



Haverling

L O N D O N B O R O U G H

PENSIONS COMMITTEE AGENDA

7.00 pm

**Tuesday
24 June 2025**

**Council Chamber -
Town Hall**

Members 6: Quorum 3

COUNCILLORS:

**Conservative Group
(2)**

Joshua Chapman
Viddy Persaud

**Haverling Residents' Group
(3)**

James Glass
John Crowder (Chairman)
Stephanie Nunn (Vice-Chair)

**Labour Group
(1)**

Keith Darvill

Trade Union Observers

(No Voting Rights) (1)

Derek Scott

**Admitted/Scheduled Bodies
Representative**

(Voting Rights) (0)

For information about the meeting please contact:

**Luke Phimister 01708 434619
luke.phimister@onesource.co.uk**

Please would all Members and officers attending ensure they sit in their allocated seats as this will enable correct identification of participants on the meeting webcast.

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:-

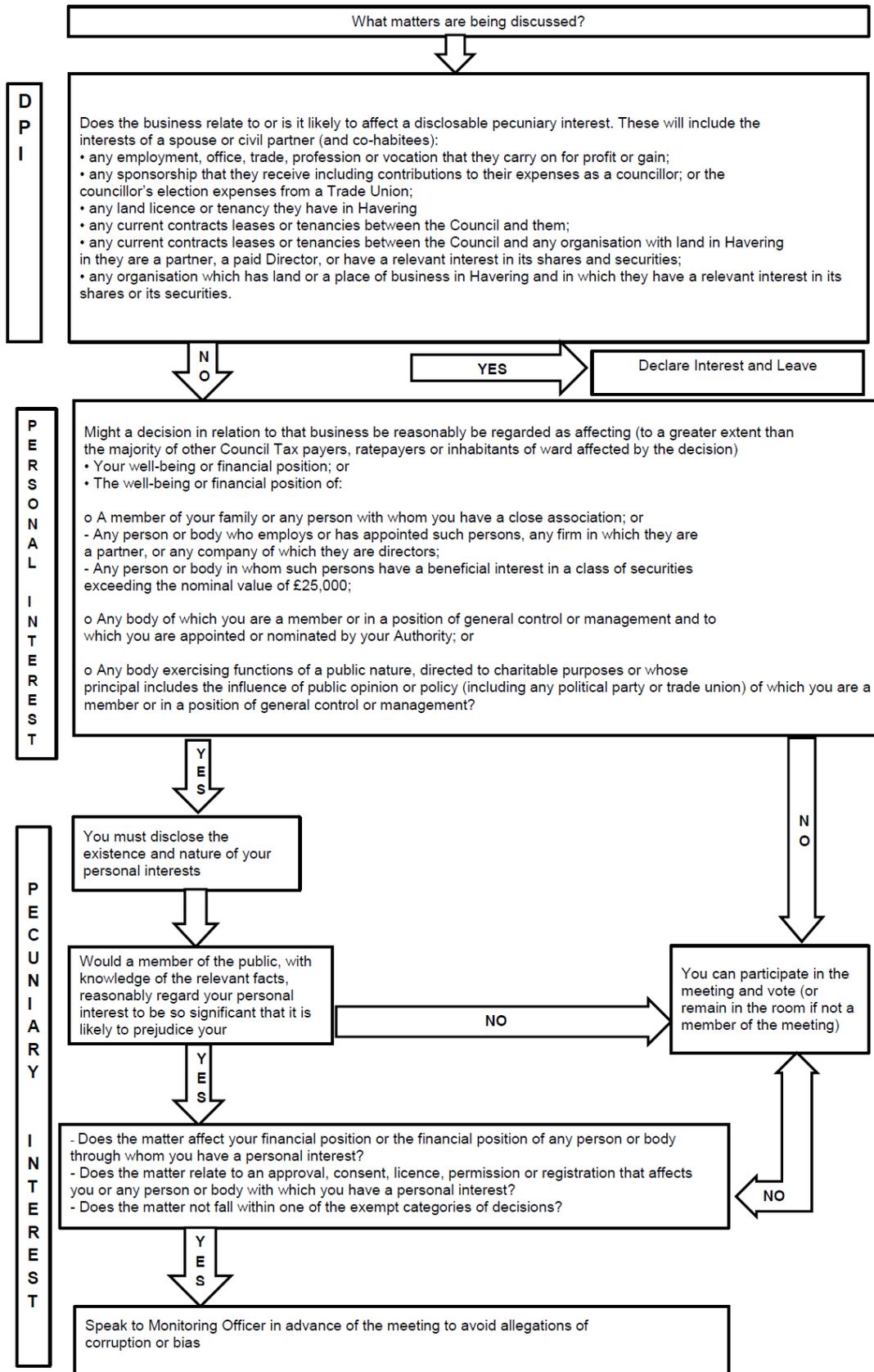
- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing,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



Principles of conduct in public office

In accordance with the provisions of the Localism Act 2011, when acting in the capacity of a Member, they are committed to behaving in a manner that is consistent with the following principles to achieve best value for the Borough's residents and to maintain public confidence in the Council.

SELFLESSNESS: Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

INTEGRITY: Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

OBJECTIVITY: In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

ACCOUNTABILITY: Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS: Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

HONESTY: Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

LEADERSHIP: Holders of public office should promote and support these principles by leadership and example.

AGENDA ITEMS

1 CHAIRMAN'S ANNOUNCEMENTS

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

2 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

(if any) - receive

3 DISCLOSURE OF INTERESTS

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

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

4 MINUTES OF THE MEETING (Pages 7 - 10)

To approve as correct the minutes of the meeting held on 18th March 2025 and authorise the Chairman to sign them.

5 EXCLUSION OF THE PUBLIC

To consider whether the public should now be excluded from the 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 MARCH 2025 (Pages 11 - 78)

7 PENSION FUND ACCOUNTS 2024/25 (Pages 79 - 122)

8 ANNUAL REPORT ON THE WORK OF THE PENSIONS COMMITTEE DURING 2024/25 AND 2025/26 - 2027/28 BUSINESS PLAN (Pages 123 - 160)

9 PENSIONS ADMINISTRATION BUDGET 2025/26 (Pages 161 - 172)

Zena Smith
Head of Committee and
Election Services

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Public Document Pack Agenda Item 4

**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Council Chamber - Town Hall
18 March 2025 (7.03 - 8.47 pm)**

Present:

COUNCILLORS

Conservative Group Dilip Patel (In place of Viddy Persaud)

Havering Residents' Group Jacqueline Williams and Stephanie Nunn (Vice-Chair)

Labour Group Matthew Stanton (In place of Mandy Anderson)

Councillor Stephanie Nunn Chaired the meeting in the absence of Councillor Mandy Anderson.

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

10 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

Apologies were received for the absence of Joshua Chapman, Viddy Persaud, Mandy Anderson and James Glass.

11 DISCLOSURE OF INTERESTS

There were no disclosures of interests.

12 MINUTES OF THE MEETING

The minutes and exempt minutes of the previous meeting were agreed as a correct record and signed by the Chairman.

13 EXCLUSION OF THE PUBLIC

14 PENSION FUND PERFORMANCE MONITORING - QUARTER ENDING 31 DECEMBER 24

The Committee received the Monitoring Performance for quarter ending 31st December 2024.

The Committee noted the notable changes following the US election and the UK Autumn budget. The second year equity markets were up 20% with the fund value at the end of the quarter at £1.018billion which was an increase of around £20.1million. The Fund had returned 2.1% which was under the

2.7% tactical benchmark. Members were pleased to hear that due to the fund being well diversified, it had been protected against any recession.

The Committee:

- 1) **Considered** Hymans Market Background, Strategic Overview and Manager Performance Report
- 2) **Considered** Hymans Performance Report and views
- 3) **Received** presentation from the Funds Global Infrastructure Manager (Stafford) for an overview on the fund's performance
- 4) **Considered** the quarterly reports sent electronically, provided by each fund manager.
- 5) **Noted** the analysis of the cash balances.

15 **REVIEW OF VOTING AND ENGAGEMENT ACTIVITY JUNE 2024**

The Committee received a report on the voting and engagement activity of fund managers.

Havering have a voting right via LGIM and LCIV through Baillie Gifford, SSGA and Ruffer. Across all votes, LGIM against management in roughly 20% of the votes while LCIV ranged from 20% to 8%. It was noted that LGIM voted against Shell as they felt Shell's strategy was not ambitious enough. They also voted against Uni-President Enterprise Group due to them not aligning with LGIM's deforestation policy.

The Committee:

- 1) **Noted** Hymans review of Fund Manager Voting and Engagement activity
- 2) **Considered** the recommendations in the report, namely
 - a. Comparison of the managers' voting activity against LAPFF voting alerts.
 - b. Assessment of alignment of managers' voting activity against their stated policies, particularly in relation to climate change.
- 3) **Considered** the next steps as set out in the report

16 **NEW EMPLOYER ADMISSIONS PROCESS REVIEW**

The Committee received a report to review the new employer admission process.

The change was to allow the Strategic Director of Resource to make decisions on admitting new employers to the Fund with an annual report presented at the end of each financial year to the Committee for noting. Members noted the revised process had been cleared with the Council's legal team and the changes were designed to reduce risk to the Fund and the transferred members.

The Committee **noted**:

- 1) The Strategic Director of Resources would now be responsible for making the decision to allow a scheme employer to be admitted to the Fund
- 2) An annual report would be presented to Committee to advise of all employers admitted during the previous financial year.

Chairman

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PENSIONS COMMITTEE

24 JUNE 2025

Subject Heading:

**PENSION FUND PERFORMANCE
MONITORING FOR THE QUARTER
ENDED MARCH 2025**

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 is regularly monitored to ensure investment objectives are being met and to keep the committee updated with Pension related developments.

Financial summary:

This report comments upon the performance of the Fund for the period ended 31 March 2025

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

**LOLA Module 6 – Investment Performance and Risk Management and LOLA
Module 7 – Financial Markets and products applies**

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 **31 March 2025**.

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

The total value of the Fund's assets of £1,007.9m as at 31 March 25 decreased by **-£10.7m** over the quarter.

The overall fund performance of -1.24% underperformed the tactical benchmark by -0.57% and underperformed against the strategic benchmark by -.25%.

The decrease in valuation is primarily due to the Fund's allocation to 'Growth' assets – as equity allocations performed negatively over the period, US equities registered their worst quarter since 2022 as anticipation of tariffs and federal spending cuts fuelled concern about slower growth and higher inflation.

The Fund's allocation to 'Income' assets also fell in value and remains c.4% below the fund target allocation.

The Fund's allocation to 'Protection' assets increased in value – primarily due to the increase in cash held by the Fund in its Russell currency hedging overlay, as sterling strengthened significantly against the US Dollar over the quarter.

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:

Russell – Currency Hedging 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 Performance Report (Appendix A **Exempt**)
- 2) Receive presentation from the Funds Currency Hedging Manager Russell for an overview on the Hedging mandate (Appendix B – **Exempt**)
- 3) Consider the quarterly reports sent electronically, provided by each fund manager.
- 4) Note the analysis of the cash balances.

REPORT DETAIL

1. Hymans report, includes asset allocation information, fund manager performance and associated commentary, asset allocation and market background, can be found in Appendix A.
2. Where appropriate, topical LGPS news that may affect the Fund will be included.

