions Committee	Each meeting to include relevant updates and actions
1.2 Administering Authority – Fund Administration		
	Function/Task	**Performance Standard**
1.2.1	Consult with employers on the outcomes of the triennial valuation	Within 30 days of receiving the draft Rates and Adjustment Certificate from the Fund Actuary
1.2.2	Notify employers of contribution requirements for 3 years effective from April following the actuarial valuation date	Within 30 days following sign off of the final Rates and Adjustment Certificate
1.2.3	Notify new scheme employers of their contribution requirements	Within 7 days of receipt of the Contribution Rate Report from the Fund Actuary
1.2.4	Carry out termination valuations on scheme employers ceasing participation in the Fund	Within 60 days of receipt of notification of termination
1.2.5	Invoice strain cost payments in relation to early payment of benefits following flexible, redundancy, efficiency, employer consent or ill health retirements	Within 60 days of payment of members benefits or upon notification that the charge is due
1.2.6	Invoice any other charges in respect of work carried out on behalf of the employer by the accounts team, administration team or Fund actuary in line with the charging policy	Within 60 days of work being carried out or, in the case of a re-charge, receipt of the relevant invoice by the Fund

1.3 Administering Authority – Outsourcing		
	Function/Task	**Performance Standard**
1.3.1	Action requests for a Pensions Information Memorandum for inclusion in Invitation to Tender Packs	Each step to be actioned within 7 days of receipt of the relevant information
1.3.2	Ensure Admission Agreements are in place for relevant new scheme employers	Within 90 days of receipt of all required information dependent on timely responses from other stakeholders
1.3.3	Arrange a risk assessment to be carried out by the Fund Actuary for all new admitted bodies to establish the level of bond or guarantee required in order to protect other scheme employers participating in the Fund	To be completed prior to the body being admitted
1.3.4	Undertake a review of the level of bond/guarantee	Annual review each year end or on extension of a contract or as advised by the Fund Actuary
1.4 Administering Authority – Data Quality and Administration		
	Function/Task	**Performance Standard**
1.4.1	Provide support for employers in conjunction with the LPPA engagement team through a dedicated employer section of the website, forums, employer newsletters and training program	Ongoing support as required
1.4.2	Notify scheme employers and scheme members of changes to the scheme regulations	As soon as possible following confirmation/receipt of guidance regarding the change with a target of within 60 days of the regulatory change
1.4.3	Provide good quality data to the Fund Actuary for the purposes of performing the triennial fund valuation exercise.	All data to be submitted by the Actuary's deadline and queries responded to within 14 days of receipt of the initial query or within 14 days of information being received from a scheme employer if required
1.4.4	Produce annual benefit statements to active and deferred members as at 31 March each year	By 31 August following the year-end
1.4.5	Produce and issue pension saving statements each year to members who have exceeded their annual allowance	By 6 October following the end of tax year (subject to receipt of all relevant information from the scheme employer)
1.4.6	Monitor administration work in line with the Service Level Agreement that forms part of the shared service agreement with Lancashire County Council	On receipt of each quarterly performance report. Discussed at the quarterly client meeting and presented to the Local Pension Board

Appendix 3

Performance Standards- Scheme Employer

This section outlines the responsibilities of scheme employers in the Havering Pension Fund and the performance standards they are expected to meet to enable the provision of an efficient, quality pension administration service. All information must be provided in the format prescribed by the Fund within the prescribed timescales.

A scheme employer remains responsible for carrying out the requirements in this section even if that employer decides to outsource some of its functions to a third-party provider. An employer must ensure that the third-party provider can meet the employer's duties and obligations.

2.1 Scheme Employers - Governance		
	Function/Task	**Performance Standard**
2.1.1	Designate a named individual to act as a Pensions Liaison Officer who is the main contact with regards to any aspect of administering the LGPS	Within 30 days of becoming a scheme employer or a change of named contact
2.1.2	Formulate, publish and keep under review policies in relation to all areas where the employer may exercise a discretion within LGPS	A copy of the policy document is to be supplied to the administering authority within 30 days of becoming a scheme employer or a change in policy
2.1.3	Appoint person for stage 1 internal dispute process (IDRP) and ensure this is noted within the discretions policy	Within 30 days of becoming a scheme employer or a change of appointed person
2.1.4	Notify the administering authority of a receipt of a complaint under IDRP	Within 7 days of receipt of the complaint
2.1.5	Notify the administering authority that the stage 1 IDRP decision has been made	Within 7 days of making the determination
2.1.6	Distribute any information provided by the administering authority or administrators to scheme members/potential scheme members	Individual requirement within timescale specified in each instance
2.2 Scheme Employers – Fund Administration		
	Function/Task	**Performance Standard**
2.2.1	Ensure correct employee contribution rate is applied and reviewed in line with the contribution bands	Immediately on commencing scheme membership and in line with employer discretion
2.2.2	Ensure correct employer contribution rate is applied as advised by the administering authority and determined by the Fund Actuary	Immediately as directed in line with the Rates and Adjustments certificate
2.2.3	Ensure correct deduction of employee contributions	Each payroll cycle
2.2.4	Arrange the deduction of any employee additional contributions and any amendments as required	Each payroll cycle as required
2.2.5	Arrange the deduction of Additional Voluntary Contributions (AVCs) and payment to the relevant AVC provider	Each payroll cycle as required
2.2.6	Remit the employer and employee contributions to the Fund and provide a monthly report, to include details of any additional contributions and AVCs, in the format specified by the administering authority	Payment via BACS by 22nd of the month following the deduction The monthly contribution reconciliation report must be sent as specified in the completion notes by the same deadline
2.2.7	Refund any employee contributions when an employee opts out of the pension scheme within 3 months of joining	From the earliest available payroll after the opt out form is received