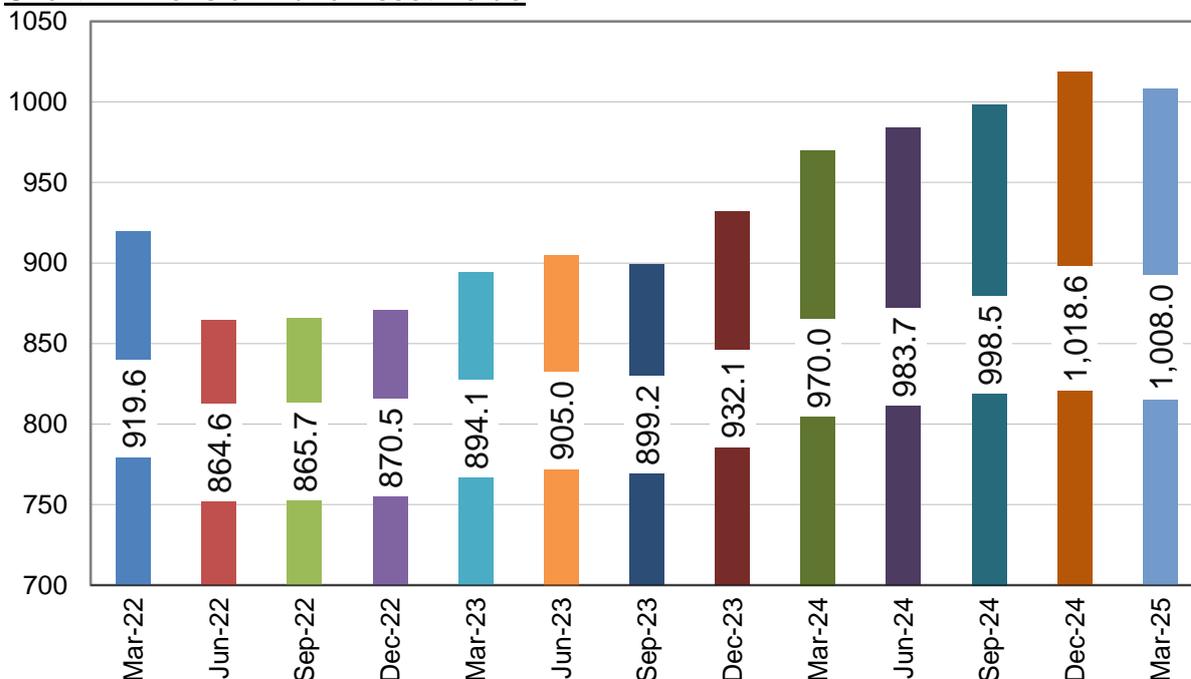
3. BACKGROUND

- 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's invested asset value at 31 March 2025 was £1,007.9m compared with £1,018.6m at 31 December 2024; a decrease of -£10.7m (increase in cash (£4.4m), decrease in assets (-£15.1m)).

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 31/03/2025 %	12 Months to 31/03/2025 %	3 Years to 31/03/2025 %	5 years to 31/03/2025 %
Fund	-1.24	3.64	2.38	6.99
Benchmark	-0.67	5.84	6.00	8.54
*Difference in return	-0.57	-2.20	-3.62	-1.55

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 31/03/2025	12 Months to 31/03/2025	3 Years to 31/03/2025	5 years to 31/03/2025
	%	%	%	%
Fund	-1.24	3.64	2.38	6.99
Benchmark	-0.99	-6.25	-11.98	-5.39
*Difference in return	-0.25	9.90	14.36	12.38

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 presented by the Investment Adviser (Hymans)

5. CASH FORECAST

- a. At the end of March 2025, the cash balance stood at £16m, which is invested with London Borough of Havering Treasury and available for operational cash requirements as needed.

Table 3: Cash Flow Forecast

	ACTUALS TO 31/03/2025 £000	ESTIMATE Year to 31/03/2026 £000	ESTIMATE Year to 31/03/2027 £000	ESTIMATE Year to 31/03/2028 £000
Balance b/f	24,276	16,361	15,214	8,923
Benefits paid	(34,584)	(35,275)	(35,981)	(36,700)
BACS expenses*	(13,337)	(13,604)	(13,876)	(14,153)
Lump sums by faster payment	(3,935)	(3,935)	(3,935)	(3,935)
Transfers in	4,895	4,900	4,900	4,900
Contributions received**	47,329	46,276	42,201	43,045
Pension strain	291	291	300	300
Interest	0	200	100	100
Sweep	1,425	0	0	0
Transferred to NT	(10,000)			
Balance c/f	16,361	15,214	8,923	2,480

* BACS expenses also includes some 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 balances may be retained above the upper limit at the discretion of the Section 151 officer, with these balances reported to the Section 151 officer on a monthly basis.

6. REPORTING ARRANGEMENTS

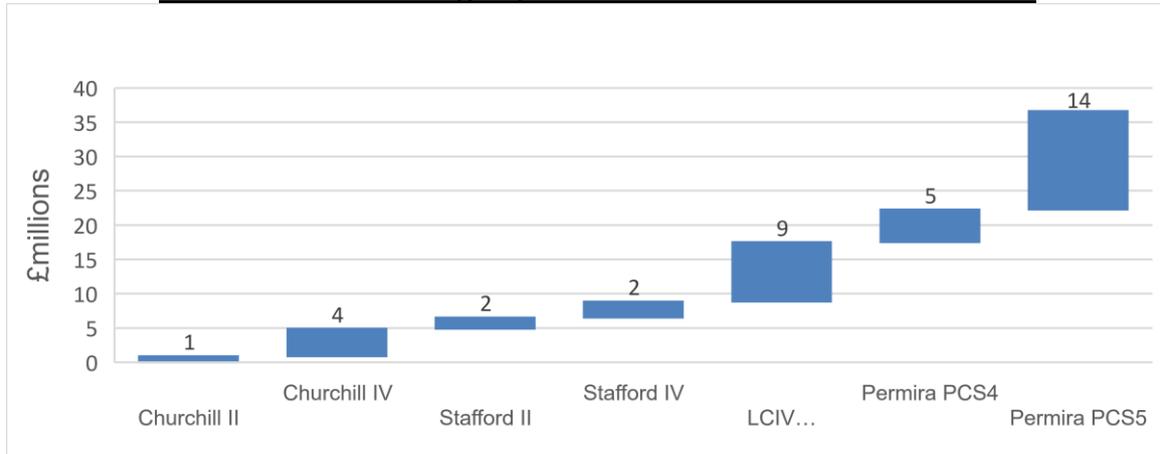
- a. At each reporting cycle, the Committee will see a different fund manager until members have met them all unless there are performance concerns that demand a manager be brought back again for further investigation.
- b. Summary fund manager reviews are included within Hymans performance report at **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 **Russell** who manage the Funds Currency Hedging portfolio. Their report is attached at **Appendix B (Exempt)**.

8. FUND UPDATES:

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

- a. In the quarter ending 31 March 2025, the Fund completed £3.8m of capital draw down requests, which were funded from investment income received and held with the Custodian.
- b. At 31 March 2025 there was £37m of outstanding capital commitments as follows:

Chart 2 – Outstanding capital commitments at 31 March 2025



- c. On the 10 December 2024, the Committee agreed to reduce the target allocation of the LCIV Global Alpha Growth Paris Aligned (GAGPA) fund from 15% to 12.5% and increase the Legal and General Future World Fund allocation from 10% to 12.5%. The 2.5% adjustment equated to £25m and the transfer of cash was completed on 20 January 2025.
- d. London Borough of Havering (LBH) – Employer Contribution Rate Review:
- Contribution rate reviews are permissible under Regulation 64A of the LGPS Regulations 2013 (“the Regulations”)
 - LBH requested a review of its employer contribution rates for 2025/26, due to a significant change in its ability to meet its obligations and evidenced this to the Fund. The Fund accepted the evidence provided and agreed the conditions of the Funding Strategy Statement were met for the review to proceed. One of those conditions met was the employer’s agreement to meet the costs of the review (£10,300 plus VAT)
 - The Actuary completed a review of the LBH employer contribution rate on the 5 February 2025 and agreed that LBH employer’s contribution rate for 2025/26 can be reduced by £2m, this being 16.5% of pay plus £7.65m (reduced from £9.65m).
 - An element of extra capacity was built into the funding plan when contributions were set at the 2022 valuation. Revisiting the 2022 valuation and utilising this buffer has resulted in the ability to reduce the secondary contribution rate by the £2m without a significant impact on the funding position.
 - A reduction of £2m in 2025/26 will not have a significant impact on the Fund’s cash flow as projections will remain within the operational range set out in the Fund’s cash policy (£5m to £13m)- section 5 – cash flow forecast also refers.
 - LBH agreed the reduction and a non-key executive decision was signed 28 February 2025.

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 now take place quarterly to align with the release of London CIV's Quarterly Investment Reports (QIRs). Last business update meeting on the 12 February 2025 was reported at the last committee meeting. No meetings held in this reporting period. 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.
- c. **Fund Manager 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 the in-depth reviews occurs every six months. Havering investment funds are on **"normal"** except the **LCIV Absolute Return Fund which is now on 'enhanced' monitoring**. 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:
 - **13 March 2025 – Investment Update – LCIV Passive Equity Progressive Paris- Aligned (PEPPA) Fund** - this review covered performance as at 31 December 24 (outperformed benchmark over the quarter by 0.08% and 0.34% since inception). Outcome of the review was that over the period since inception the Fund tracked the benchmark index efficiently and performing to expectations. Carbon footprint reduction is also in line with expectations. The LCIV uses a scoring /rating system as part of its monitoring – using 6 tests to assess the Skills element (Fund manager focus) and two tests to assess the value (execution & cost) element. Overall a score of "1" was assigned to both, this being the highest score available (4 being the lowest score). Next review December 2025.

- d. **Staffing Updates:**
- **Silvia Knott-Martin**, Client Relations Manager left 31 March 2025
- e. **CBRE – Governance change and Fee reduction**
LCIV has been working to establish a pooling solution for property assets. Their proposal covered 2 phases:
- **Phase 1**- Responsibility for oversight of the CBRE Global Alpha Fund transfers to LCIV under an engagement agreement. This approach will see an immediate reduction in fees (10bps but offset by LCIV fees – net saving 5.5bps –a saving of c£16,500 initially per annum). This arrangement has been in place from 1 January 2025 and LCIV will add the CBRE Fund to their manager monitoring programme and the fund will receive its quarterly monitoring updates from LCIV. The CBRE mandate will also count as assets pooled with LCIV, increasing our pooling allocation from 60% to 63%.
 - **Phase 2** - Responsibility for the management of global property allocation transfers to LCIV under an Investment Management Agreement (IMA). LCIV will in turn delegate responsibility for management of the portfolio to CBRE. As the Fund has already carried out phase 1 the Fund will be better placed to consider a migration to the broader global property solution proposed under Step 2. Discussion are ongoing with advisors in regard to Phase 2.
- f. **Capital injection** – LCIV are required to maintain sufficient regulatory capital. It was raised at the January 2025 General Shareholder meeting, that due to growth in Assets under Management, that regulatory capital had to be increased to maintain required levels. Each shareholder has been asked to subscribe to an additional 70,312 B Shares. These will be purchased in June which will bring the total number of B shares held by shareholders to 220,312 each.
- g. **LGPS Pensions Advisory and Support Service** – London CIV launched their new LGPS Pensions Advisory and Support Service (PASS) in May. This service is made up of advisory services and strategy and policy support. Investment advisory services will include support with preparing investment strategy statements and strategic asset allocation advice. The launch of LGPS PASS also complements the government’s “Fit for the Future” consultation, which came out after London CIV began work to put LGPS PASS together. The strategy aligns with the government’s call for LGPS pools to provide more services to Partner Funds, including advice and strategic asset allocation support. Officers will be meeting with LCIV to consider services on offer.

8.3 “Fit for the Future” - LCIV Pooling update

- 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.
- As part of the Pensions review, MHCLG asked all eight LGPS pools across England and Wales to submit a strategic plan detailing how they would take forward their pooling proposals in order to meet the requirements set out in the consultation. This plan was submitted by London CIV in February 2025.
- In April 2025 – MHCLG wrote to pools and administering authorities with their decision on those plans submitted by the pools. **MHCLG is supportive of the LCIV’s plan and for them to proceed in line with meeting the March 2026 deadline.** Two pools were not given approval to proceed (Brunel & Access) as they did not meet requirements set out by the Government.
- Whilst a formal response to the consultation has yet to be issued, officers met with the CEO of the LCIV to discuss next steps:
 - **Passive assets-** An Investment Management Agreement (IMA) will need to be put in place so that management of these funds can be transferred to LCIV (this covers the passive mandates held with Legal & General)
 - **Off pool liquid** – This will require a direct transfer of assets to LCIV (covers the mandates held with Royal London).
 - **Off pool illiquid** – An IMA to be put in place so that management can transfer to LCIV (this covers mandates held with JPMorgan, Stafford, Churchill & Permira)
 - Primary strategic advice will also transfer to the LCIV and representatives from LCIV will be attending future Committee meetings alongside Hymans once the assets have transitioned across.
- LCIV officers will be contacting the Fund to set out a transition plan for the transfer/management of assets.
- Yet to be confirmed are how to address individual funds responsible investment requirements and resources to manage Local investments requests.

8.3 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 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

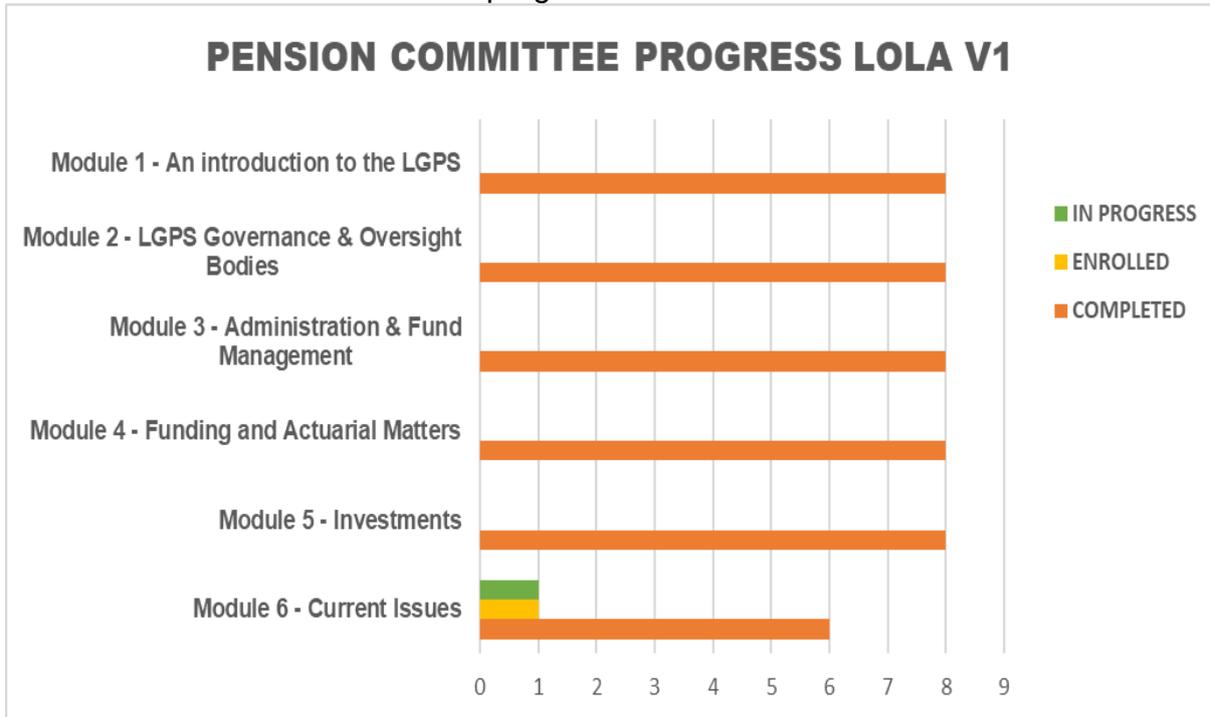
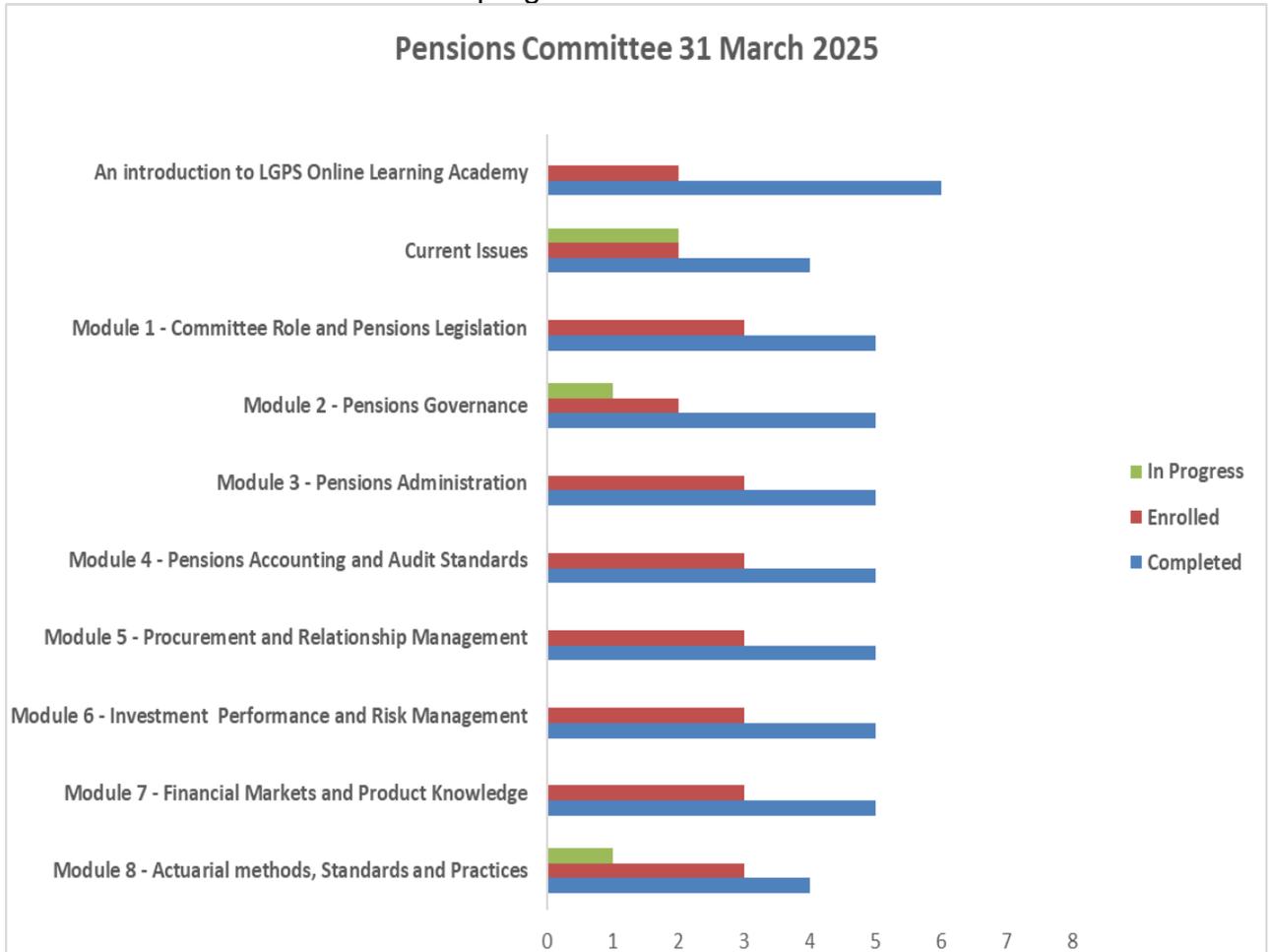


Chart 4 – Pension Committee progress LOLA v2



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:

An EHIA (Equality and Health Impact Assessment) has not been completed and is not required for this decision. The Council seeks to ensure equality, inclusion, and dignity for all. There are no equalities and social inclusion implications and risks associated with this decision.

BACKGROUND PAPERS

None

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

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PENSIONS COMMITTEE

24 JUNE 2025

Subject Heading:

PENSION FUND ACCOUNTS 2024/25

SLT Lead:

Kathy Freeman

Report Author and contact details:

Debbie Ford
Pension Fund Manager (Finance)
01708432569
Debbie.ford@onesource.co.uk

Policy context:

Pension Fund accounts to be noted by the Pensions Committee

Financial summary:

This report comments on the Pension Fund Accounts for the year ended 31 March 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 Members with an extract of the Authority’s Statement of Accounts for the year to 31st March 2025 showing the unaudited accounts of the Havering Pension Fund (“the Fund”) as at that date.

RECOMMENDATIONS

That the Committee consider and note the Havering Pension Fund Accounts (unaudited) as at 31st March 2025 and consider if there are any issues that need to be brought to the attention of the Audit Committee.

REPORT DETAIL

1 Background

- 1.1. The Accounts and Audit (Amendment) Regulations 2024 were laid before parliament on 9 September 2024 and came into force on 30 September 2024.
- 1.2. The Regulations amended the publication date of unaudited accounts from 31 May to 30 June for the financial years 2024/25 to 2027/28.
- 1.3. Regulation 9A also establishes audit deadlines for each financial year up to 2027/28. The deadline for 2024/25 audited accounts is 27 February 2026.
- 1.4. The Pension Fund draft accounts have been produced and published in line with the Accounts and Audit Regulation deadlines.
- 1.5. The Accounts have been compiled in line with the Chartered Instituted Institute of Public Finance & Accountancy (CIPFA) *“LGPS Funds Accounts 2020/21 example accounts*
- 1.6. There were no code changes in 2024/25 that affect the Pension Fund accounts.
- 1.7. The latest version of the Pension Fund Accounts is shown as attached in **Appendix A**.
- 1.8. Key movements to note from the 2024/25 accounts are:
 - The Net Assets of the Fund has increased to **£1,008m** in 2024/25 from £969m in 2023/24, an increase of (**£39m**).
 - The increase of (**£39m**) is compiled of change in market value of investments (£21m), investment income of (£20m) and net reductions of cash of £2m. Further details are included within the Fund Account and Net Asset Statement included in this report.
- 1.9. The Authority’s full Statement of Accounts for 2024/25 will be presented to the Audit Committee for approval in due course. As these accounts include the Pension Fund Accounts any matters which, in the opinion of the Pensions Committee, would require any amendments to the accounts will need to be reported to the Audit Committee.