2.2.8	Remit strain cost payments to the Fund in relation to early payment of benefits following flexible, redundancy, efficiency, employer consent or ill health retirements	Within 30 days of receipt of the Fund's invoice
2.2.9	Remit any other charges to the Fund in respect of work carried out on behalf of the employer by the accounts team, administration team or Fund actuary in line with the charging policy	Within 30 days of receipt of the Fund's invoice

2.3 Scheme Employers – Restructures and Outsourcing

	Function/Task	Performance Standard
2.3.1	Notify the administering authority of any services that are being outsourced and will involve a Tupe transfer of staff to another organisation	Immediately at the decision to tender and prior to the launch of the tender process. A Pensions Information Memorandum must be obtained to include with Invitation to Tender documentation to potential bidders, to confirm pension costs.
2.3.2	Respond to requests for information from the administering authority or LPPA	Within 21 days of receipt
2.3.3	Work with the administering authority to arrange for an Admission Agreement to be completed and Fund security to be established	At least 90 days in advance of the contract commencement date
2.3.4	Notify the administering authority of any decision to extend existing outsourced contracts beyond the initial end date	Within 30 days of the decision to extend
2.3.5	Notify the administering authority that the contract is due to cease	At least 90 days before the end of the contract

2.4 Scheme Employers – Data Quality and Scheme Administration

	Function/Task	Performance Standard
2.4.1	Provide a monthly return as specified by the administering authority to update member records, feed into valuation/GAD cost sharing exercise and annual benefit/annual allowance statements	Completed and validated return to be submitted by the specified deadline (10th of the following month) via the LPPA Portal
2.4.2	To resolve queries resulting from the monthly return process via the LPPA Portal	As soon as possible but no later than 21 days from date of receipt. In circumstances where an employer submits a late monthly return shorter timescales may be required as advised by the administering authority or LPPA.
2.4.3	To action all requests for data, information or delayed forms	To fully answer all queries from the administering authority or LPPA within 21 days of receipt of the query
2.4.4	Ensure Automatic Re-enrolment requirements are met	Engage with payroll department as soon as notification is received from the Pensions Regulator
2.4.5	Notify new joiners/additional employments in the format specified by the administering authority	Via the monthly return on the LPPA Portal. This must be submitted by the 10th of the month following the member's first pensionable pay run after contractual or automatic enrolment date.
2.4.6	Direct all eligible new employees to the pension scheme website www.lppapensions.co.uk	At date of employee appointment