- 1.10. The 2024/25 Pension Fund accounts audit is currently ongoing. Ernst & Young LLP are the appointed auditors for the London Borough of Havering
- 1.11. Havering, like many local authorities, had experienced significant delays with the audit of its accounts. To address the backlog, and following a period of consultation, a solution involving 'backstop dates' was introduced. As a result, a large number of financial statements would be published with modified opinions.
- 1.12. Modified opinions did not apply to the Pension Fund Accounts. Since the accounts were last reported to the Committee, unqualified opinions have now been issued on the 2021/22, 2022/23 and 2023/24 accounts.
- 1.13. A copy of the audited Pension Fund Accounts and the auditors' opinion will be included in the 2024/25 Pension Fund Annual Report.
- 1.14. The statutory publication date for the 2024/25 Pension Fund Annual Report is **1 December 2025**. If the audit has not been completed it will be published as draft & unaudited to adhere to the deadline.
- 1.15. As part of audit process of the accounts our auditors will issue a draft Audit Results Report, which summarises their findings and sets out key recommendations that will be considered by the auditors when deliberating their opinion, conclusion and issue of audit certificate. Officers will also be given an opportunity to respond to any recommendations raised in the report once issued.
- 1.16. **Reforming local audit** - In April 2025, Ministry of Housing, Communities & Local Government (MHCLG) published the outcome of its recent consultation on English local audit reform. Its key message for LGPS funds is the commitment to separate pension fund accounts from administering authority accounts. This strategy aims to reduce any future backlogs from occurring and improve the overall efficiency of local audits, ensuring that local bodies are held accountable for their financial practices. In response, the LGPS Scheme Advisory Board has established an audit working group to discuss the implications of this change and develop any additional guidance on the separate preparation and publication of fund accounts

IMPLICATIONS AND RISKS

Financial implications and risks:

The assets of the Pension Fund and its Managers' performance are regularly monitored in order to ensure that the investment objectives are being met and consequently minimise any cost to the General Fund.

Audit Fees

The Public Sector Audit Appointments Limited (PSAA) is responsible for appointing auditors and setting scale of fees and appointments are typically made for a duration of a five-year accounting period.

The 2023/24 fee scale was the first in the five-year appointing period covering financial audit years 2023/24 to 2027/28.

The level at which the fee scales are set is largely determined by two factors which PSAA does not control: the volume of audit work required to deliver audits compliant with the requirements of the Code of Audit Practice, and audit supply market rates.

The fee scale is set each year based on the fee scale applicable for the previous year, adapted where possible for changes in audit requirements.

Following consultation, the PSAA published the 2024/25 audit fee scales in November 2024 and set this at £96,974 (2023/24 £85,945).

Any fee scale variations will need to be submitted to the PSAA for approval so it is possible that there will be a time lag in settling invoices if additional fees are being sought.

Audit costs will be met from the Pension Fund and final costs will not be known until audits are finalised.

Legal implications and risks:

The Accounts and Audit Regulations 2015 set out the deadline for the Council to produce and publish draft accounts by 31 May. The latest version of the Accounts and Audit (Amendment) Regulations 2024 were laid before parliament on 9 September 2024 and came into force on 30 September 2024.

The Regulations amended the publication date of unaudited accounts from 31 May to 30 June for the financial years 2024/25 to 2027/28.

Regulation 9A also establishes audit deadlines for each financial year up to 2027/28. The deadline for 2024/25 audited accounts is 27 February 2026.

On the basis that there are no specific issues raised by the external auditor, there are no legal implications arising directly from this report.

Human Resources implications and risks:

There are no immediate HR implications.

Equalities implications and risks:

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

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

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

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

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

BACKGROUND PAPERS

None

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2023/24 £000	FUND ACCOUNT	Notes	2024/25 £000
	Dealings with members, employers and others directly involved in the fund		
50,860	Contributions receivables	7	54,202
6,321	Transfers in from other pension funds		4,872
57,181			59,074
(44,696)	Benefits	8	(48,938)
(4,461)	Payments to and on account of leavers	9	(6,198)
(49,157)			(55,136)
8,024	Net additions from dealings with members		3,938
(6,130)	Management expenses	10	(5,942)
1,894	Net additions/(deductions) including fund management expenses		(2,004)
	Returns on investments		
18,327	Investment income	11	20,118
53,525	Profit and losses on disposal of investments and changes in the market value of investments	12a	20,829
71,852	Net returns on investments		40,947
73,746	Net increase in the net assets available for benefits during the year		38,942
895,752	Opening net assets of the Fund at start of year		969,498
969,498	Closing net assets of the Fund at end of year		1,008,440

2024/25 £000	NET ASSET STATEMENT	Notes	2024/25 £000
150	Long term investments - London CIV shareholding	12	150
946,100	Investment Assets	12	992,902
(449)	Investment Liabilities	12	(1,162)
945,801	Total net investments		991,890
24,707	Current Assets	20	17,306
(1,010)	Current Liabilities	21	(756)
969,498	Net assets of the Fund available to fund benefits at end of the reporting period		1,008,440

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

Notes to the Pension Fund Accounts

1 Description of the Fund

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

a) General

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

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

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

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

b) Membership

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

Organisations participating in the Fund include:

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

There are 65 employer organisations with active members within the Havering Pension Fund including the Authority.

The membership profile is detailed below:

31-Mar-24		31-Mar-25
59	Number of employers with active members	65
	Number of employees in scheme	
5,205	London Borough of Havering	5,271
2,523	Scheduled bodies	2,566
112	Admitted bodies	152
7,840	Total	7,989
	Number of pensioners and dependants	
6,437	London Borough of Havering	6,555
534	Scheduled bodies	608
38	Admitted bodies	39
7,009	Total	7,202
	Deferred pensioners	
5,564	London Borough of Havering	5,926
1,197	Scheduled bodies	1,475
39	Admitted bodies	42
6,800	Total	7,443
21,649	Total number of members in pension scheme	22,634

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the year ended 31 March 2025. Employer contributions are set based on triennial actuarial funding valuations as at 31 March 2022. Current employer contribution rates range from 0% to 41.0% of pensionable pay.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the LGPS became a Career Average Revalued Earnings (CARE) scheme, whereby members accrue benefits based on their average salary over their entire career, with each year's pension revalued to account for inflation (Consumer Prices Index).

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website – see link below.

<https://www.lgpsmember.org/>

Basis of Preparation

The Statement of Accounts summarise the Fund's transactions for the 2024/25 financial year and its position at year end, 31 March 2025. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 "(the Code)" which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector, and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

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

The Administering Authority is satisfied that Havering Pension Fund is a going concern and the financial statements for 2024/25 have been prepared on a going concern basis as follows:

The investment returns for 2024/25 was -1.24% and +3.64% over the three years to 31 March 2025. Invested asset values have increased by £38.9m over the year.

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

The Fund was assessed as 80% funded as at 31 March 2022 valuation, a significant improvement on the funding level of 70% at 31 March 2019 and includes a recovery period necessary to make good any potential increases in the funding deficit. It is important to remember that that the Fund does not need to be 100% funded to be a going concern, it simply needs to be able to meet benefit obligations each month as they fall due. The Fund held cash of £31.7m at the Balance Sheet date, equivalent to 3% of the fund assets. In addition, the Fund held £722m in Level 1 and Level 2 investment assets which could be realised within 3 months if required. Based upon review of its operational cash flow projections the Fund is satisfied it has sufficient cash to meet its obligations to pay pensions, for at least 12 months from the date of authorisation of these accounts, without the need to sell any investments.

3 Summary of Significant Accounting Policies

Fund Account – revenue recognition

a) Contribution income

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

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

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

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

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the fund.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement. The date set for the transfer of assets and liabilities is the date it becomes recognised in the fund account.

c) Investment Income

i) Interest Income

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

ii) Dividend Income

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

iii) Distribution from Pooled Funds

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

iv) Property - Related Income

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

v) Movement in the Net Market Value of Investments

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

Fund Account – Expense Items

d) Benefits payable

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

e) Taxation

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

f) Management Expenses

i) Administrative Expenses

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

ii) Oversight and Governance Costs

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

iii) Investment Management Fees

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 10a and grossed up to increase the change in value of investments.

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

The cost of obtaining investment advice from external consultants is included in investment management charges.

Officers' time spent on investment management functions are also charged to the fund.

f) Lifetime Allowances

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

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

Net Assets Statement

h) Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund. Any amounts due or payable in respect of trades entered but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 12a.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the code and IFRS13 (see Note 14). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

i) Foreign Currency Transactions

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

j) Derivatives

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

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

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

k) Cash and Cash Equivalents

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

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

l) Financial Liabilities

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

m) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised benefits by way of a note to the Net Asset Statement (Note 19).

n) Additional Voluntary Contributions

The fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 22.

o) Contingent assets and contingent liabilities

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

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

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

4 Critical Judgements in Applying Accounting Policies

Pension Fund Liability

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

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

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

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

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

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

Item	Uncertainties	Effect if Actual Results differ from Assumptions	Approximate monetary amount (£m)
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, and expected returns on Fund's assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied	<p>The effects on the present value of promised retirement benefits of changes in actuarial assumptions can be significant. Changes in assumptions could have the approximate following impacts on the Fund's employer liability as follows:</p> <p>0.1% p.a. decrease in the Real Discount Rate could result in an increase of 2%</p> <p>0.1% p.a. increase in the Pension Increase Rate (CPI) could result in an increase of 2%</p> <p>0.1% p.a increase in the Salary Increase Rate could result in a 0% increase</p> <p>1 Year increase in member life expectancy could result in a 4% increase</p>	<p>15</p> <p>15</p> <p>1</p> <p>37</p>
Level 3 Investments (Note 15a)	Level 3 investments can be determined by Fund Managers in accordance with guidelines and principles set out in the International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Level 3 investments total £270m, which represents 27% of the total Fund value of £1,008m.	Sensitivity Analysis shows that the £276m valuation could decrease or increase within the range of £254m and £285m

6 Events after the Reporting Date

The Fund has valued its assets based on the 31 March 2025 position as reported by its investment managers. However, there is uncertainty over asset valuations, in particular for real and private market assets. The Fund believes that these valuations are the most reliable, as there are not alternative reliable estimates given the absence of trading in these asset classes.

7 Contributions Receivable

By category

2023/24 £000		2024/25 £000
	Employees' contributions	
	Normal:	
7,454	London Borough of Havering	7,907
2,003	Scheduled Bodies	2,280
146	Admitted Bodies	245
	Additional contributions:	
7	London Borough of Havering	7
-	Scheduled Bodies	1
9,610	Total Employees' Contribution	10,440
	Employers' contributions	
	Normal:	
20,088	London Borough of Havering	21,320
7,034	Scheduled bodies	7,812
616	Admitted bodies	968
	Secondary contributions:	
	Employer contribution to deficit	
12,821	London Borough of Havering	13,033
269	Scheduled bodies	278
4	Admitted bodies	11
	Employer reduction to surplus	
(39)	Scheduled bodies	(36)
(31)	Admitted bodies	(31)
	Augmentation	
488	London Borough of Havering	291
-	Scheduled bodies	116
41,251	Total Employers' Contributions	43,762
50,861	Total Contributions Receivable	54,202

The London Borough of Havering deficit figure reflects additional contributions made by the Authority to the Pension Fund. These consist £0m 24/25 (23/24 0.065m) voluntary planned contributions.

Since the 2022 valuation performed by the actuary there are a number of employers with an accounting surplus. These employers have a negative contribution rate.

By authority

2023/24 £000		2024/25 £000
40,858	London Borough of Havering	42,559
9,267	Scheduled bodies	10,450
735	Admitted Bodies	1,193
50,860	Total Contributions Receivable	54,201

8 Benefits Payable

By category

2023/24 £000		2024/25 £000
	Pensions	
36,105	London Borough of Havering	38,152
1,787	Scheduled Bodies	2,137
229	Admitted Bodies	251
38,121	Pensions Total	40,540
	Commutation and Lump Sum Retirements	
4,656	London Borough of Havering	5,347
895	Scheduled Bodies	1,253
10	Admitted Bodies	146
5,561	Commutation and Lump Sum Retirements Total	6,746
	Lump Sum Death Benefits	
787	London Borough of Havering	1,467
227	Scheduled Bodies	185
1,014	Lump Sum Death Benefits Total	1,652
44,696	Total Benefits Payable	48,938

By authority

2023/24 £000		2024/25 £000
41,548	London Borough of Havering	44,966
2,909	Scheduled Bodies	3,575
239	Admitted Bodies	397
44,696	Total Benefits Payable	48,938

9 Payments To and On Account of Leavers

2023/24 £000		2024/25 £000
42	Return of Contributions	90
4,294	Transfer Values Paid Out	5,918
125	Interest Paid on Short Term Borrowing	190
4,461	Payments to and on Account of Leavers	6,198

10 Management Expenses

By category

2023/24 £000		2024/25 £000
821	Administrative Costs	1,004
4,584	Investment Management Expenses	4,263
628	Oversight and Governance Costs	552
90	Oversight and Governance - External Audit costs	114
7	Local Pension Board	9
6,130	Total Management Expenses	5,942

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

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 12a).