2.4.7	Action and notify movement between the main and 50:50 scheme following member election or automatic re-enrolment in the format specified by the administering authority	Action from the next available payroll and notify via the monthly return on the LPPA Portal. This must be submitted by the 10th of the month following the member's scheme movement.
2.4.8	Notify all child related absence, reserved forces leave or periods of unpaid authorised or un-authorised leave without pay in the format specified by the administering authority	Within 30 days of the start of the leave and confirmation that the member has returned within 30 days via the absence/return from absence notification forms on the LPPA Portal
2.4.9	Notify of a change to members contractual hours or weeks	Notify via the monthly return on the LPPA Portal. This must be submitted by the 10th of the month following the change.
2.4.10	Notify of any new/revised additional contribution elections	Notify via the monthly return on the LPPA Portal. This must be submitted by the 10th of the month following the first deduction
2.4.11	Notify of early leavers or opt outs in a format specified by the administering authority	Via the monthly return on the LPPA Portal. This must be submitted by the 10th of the month following the member's last pensionable pay run. Any requests for additional information should be responded to within 21 days of receipt
2.4.12	Notify of retirements (age, redundancy, efficiency, ill health or flexible) in a format specified by the administering authority	Within 7 days of the members final pensionable pay run via the leaver form on the LPPA Portal. Any requests for additional information should be responded to within 7 days of receipt.
2.4.13	Notify of the relevant tier for an ill health retirement in a format specified by the administering authority	The relevant ill health certificate should be completed by the Occupational Health Practitioner and uploaded with the leaver form on the LPPA Portal
2.4.14	Notify of the death of an employee and provide next of kin details in a format specified by the administering authority	Within 3 working days of knowledge of the death of the employee via the bereavements form on the LPPA website. Followed by the leaver form on the LPPA Portal within 7 days of the final pay run. Any requests for additional information should be responded to within 7 days of receipt.
2.4.15	Notify of the revision to a member's leaver information following a payment after leaving in a format specified by the administering authority	Within 30 days of the pay run having sought guidance from LPPA with regards to the submission.
2.4.16	To Notify of intent to request a bulk estimate retirement calculations to seek both member pension details and employer strain costs	As soon as practical to allow time to consider resource planning via email to the Pensions Projects and Contracts Manager
2.4.17	Request estimate retirement calculations to seek member pension details and employer strain costs (where applicable) in a format specified by the administering authority	Where possible, all employer estimates should be self served and calculated via the retirement quotations process on the LPPA portal. Where an employer requires an estimate to be calculated by LPPA they should give as much notice as possible but at least 30 days prior the date figures are required via the employer estimate request form on the LPPA Portal

The administration for the Havering LGPS is performed by the Local Pensions Partnership Administration (LPPA). Their website **www.lppapensions.org.uk** is a valuable source of information for both members and employers and can be used to submit queries, download the bereavement forms and view guides and scheme information.

The LPPA Portal can be found via the employer login page of the above website and should be used to submit monthly returns, member related forms and information. Guides and videos on how to use the UPM portal are also available on the website.

Appendix 4

Pensions Administration Service Level Agreements

This section provides an abridged version of the service level agreements set out in Schedule 1 of the Shared Service Agreement with Lancashire County Council (LCC). LCC have delegated the pensions administration function to the Local Pensions Partnership Administration (LPPA) and it is their responsibility to ensure the data collected from employers is accurate and received in a timely manner. Any requests for information or queries raised by LPPA should be responded to in line with the PAS.

The SLA's below are those directly reflected within the PAS.

ACTIVITY TYPE	DESCRIPTION	TARGET (WORKING DAYS)
New Members	Admissions/new employment	10
Transfers In	LGPS to LGPS or Other scheme to LGPS (actual or estimate)	10
Additional Contributions	Additional contributions (actual or estimate/AVC)	10
Change of Circumstances	Maternity Leave/LWOP	10
	Change of hours	10
Leavers	Deferred Benefits	15
	Refunds	5
Retirements	Retirements from active	5
	Retirements from deferred	5
Transfers Out	LGPS to LGPS or LGPS to Other scheme (actual or estimate)	10
Deaths	Death in service	5
Estimates	Estimates (individual)	10
	Estimates (employer)	5
Miscellaneous	Scheme movement to 50:50 scheme	10
	Scheme movement to main scheme	10

Appendix 5

Escalation Procedure

Scheme Employer

This section confirms the escalation procedure that will be applied following the identification of any unsatisfactory performance by a scheme employer.

The preferred route to resolution is to support and work closely with employers via the Pensions Projects and Contracts Manager and the LPPA employer engagement team.

However, where persistent failure (which is defined as an ongoing failure to positively engage with the administering authority) occurs in relation to meeting the performance standards, the following steps may be taken

- **Stage 1:** Write to the scheme employer, setting out area(s) of non–compliance with performance standards offering support and where appropriate request attendance at a training session. Deadline for response to be agreed between the administering authority and the employer.
- **Stage 2:** If no improvement has been demonstrated or where there has been a failure to take agreed action the employer will be requested to attend a meeting with representatives of the Fund to agree an improvement plan.
- **Stage 3:** If no improvement is evident or the employer is unwilling to attend a meeting to resolve the issue a formal notice will be issued setting out the area(s) of non-compliance with performance standards that have been identified. At this point charges will be levied against the employer in line with the charging policy.
- A report will be presented to the Local Pension Board detailing charges levied against scheme employers and outstanding payments.

If unsatisfactory performance impacts the administering authority's ability to perform statutory functions or provide a high quality administration service to LGPS members and measures are not being taken by the employer to address this the administering authority will consider reporting the employer to the Pension Regulator.

Administering Authority

Where a scheme employer believes the administrating authority is not meeting the performance standards set out in the strategy, the preferred route is to raise this with the Scheme Manager via the Pensions Projects and Contracts Manager.

Alternatively, a scheme employer may speak to an employer representative on the Local Pensions Board. Details of the Board members can be found on the havering.gov.uk website.