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

10a Investment Management Expenses

2024/25	Management fees	Performance Related fees	Transaction cost	2024/25 Total
	£000	£000	£000	£000
Bonds	280	-	11	291
Infrastructure	862	-	-	862
Global Equity	1,512	-	123	1,635
Other Investments				
Pooled Property	378	32	145	555
Private Debt	536	-	318	854
Derivatives - Forward Currency Contracts	37	-	-	37
	3,605	32	597	*4,234
Custody fees				29
Performance Measurement fees				-
Investment Management Expenses				4,263

*Includes £1.546m charged for assets in the London CIV asset pool (£1.954m In 2023/24)

2023/24	Management fees	Performance Related fees	Transaction cost	2023/24 Total
	£000	£000	£000	£000
Bonds	191	0	1	192
Diversified Growth Funds	145	0	112	257
Infrastructure	873	72	0	945
Global Equity	1,556	0	122	1,678
Other Investments				
Pooled Property	525	128	126	779
Private Debt	670	0	0	670
Derivatives - Forward Currency Contracts	35	0	0	35
	3,995	200	361	*4,556
Custody fees				28
Performance Measurement fees				38
Investment Management Expenses				4,622

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

11 Investment Income

By category

2023/24 £000		2024/25 £000
14,660	Pooled Investments - unit trusts and other managed funds	16,653
507	Bonds	249
173	Fixed income	-
1,453	Pooled Property Investments	1,540
-	Income form Derivatives (Foreign Exchange Gains/(losses))	110
1,427	Interest on Cash Deposits	1,510
107	Other income*	56
18,327	Investment Income	20,118

* Fees and charges income

12 Analysis of Investments

2023/24 £000		2024/25 £000
	Investment Assets	
150	LCIV Shareholding	150
150		150
	Bonds	
23,819	Index-Linked Securities	47,048
23,819		47,048
	Pooled Investment	
113,102	Fixed Interest Unit Trust	118,674
110,253	Infrastructure	111,308
509,812	Global Equity	538,059
733,167		768,041
	Other Investments	
81,318	Pooled Property	82,032
84,551	Private Debt	76,198
165,869		158,230
334	Derivatives - Forward Currency Contracts	3,317
22,822	Cash deposits Managers	15,281
-	- Amounts receivable for sales	871
89	Investment income due	114
23,245		19,583
946,249	Total Investment Assets	993,052
	Investment Liabilities	
(449)	Derivatives - Forward Currency Contracts	(376)
-	- Amounts payable for purchases	(786)
(449)	Total Investment Liabilities	(1,162)
945,801	Total Net Investments	991,890

12a Reconciliation of movements in investments and derivatives

	Market Value at 31 March 2024	In year purchases and derivative payments	In year sales and derivative receipts	Change in Market Value	Market Value at 31 March 2025
	£000	£000	£000	£000	£000
Index-linked Securities	23,819	88,869	(61,980)	(3,659)	47,048
Pooled Investment Vehicles	733,317	46,785	(31,765)	19,854	768,191
Other Investments	165,869	10,270	(17,197)	(712)	158,230
	923,005	145,924	(110,943)	15,483	973,469
Derivatives – forward currency contracts	(115)	8,831	(11,247)	5,472	2,941
	922,890	154,755	(122,189)	20,954	976,410
Other Investment Balances:					
Cash Deposits (fund managers)	22,822			(178)	15,281
Investment income due	89			52	985
Amounts payable for purchases					(786)
	945,801			20,829	991,890

	Market Value at 31 March 2023	In year purchases and derivative payments	In year sales and derivative receipts	Change in Market Value	Market Value at 31 March 2024
	£000	£000	£000	£000	£000
Fixed Interest Securities	351	736	(1,097)	10	0
Index-linked Securities	26,737	8,352	(7,786)	(3,484)	23,819
Pooled Investment Vehicles	671,330	29,052	(22,998)	55,933	733,317
Other Investments	166,982	11,350	(8,509)	(3,954)	165,869
	865,400	49,490	(40,390)	48,505	923,005
Derivatives – forward currency contracts	1,551	6,042	(12,873)	5,165	(115)
	866,951	55,532	(53,263)	53,669	922,890
Other Investment Balances:					
Cash Deposits (fund managers)	12,066			(148)	22,822
Investment income due	185			-	89
Spot FX	-			3	
	879,202			53,524	945,801

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

Purchases and Sales of derivatives (forward current contracts) are recognised the note above for contracts settled during the period are reported on a gross basis as gross receipts and payments.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £0.597m (2023/24 £0.361m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

12b. Investments analysed by Fund Manager

Value 31 March 2024		Manager	Mandate	Value 31 March 2025	
£000	%			£000	%
Investments managed by London CIV asset Pool:					
150	0.02	London CIV	Equities Unquoted	150	0.02
108,928	11.52	Ruffer	Pooled Absolute Return Fund	126,164	12.72
14,161	1.50	Foresight, Blackrock, Quinbrook & Stonepeak	Pooled Infrastructure Renewables	17,995	1.81
157,289	16.63	Baillie Gifford	Pooled Global Alpha Growth Paris Aligned Fund	133,802	13.49
55,522	5.87	State Street Global Advisors	Pooled Passive Equity Progressive Paris Aligned (PEPPA)	58,880	5.94
47,433	5.02	PIMCO	Global Bonds	47,854	4.82
383,483	40.54			384,845	38.80
PLUS Investments aligned with London CIV asset pool:					
188,073	19.89	Legal & General Investment Management (LGIM)	Passive Global Equities/ Emerging Markets/Future World	219,214	22.10
32,451	3.43	CBRE	Global Pooled Property	31,281	3.15
604,008	60.43	London CIV Total		635,340	64.05
Investments managed outside of the London CIV asset Pool:					
65,787	6.96	Royal London Multi Asset Credit	Fixed Interest Unit Trust	70,821	7.14
23,819	2.52	Royal London Index Linked Bonds	Investment Grade Bonds	47,489	4.79
48,866	5.17	UBS Property	Pooled Property	50,751	5.12
19,852	2.10	Stafford Capital SISF II	Overseas Pooled Infrastructure	17,664	1.78
25,435	2.69	Stafford Capital SISF IV	Overseas Pooled Infrastructure	26,117	2.63
50,808	5.37	JP Morgan	Overseas Pooled Infrastructure	49,725	5.01
17,449	1.84	Churchill II	Overseas Pooled Private Debt	12,224	1.23
17,123	1.81	Churchill IV	Overseas Pooled Private Debt	16,294	1.64
30,098	3.18	Permira PCS4	Overseas Pooled Private Debt	18,841	1.90
20,434	2.16	Permira PCS5	Overseas Pooled Private Debt	28,838	2.91
3,699	0.38	Russell Investments	Currency Management	3,926	0.40
18,424	1.95	Other	Other	13,860	1.40
341,794	36.13			356,550	35.95
945,801	96.57	Total Fund		991,890	100.00

13c. Assets with greater than 5% holding

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

Market Value 31 March 2024 £000	% of Total Fund	Security	Market Value 31 March 2025 £000	% of Total Fund
157,289	16.63	London CIV Baillie Gifford Global Alpha Paris Aligned Fund	133,802	13.27
108,928	11.52	London CIV Ruffer Absolute Return Fund	126,164	12.52
107,757	11.39	LGIM Future World Fund	133,667	13.26
65,670	6.94	Royal London Multi Asset Credit Pooled Fund	70,821	7.03
55,522	5.87	London CIV Pooled Passive Equity Progressive Paris Aligned (PEPPA)	58,880	5.84
48,866	5.17	UBS Property	50,751	5.04
50,808	5.37	JP Morgan infrastructure	49,725	4.93
594,840	62.89	Total Fund	623,810	61.89

13d. Stock Lending

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

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

All income arising from stock lending less the custodian/administrator's costs are credited to the funds lending the stocks. LGIM does not receive any revenue from the stock lending. As at 31 March 2025, the value of quoted equities on loan was £194.5m (31 March 2024 £163.4m) These equities continue to be recognised in the fund's financial statements.

13 Analysis of derivatives

Objectives and policies for holding derivatives

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

Forward foreign currency

The Fund currently has exposure to forward currency contracts and the purpose of this is to reduce the Fund's exposure to fluctuations in exchange rates. The Fund managers who use forward currency contracts are Royal London and Russell. A breakdown of forward contracts held by the Fund as at 31 March 2025 and prior year is shown below:

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value (Unrealised Gain)	Liability Value (Unrealised Loss)
		000			£000	£000
One to six months	GBP	56,803	EUR	(67,793)	44	(219)
One to six months	GBP	68,136	USD	(86,982)	823	(80)
One to six months	GBP	5,126	AUD	(10,368)	117	(0)
One to six months	EUR	6,542	GBP	(5,497)	9	(6)
One to six months	USD	5,702	GBP	(4,453)	5	(40)
Up to one month	GBP	38,107	USD	(46,798)	1,847	-
Up to one month	GBP	2,809	AUD	(5,521)	143	-
Up to one month	GBP	24,309	EUR	(28,609)	329	-
Up to one month	USD	558	GBP	(453)	-	(20)
Up to one month	AUD	471	GBP	(236)	-	(9)
Up to one month	EUR	162	GBP	(136)	-	(0)
One to six months	AUD	363	GBP	(177)	-	(2)
Open forward currency contracts at 31 March 2025					3,317	(376)
Net forward currency contracts at 31 March 2025						2,941
Open forward currency contracts at 31 March 2024					334	(449)
Net forward currency contracts at 31 March 2024						(115)

14 Fair Value Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, where possible using market based information.

There has been no change in the valuation techniques used during the year.

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

Level 1

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

Level 2

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

Level 3

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

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

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled quoted investments	Level 2	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled unquoted investments	Level 2	Developed using market data	No material difference between the value of assets & liabilities and their fair value	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
UK Pooled instruments property funds	Level 3	Valuations carried out by the property funds external valuers, Knight Frank LLP	Market value in accordance with the "RICS" Appraisal and Valuation standards	Valuations could be affected by significant differences in rental value and rental growth
Overseas Pooled instruments property funds (CBRE)	Level 3	The valuation function is performed by the Alternative Investment Fund Manager (AIFM) in accordance with the AIFMD	A Pricing Committee, composed of senior members of the AIFM, is in place, who meet quarterly and is responsible for overseeing proposed adjustments to the value of investments	Valuations could be affected by significant differences in rental value and rental growth. There may be a timing difference between the date of the last reported underlying property valuation and the date of the Funds financial statements, during which the underlying property valuation may have increased or decreased by a significant amount

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Overseas Pooled instruments Infrastructure Funds (JP Morgan)	Level 3	Estimated fair values are determined by the Advisor at valuation date and independently appraised and adjusted on a quarterly basis.	Three valuation techniques can be used, the market, income or cost approach. The appropriateness of each approach depends on the type of asset or business being valued.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount
Overseas Pooled instruments Infrastructure Funds (Stafford Capital)	Level 3	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount
Overseas Pooled instruments Private Debt (Churchill)	Level 3	Valuations undertaken quarterly and determined by the Investment Manager. To determine the value the manager relies on guidance by various regulatory and industry organisations and authorised to use independent third party pricing services and valuation firms.	Unobservable inputs are determined by the Investment Manager and shall take into account items that it reasonably believes would impact the valuation (such as expenses and reserves).	Significant increases (decreases) in discount yields could result in lower (higher) fair value measurement. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Private Debt (Permira)	Level 3	Fair Value is determined by the AIFM based on advice from Portfolio Manager and based on the International Private Equity and Venture Capital guidelines or other standards agreed by the Senior Fund Advisory Committee.	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant impact on the valuations. Timing difference between the date of the last reported valuation and the date of the Fund's financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Renewable Infrastructure	Level 3	Fair Values are calculated in whole or in part using techniques based on assumptions using Investment Association Statement of Recommended Practice (IA SORP)	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant impact on the valuations. Timing difference between the date of the last reported valuation and the date of the Fund's financial statements means that valuation may have increased or decreased by a significant amount.

15 Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent performance measurement service, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2025.

	Assessed valuation range (+/-)	Value at 31 March 2025	Value on increase	Value on decrease
	%	£000	£000	£000
Private Debt	4.70	76,198	79,779	72,616
Pooled Property	6.10	82,032	87,036	77,028
Infrastructure	6.00	111,308	117,986	104,629
Total		269,538	284,801	254,273

	Assessed valuation range (+/-)	Value at 31 March 2024	Value on increase	Value on decrease
	%	£000	£000	£000
Private Debt	6.99	84,551	90,461	78,641
Pooled Property	7.19	81,318	87,164	75,471
Infrastructure	5.71	110,252	116,548	103,957
Total		276,121	294,173	258,069

15a Fair Value Hierarchy

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

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2025	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	197,116	526,022	269,538	992,676
Financial liabilities at fair value through profit and loss	(786)	-	-	(786)
Net Financial Assets	196,330	526,022	269,538	991,890

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

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

15b Reconciliation of Fair Value Measurement within Level 3

	Market Value 31 March 2024	Purchases	Sales	2024/25 Total	Realised gains / losses	Market Value 31 March 2025
	£000	£000	£000	£000	£000	£000
Infrastructure	110,253	6,709	(4,152)	616	(2,118)	111,308
Pooled Property	81,318	0	0	0	715	82,033
Private Debt	84,551	10,270	(16,997)	68	(1,695)	76,197
Total	276,122	16,979	(21,149)	684	(3,098)	269,538

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

There were no transfers between levels

16 Financial Instruments

(a) Classification of financial instruments

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

31 March 2024			31 March 2024			
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost		Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£000	£000	£000		£000	£000	£000
			Financial Assets			
150	-	-	Long Term Investments	150	-	-
23,819	-	-	Bonds - Index linked securities	47,048	-	-
334	-	-	Derivative contracts	3,317	-	-
733,167	-	-	Pooled investment Vehicles	768,041	-	-
84,551	-	-	Private Debt	76,198	-	-
81,318	-	-	Property	82,032	-	-
-	47,099	-	Cash	-	31,749	-
-	89	-	Other Investment Balances	-	985	-
-	99	-	Debtors	-	18	-
923,339	47,287	0	Financial Assets Total	976,786	32,752	0
			Financial Liabilities			
-	-	-	Other Investment Balances	-	-	(786)
(449)	-	-	Derivative contracts	(376)	-	-
-	-	(1,008)	Creditors	-	-	(608)
(449)	0	(1,008)	Financial Liabilities Total	(376)	0	(1,394)
922,890	47,287	(1,008)	Grand total	976,410	32,752	(1,394)
	969,169				1,007,768	

(b) Net Gains and Losses on Financial Instruments

2023/24		2024/25
£000		£000
53,525	Financial assets	20,829
53,525	Fair value through profit and (loss)	20,829

17 Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

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

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

(a) Market Risk

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

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

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

(b) Other Price Risk

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

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

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movements during the financial year, in consultation with Pensions & Investments Research Consultants (PIRC), it has been determined that the following movements in market price risk are reasonably possible for 2024/25, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	Value as at 31 March 2025	Potential market movements	Value on Increase	Value on Decrease
	£000	%	£000	£000
Pooled Equities	538,208	12.09	603,278	473,139
Fixed income	165,723	9.67	181,748	149,697
Infrastructure	111,308	6.03	118,020	104,596
Pooled Property	82,032	6.07	87,015	77,049
Private Debt	76,198	4.69	79,771	72,624
Cash	18,421	1.61	18,717	18,124
Total	991,890	6.03	1,088,549	895,229

Asset Type	Value as at 31 March 2024	Potential market movements	Value on Increase	Value on Decrease
	£000	%	£000	£000
Pooled Equities	687,758	12.49	773,659	601,857
Pooled Overseas Unit Trusts	130,110	6.99	139,205	121,015
Pooled Property	81,318	7.19	87,164	75,471
Total Bonds	23,819	5.65	25,164	22,473
Cash	22,796	0.85	22,990	22,602
Total	945,801		1,048,182	843,418

Interest Rate Risk

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

Interest Rate Risk Sensitivity Analysis

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

Assets exposed to Interest Rate Risk

Assets exposed to interest rate risk	Asset Values as at 31 March 2025	Potential movement on 1% change in interest rates	Value on increase	Value on Decrease
	£000	£000	£000	£000
Bond Securities	47,143	471	47,615	46,672
Cash and Cash Equivalents	15,299	183	15,482	15,116

Cash Balances	16,163	162	16,325	16,001
Total Change in Asset Value	78,605	816	79,422	77,789

Assets exposed to interest rate risk	Asset Values as at 31 March 2024 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on Decrease £000
Bond Securities	23,819	238	24,057	23,581
Cash and Cash Equivalents	22,822	228	23,050	22,594
Cash Balances	24,276	243	24,519	24,034
Total Change in Asset Value	70,917	709	71,626	70,209

Currency Risk

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

Following analysis of historical data in consultation with PIRC, it has been determined that a likely volatility associated with foreign exchange rate movements is 6.5% over a rolling 36 month period.

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

A 6.5% strengthening and weakening of the pound against the various currencies in which the Fund holds investments would increase or decrease the net assets available to pay benefits as follows:

Currency Risk – Sensitivity Analysis

Assets exposed to currency risk	Asset Values as at 31 March 2025 £000	Potential Market movement 6.50%	Value on increase £000	Value on Decrease £000
Overseas Pooled	153,816	9,998	163,814	143,818
Overseas Cash	11,632	756	12,388	10,876
Total change in assets	165,448	10,754	176,202	154,694

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

(b) Credit Risk

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

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

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

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

(c) Liquidity Risk

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

The Fund's cash holding under its treasury management arrangements as at 31 March 2025 was £16.163m (31 March 2024 £24.163m). The Fund has immediate access to its cash holdings that are invested by the Authority and periodic cash flow forecasts are prepared to manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund's cash management policy and in line with the Fund's investment strategy holds assets that are considered readily realised.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2025 the value of liquid assets was £739m, which represented 73% of the total Fund (31 March 2024 £670m, which represented 72% of the total fund assets).

(d) Refinancing Risk

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

Funding Arrangements

Actuarial Statement for 2024/25

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

Description of Funding Policy

The Funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS) dated January 2024. In summary, the key funding objectives are as follows:

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

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

Funding Position as at the last formal funding valuation

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

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual

Principal Actuarial Assumptions and Method used to value the liabilities

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

Method

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

Assumptions

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

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

Financial assumptions	31 March 2022
	%
Discount Rate for Period	3.5
Salary increases assumption	3.4
Benefit increase assumption (CPI)	2.7

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

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

* Aged 45 at the 2022 Valuation

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

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025; however the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this.

High levels of inflation in the UK (compared to recent experience) have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025, and will be finalised by 31 March 2026. The FSS will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

The next actuarial valuation will be carried out as at 31 March 2025, the results will be published by 31 March 2026.

19 Actuarial Present Value of Promised Retirements

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

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

31 March 2024	Year Ended	31 March 2025
£m		£m
(1,074)	Present Value of Promised Retirement Benefits	(936)
969	Fair Value of Scheme assets (bid Value)	1,007
(105)	Net Liability	71

The promised retirement's benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the classes of members may not be reliable. However the actuary is satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

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

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2025 and 31 March 2024. It is estimated that the impact of the change in financial assumptions to 31 March 2025 is to decrease the actuarial present value by £168m. It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £2m.

Financial assumptions

The actuary's recommended financial assumptions are summarised below:

31 March 2024	Year Ended (% p.a)	31 March 2025
% p.a.		% p.a.
2.80	Pension Increase Rate (CPI)	2.80
3.50	Salary Increase Rate	3.50
4.80	Discount Rate	5.80

Demographic assumptions

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

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.1 years	23.8 years
Future Pensioners (assumed to be aged 45 at the latest)	22.0 years	25.3 years

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions

	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	15
1 year increase in member life expectancy	4%	37
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	15

Professional notes

These notes accompany the report titled 'Accounting Covering Report - 31 March 2025', which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

20 Current Assets

2023/24		2024/25
£000		£000
70	Contributions due - employers	199
261	Contributions due - employees	621
113	Pension Fund Bank Account Balances	305
24,163	Cash deposit with LB Havering	16,163
99	Receivables control account	18
24,707	Current Assets	17,306

21 Current Liabilities

2023/24		2024/25
£000		£000
(447)	Benefits Payable	(148)
(270)	Sundry Creditors	(330)
(293)	Holding Accounts	(278)
(1,010)	Current Liabilities	(756)

22 Additional Voluntary Contributions

Contributions Paid	Market Value	AVC Provider	Market Value	Contributions Paid
2023/24	2023/24		2024/25	2024/25
£000	£000		£000	£000
807	47	Prudential	784	32
97	0	Standard Life	86	0

23 Agency Services

The Fund pays discretionary awards to the former employees of Havering. The amounts paid are not charged to the pension fund.

2023/24 £000		2024/25 £000
1,330	Payments on behalf of Havering Council	1,364

24 Related Party Transactions

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

The Fund is administered by the London Borough of Havering. During the reporting period, the council incurred costs of £1.216m (2023/24 £1.077m) in relation to the administration and management of the fund and was reimbursed by the Fund for these expenses.

As the largest employer in the Fund, the Authority contributed in 2024/25 £34.644m (2023/24 £33.396m) to the Pension Fund in respect of employer's contributions. All monies owing to the Fund were paid in year.

Part of the Pension Fund internal cash holdings are invested on the money markets by the treasury management operations of London Borough of Havering, through a service level agreement. As at 31 March 2025 cash holdings totalled £16.163m (2023/24 £24.163m), earning interest over the year of £1.025m (2023/24 £0.989m).

The Fund is a minority shareholder in the London CIV Pool limited, and shares valued at £0.150m at 31 March 2025 (2023/24 £0.150m) are included as long term investments in the net asset statement. A mixed portfolio of pension fund investments is managed by the London CIV as shown in Note 10b. During 2024/25 a total of £1.546m was charged to the Fund by the London CIV in respect of investment management services (2023/24 £1.578m).

Governance

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

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

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

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

The members of the Pensions Committee receive an attendance allowance for each meeting and these costs are included within Note 10.

The members of the Local Pension Board receive an attendance allowance for each meeting and these costs are included within Note 10.

24a Key Management Personnel

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

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

25 Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2025 were £36.63m (31 March 2024 £50.24m). These commitments relate to outstanding capital call payments due on unquoted limited partnership funds held in Private Debt and Infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing.

Following the Freedom and Choice provisions announced in the 2014 Budget, the Pension Fund has seen some enquiries from members about transferring benefits out of the LGPS. There are potential liabilities of £0.402m (2023/24 £0.003m) in respect of individuals transferring out of the Pension Fund upon whom the Fund is awaiting final decisions. Information is not available which shows how much of this is attributable to Freedom and Choice provisions.

Five admitted bodies in the Pension Fund hold insurance bonds or guarantees in place to guard against the possibility of being unable to meet their pension obligations. These bonds total £2.587m and are drawn down in favour of the Pension Fund. Payment will only be triggered in the event of employer default.

Two admitted bodies, which are subject to pending legal agreements, will hold bonds or guarantees totalling £0.070m.

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



PENSIONS COMMITTEE

24 JUNE 2025

Subject Heading:

**ANNUAL REPORT ON THE WORK OF
THE PENSIONS COMMITTEE DURING
2024/25 and 2025/26-2027/28**

SLT Lead:

**BUSINESS PLAN
Kathy Freeman**

Report Author and contact details:

**Debbie Ford
Pension Fund Manager (Finance)
01708432569**

Policy context:

**Debbie.ford@onesource.co.uk
A Business plan demonstrates
compliance against Myners' principles
for effective decision making.**

Financial summary:

**Any associated costs 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 sets out the work undertaken by the Committee during 2024/25 and the plan of work for the forthcoming three years, attached as **Appendix A**. This will form the basis of a rolling Pension Fund Business Plan for the three years covering 2025/26 – 2027/28.

This report explains why a Business Plan is needed and what it should contain.

RECOMMENDATIONS

That the Committee:

- 1) Note the report on the work of the committee for 2024/25
- 2) Agree the Business Plan for the three year rolling period 2025/26 - 2027/28 Business Plan (Appendix A refers)
- 3) Consider any additions to the work plan for the Committee for 2025/26 and beyond (Section 3 within this report refers),

REPORT DETAIL

1. Background

- 1.1 Included within Myners Principle 1: Effective Decision Making suggested best practice was to create a Business Plan and a Training Plan.
- 1.2 The new Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 has removed the requirement to publish compliance against the six Myners principles but the Committee agreed to still publish and explain compliance against these principles. This was published with the new Investment Strategy Statement in September 2023.
- 1.3 To meet best practice it is appropriate to continue to prepare a report on the activity of the Committee on an annual basis and this will be adopted as the Business Plan.
- 1.4 In line with the Council's Constitution – Part 4 Rules of Procedure - ordinary meetings of the Council will receive reports for the previous year's Pension Committee activity from the Chair; this meeting is scheduled for the 23 July 2025 and the Business Plan (Appendix A), which includes the work of the committee for 2024/25, will be referred to the Full Council meeting for consideration.
- 1.5 The Business Plan, compiled in line with CIPFA guidance "Principles for Investment Decision Making & Disclosure in the LGPS" suggests that the Business Plan is submitted to the committee for consideration and should contain:
 - a) Major milestones & issues to be considered by the Committee

- b) Financial estimates – investment and administration of the Fund
- c) Appropriate provision for training
- d) Key targets & methods of measurement
- e) Review level of internal & external resources the committee needs to carry out its functions
- f) Recommended actions to put right any deficiencies.

2. Training

2.1 It is important that all the members of the Committee are adequately trained and briefed to make effective decisions and those members are aware of their statutory and fiduciary responsibilities and achieve the terms of reference of this Committee, which are:

- a) To consider and agree the Investment Strategy Statement for the Pension Fund and subsequently monitor and review performance
- b) Authorise staff to invite tenders and to award contracts to actuaries, advisers and fund managers and in respect of other related investment matters
- c) To appoint and review the performance of advisers and investment managers for pension fund investments
- d) To take decisions on those matters not to be the responsibility of the Executive under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 relating to those matters concerning The Local Government Pension Scheme.

2.2 The Pensions Regulator (TPR) Code of Practice No.14 (April 2015) and its replacement, the new single Code of Practice came into force on 28 March 2024 includes a requirement for members of the Pension Committee (PC)/Local Pension Board (LPB) to demonstrate that they have an appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Committee/LPB

2.3 LGPS (Amendment) (Governance) Regulations 2015 states that Administering Authority must have regard to guidance issued by the Secretary of State. Guidance was issued by the then Shadow Scheme Advisory Board (SAB) in January 2015 and states that the Administering Authority should make appropriate training available to assist LPB members in undertaking their role.

2.4 A joint training strategy that incorporates Pension Committee member training with LPB members, to keep officer time and training costs to a minimum, was developed and previously agreed by the Pensions Committee on the 24 November 2015 and the LPB on the 6 January 2016. The current policy requires updating in order to incorporate guidance following the Good Governance review and the Pensions Regulator (TPR) new (single) Code of Practice. Whilst we still await confirmation on the Governments response to the Good Governance consultation, the TPR Code of Practice has been issued and incorporates a lot of the Good Governance recommendations.

Officers will review compliance against the new code and consider commencing with a Training Strategy review during 2025/26.

- 2.5 The Training Strategy will also set out the arrangements the Pension Fund will take in order to comply with the principles of the CIPFA's Knowledge and Skills Code of Practice.
- 2.6 The Fund also subscribes to the LGPS Online Learning Academy (LOLA) Launched by our Actuaries (Hymans). There were issuances of learning modules under version 1 (v1) and version 2 (v2). This is an online platform designed to support the training needs of the Pension Committee, Local Pension Board and Officers. The training is split into a number of modules covering the CIPFA Knowledge & Skills Framework and TPR's Code of Practices. Each module contains short 'videos on demand' presentations of 20 minutes or less with supplemental learning materials and quizzes.
- 2.7 Pension Committee members were requested to complete at least the LOLA v1 modules to meet the Council's constitution, committee procedure rules. Officers report progress against these modules as part of its quarterly monitoring report. Members appointed to the Committee after 1 October 2023 are required to complete LOLA v2 modules.
- 2.8 Maintaining expertise, experience and knowledge is a key focus for the committee in order to meet the "qualitative test" under **Markets in Financial Instrument Directive (MiFID 11)**. Firms will undertake an assessment of the **expertise, experience and knowledge** of the local authority and its pension fund committee in order to be reasonably assured that they are capable of making their own investment decisions and have an understanding of the risks involved before a firm will permit election to professional status. All requests for election have been granted for existing investment service providers but require continuous updating.

3. Work Plan for 2025/26 and beyond

- 3.1 In addition to the annual cyclical work programme as shown in **Appendix A - Annex B** there are a number of key issues that are likely to be considered by the Pensions Committee in the coming year and beyond and will be added to the meeting cycle as appropriate:
 - a) Restate investment beliefs [Q3, 2025]
 - b) Continued development/monitoring and implementation of Climate Risk Policy
 - c) Develop and implement approach for climate related engagement, in conjunction with LCIV
 - d) Task Force on Climate Related Financial Disclosures (TCFD) reporting compliance/gap analysis (subject to regulatory publications)
 - e) Implementation of the long-term Investment strategy
 - f) Consider Local investment agenda (ongoing considerations at present)

- g) Potential consideration of Private Equity investment (consider alongside local investment)
 - h) London CIV Pooling progression/Continued consideration of transfer of assets to the London CIV (particularly Multi Asset Credit, Index linked assets)
 - i) Consideration of reallocating into Private Debt/Infrastructure close ended funds and review Phase 2 implementation of property strategy within LCIV
 - j) Governance review of London CIV
 - k) Planning for SAB Good Governance guidance compliance - once guidance is issued
 - l) TPR New Code of Practice compliance check – develop action plan
 - m) New training policy to reflect Good Governance and TPR compliance
 - n) New contract – Actuary (current contract expires 30 June 2026)
 - o) New contract – Investment Advisor (current contract expires 31 March 2026)
 - p) New contract – Custodial Services (current contract expires 30 September 2026)
 - q) Administration issues i.e. ongoing work associated with the McCloud ruling – readiness for Pensions Dashboard
 - r) Covenant Risk Review
 - s) SAB developments
 - t) Consideration of LGPS Regulation changes and consequential policy, as applicable
 - u) Topical issues discussed as appropriate
 - v) Continued training and development (include training programme following Local Elections May 2026)
- 3.2 The above list is not exhaustive nor set in stone and Members are asked to consider if there are any other areas of work that they require to be included.

IMPLICATIONS AND RISKS

Financial implications and risks:

The costs of providing the administrative and financial support and associated costs are reimbursed to the Administrating Authority by the Fund.

There is a considerable risk of poor decision making if Members of the Committee are not adequately trained and it is therefore essential that resources are made available to fulfil appropriate training requirements. Training costs are met from the Pension Fund directly or via the Advisor Fee.

Legal implications and risks:

The Councils constitution provides at Part 4.5 para 2(h) that the meeting of full Council shall:

receive reports for the previous year from the Chairmen of the Overview and Scrutiny Committees, the Audit Committee and the Pensions Committee:

- (i) except in the year when there are Borough Elections, at the first ordinary meeting in the Municipal Year; and*
- (ii) in the year when there are Borough Elections, at the last ordinary meeting before those elections;*

The Report at Appendix A is therefore the proposed version to be presented to Council.

The specialist training of those Members who oversee the administration of the Council Pension Scheme is highly desirable in order to help show the proper administration of the scheme. The Council's Constitution recommends that the Membership of the Pension Committee remains static for the life of the Council for the very reason that Members need to be fully trained in investment matters. The life of the Council is considered to be the four-year term.

Otherwise there are no apparent legal implications in taking the recommended decisions.

Human Resources implications and risks:

None arising directly.

Equalities implications and risks:

An EHIA (Equality and Health Impact Assessment) has not been completed and is not required for this decision. The Council seeks to ensure equality, inclusion, and dignity for all. There are no equalities and social inclusion implications and risks associated with this decision.

BACKGROUND PAPERS

None



Havering
LONDON BOROUGH

HAVERING PENSION FUND

REPORT ON THE WORK OF THE PENSIONS COMMITTEE DURING 2024/25 & 2025/28 BUSINESS PLAN

INTRODUCTION

This is the Business Plan for the London Borough of Havering Pension Fund (the 'Fund'). Havering Council is an Administering Authority under Local Government Pension Scheme (LGPS) Regulations and as such has delegated authority for this to the Pensions Committee.

The Business Plan sets out the work undertaken by the Committee during 2024/25 and the plan of work for the forthcoming three years. The Business Plan is reviewed and updated annually.

The Business Plan, in line with CIPFA guidance "Principles for Investment Decision Making & Disclosure in the LGPS" outlines:

- Key Targets and Methods of Measurement
- Review level of internal & external resources
- Financial Estimates
- Major milestones and issues considered and to be considered
- Appropriate provision for Training
- Any recommendations actions to put right any deficiencies.

The Fund provides benefits to Council employees (except teachers). The performance of the Fund impacts on the cost of Council services through the cost of employer contributions. It is therefore beneficial to issue a Business Plan/Annual report to all Council Members covering the work of the Pensions Committee.

KEY TARGETS & METHODS OF MEASUREMENT

The Fund invests employee and employer contributions into a Fund in order to pay pension benefits to scheme members. The Fund is financed by contributions from employees, employers and from profit, interest and dividends from investments.

The Pension Fund consists of 65 employers with active members, of which the London Borough of Havering is the largest. The other employers in the Fund are made of up of 48 Scheduled bodies (Academies) and 14 Admitted bodies (14 outsourced contracts).

Pension Fund – Funding

The Fund's Actuary (Hymans Robertson) carried out a triennial valuation during 2022/23 based on data as at 31 March 2022. The main purpose of the valuation is to calculate the funding position within the Fund and set employer contribution rates for the following three years with the results of the 2022 valuation effecting employer contribution rates from 1 April 2023 until 31 March 2026.

The valuation is a planning exercise for the Fund, to assess the monies needed to meet the benefits owed to its members as they fall due. As part of the valuation process, the Fund reviews its funding and investment strategies to ensure that an appropriate contribution plan is in place.

The Fund also monitors the funding position at the midway point between triennial valuations, which is the 30 September 2023. The purpose of the funding update was to assess whether the funding plan is on track and take any actions where necessary. No actions are required to change the current funding plan. The updated funding position provides an illustrative funding position and not designed to meet regulatory requirements for. A comparison of funding levels can be seen below:

Table 1 - Comparison of funding levels:

Ongoing funding basis	31 March 2019	31 March 2022	30 September 2023
	£m	£m	£m
Assets	733	920	891
Liabilities	1,054	1,149	842
Surplus/(deficit)	(321)	(229)	49
Funding level	70.0%	80.0%	106%

Increased funding level has been driven by a fall in the liabilities. The fall in liabilities is a consequence of higher than expected real discount rate used to value the current cost of future pension obligations (accrued liabilities).

Investment Strategy Development & Performance Monitoring:

The Investment Strategy Statement (ISS) is subject to review at least every three years and it is timely to undertake a review as part of the triennial valuation process and future investment return expectations are set out within the Funding Strategy Statement (FSS).

During the valuation process and discussion of the valuation results it was acknowledged that there was a need to shift the investment strategy towards investments that will provide increased income for the Fund. This was reflected in an Investment Strategy Considerations paper that was presented and agreed at the Pensions Committee meeting on the 21 March 2023 and subsequently incorporated within the ISS agreed at the 12 September 2023 meeting.

Agreement at the 21 March 2023 Pensions committee meeting was to proceed with a two-step approach, which consisted of:

- An initial 'Interim' investment strategy – with an allocation to investment-grade credit assets of 5% and an increase in allocation to infrastructure assets from 10% to 12.5%,
- A 'Long Term' investment strategy – with a migration away from investment grade credit assets and move towards the more income orientated mandates of Multi Asset Credit (MAC) and private debt over time.

The ISS set out the target asset allocations. The following table shows the actual asset allocation position as at 31 March 2024 compared against the long- term target and includes individual Fund Manager benchmarks:

Page 132 **Table 2 – Asset Allocations**

Asset Class		Target Allocation	Actual Allocation 31 March 2025	Relative	Benchmark and Target
		%	%	%	
GROWTH		52.5	53.4	0.9	
Global Equity- Legal & General Investment Management (LGIM) - Passive	LCIV aligned	5.0	4.4	-0.6	FTSE All World Equity Index
Emerging Market Equity - LGIM Emerging Markets - Passive	LCIV aligned	5.0	4.1	-0.9	FTSE World Emerging Markets
Multi- Factor Equity - LGIM Future World Fund	LCIV aligned	12.5	13.3	0.8	FTSE AW ex CW Climate Balanced Factor Index
Passive Equity Progressive Paris Aligned Fund (PEPPA) - State Street	LCIV	5.0	5.8	0.8	S&P Developed Ex-Korea Large Mid Cap Net Zero 20250 Paris Aligned ESG Index
Global Alpha Paris Aligned Fund - Baillie Gifford	LCIV	12.5	13.3	0.8	MSCI ACWI by 2- 3 % p.a. over a rolling 5 five year period Plus have a weighted average greenhouse gas

Asset Class		Target Allocation	Actual Allocation 31 March 2025	Relative	Benchmark and Target
		%	%	%	
					intensity that is lower than MSCI ACWI EU Paris Aligned Requirement index
Absolute Return - Ruffer	LCIV	12.5	12.5	0.0	Preserve and grow capital (LIBOR +4% p.a.)
INCOME		42.5	38.5	-4.0	
UK Property - UBS	Non LCIV	6.0	5.1	-0.9	Match MSCI All Balanced Funds Weighted Average Index
Global Property - CBRE	LCIV	4.0	3.1	-0.9	CPI +5%% p.a. (net of fees)
Global Infrastructure - Stafford II & IV	Non LCIV	3.5	4.3	0.8	CPI +5%% p.a. (net of fees)
Infrastructure - JP Morgan	Nov LCIV	5.5	4.9	-0.6	CPI +5%% p.a. (net of fees)
Renewable Energy Infrastructure	LCIV	3.5	1.8	-1.7	CPI +5%% p.a. (net of fees)
Multi Asset Credit - Royal London	Non LCIV	7.5	7.0	-0.5	<ul style="list-style-type: none"> • 50% ICE BAML, BB-B Index • 50% Credit Suisse US Leveraged Loan Index GBP Hedged
Investment Grade Credit Global Bond Fund	LCIV	5.0	4.8	-0.2	Barclays Aggregate – Credit Index Hedged (GBP) Index
Private Debt - Churchill II & IV	Non LCIV	3.0	2.8	-0.2	Outperform cash + 4% p.a
Private Debt Permira - PCS4 & PCS5	Non LCIV	4.5	4.7	0.2	Outperform cash + 4% p.a
PROTECTION		5.0	8.1	3.1	
Index Linked Bonds - Royal London	Non LCIV	5.0	4.7	-0.3	40% FTSE Index Linked over 5 Year index.
Currency Hedging	Russell	0.0	0.4	0.4	Hedge 100% of EUR, USD and AUD currency (non-equity)
Cash	n/a	0.0	3.0	3.0	n/a
TOTAL		100.0	100.0	0.0	

Set out below is the implementation/progression of the agreed investment strategy during 2024/25:

- 1 October 24 – Restructure of the Royal London (Bond Manager) benchmark – Disaggregated the consolidated benchmark for the Multi Asset Credit Fund and Index Linked Gilts (ILG) so that each is managed to their separate benchmarks. Also updated the ILG benchmark to the FTSE Actuaries UK Index-Linked Gilts All Stocks Index (from the FTSE Actuaries UK Index-Linked Gilts over 5 years Index).
- 12 December 2024 – Underweight positions were rebalanced to bring the funds' assets allocation in line with targets, using cash withdrawn from Havering Treasury (£10m) and Northern Trust General Cash (£30m). £13m increase to the London CIV Absolute Return Fund 9was 1/3% underweight) and £27m increase to Royal London ILG (was 2.7% underweight).
- 1 January 2025 – Oversight of the CBRE Global Alpha Fund transferred to LCIV under an engagement agreement. This resulted in a reduction in fees for the Fund and LCIV will add the Global Alpha Fund to their manager monitoring programme.
- 20 January 2025 – on the 10 December 2024, the Committee agreed to reduce the target allocation of the LCIV Global Alpha Growth Paris Aligned (GAGPA) fund from 15% to 12.5% and increase the Legal and General Future World Fund allocation from 10% to 12.5%. The 2.5% adjustment equated to £25m and the transfer of cash was completed on 20 January 2025

Following on from the agreement of the ISS in September 2023, the ISS will be presented to the Committee for ongoing implementation updates during 2025 and beyond.

Overweight allocations to cash or asset allocations will be considered for reinvestment or settlement of capital calls.

Short-term performance of asset class and managers will result in a deviation from benchmarks from time to time.

The underweight position in the LCIV Renewable Infrastructure Fund relates to the commitment not yet fully called.

In line with the ISS, when the Fund allocation deviates by 5 percentage points or more from the strategic allocation, the assets will be rebalanced back to within 2.5 percentage points of the strategic asset allocation.

As at 31 March 2025 the total value of assets with the London CIV is £416m which represents 38% of assets under direct management (2023/24 41%). The London CIV has a business arrangement with LGIM and CBRE to deliver the passive global mandate; this can be classified as being held within the London CIV for pooling purposes so the allocation increases to £635m. Overall allocation to LCIV is 63% (2023/24 60%).

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

The Fund has continued to fund capital calls for the Private Debt and Infrastructure mandates during the year to 31 March 2024. Amounts paid and waiting to be called are as follows:

Table 3 – Capital Calls paid and outstanding

Investment Manager	Mandate	Amount Paid £000	Commitments outstanding* £000
Stafford II	Infrastructure	0,074	1,658
Stafford IV	Infrastructure	0,729	2,334
LCIV Renewables	Infrastructure	4,415	8,661
Churchill II	Private Debt	nil	0,901
Churchill IV	Private Debt	1,712	3,959
Permira PCS4	Private Debt	nil	4,751
Permira PCS5	Private Debt	8,548	14,366
Total		15,478	36,630

*Includes recallable income

Investment Strategy - Climate Considerations:

The Committee recognises the long-term financial risks and opportunities presented by climate change and during 2021/22 had already taken steps to address climate risk in a number of ways, mainly moving some of its equity investments to low carbon aligned portfolios and commenced investing in renewable energy infrastructure. The Committee will continue to include climate considerations as part of investment decision making.

The Committee's journey to meet its climate ambitions remains ongoing and the progress made to date is outline below:

- a. 26 July 2022 Pensions Committee meeting - the Committee received a presentation setting out the possible next steps in developing the Fund's plans for addressing climate risk within its portfolio. This plan will be used to establish a baseline position enabling the Fund to frame objectives and targets for change.
- b. 20 September 2022 Pension Committee meeting - the Committee was presented with a baseline assessment of several carbon metrics, which identified gaps in data and set out those asset types where data is harder to collect and measure. Assessing the Fund's current position against a series of standard metrics will address ongoing reporting requirements.
- c. 13 December 2022 Pensions Committee considered the indicative plans/actions and timescales in developing the Fund's plans for embedding climate risk management into the Fund.
- d. 6 March 2023 - An education session on climate metrics was delivered to the Committee, in preparation for the discussions on setting objectives and goals for inclusion in the climate risk policy.
- e. 21 March 2023 Pensions Committee discussed and agreed the draft outline of the Climate Risk Policy content and agreed to fully develop the policy. The Policy will set out the Committee's approach to addressing climate related risks, its goals and any associated actions for delivery. The Committee will then monitor exposure to climate related risks within its portfolios on an annual basis.
- f. 25 July 2023 Pensions Committee agreed the Climate Policy and Action Plan, which includes the objectives set, targets to be assessed and actions that the Committee will take.
- g. 27 March 2024 Climate workshop held to discuss the climate journey so far and next steps on how to measure the progress against an ambition to reduce financial emissions to net zero by 2050.
- h. 10 Dec 2024 - Annual collection and collation of climate metrics in line with Fund's Climate Action Plan/Risk Policy and Task Force on Climate-Related Financial Disclosures ("TCFD") framework. TCFD report presented and agreed at Pensions Committee meeting on the 10 December 2024.

Fund Performance

The performance of the Fund is measured against a tactical and a strategic benchmark.

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

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

The Fund uses the performance measurement services from Northern Trust, to provide comparative statistics on the performance of the Fund for its quarterly monitoring.

The overall net performance of the Fund as at 31 March 2025 against both benchmarks is shown below:

Table 4 – Fund Performance

	<u>1 year</u> <u>to</u> <u>31.03.25</u> %	<u>3 Years to</u> <u>31.03.25</u> %	<u>5 years to</u> <u>31.03.25</u> %
Fund Return	3.64	2.38	6.99
Tactical Benchmark	5.84	6.00	8.54
Performance	(2.20)	(3.62)	(1.55)
Fund Return	3.64	2.38	6.99
Strategic Benchmark	(6.25)	(11.98)	(5.39)
Performance	9.90	14.36	12.38

Source: Northern Trust

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

Comments on Fund performance from the Fund's Investment Advisors:

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

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

Over the 12-month period to 31 March 2025, the Fund delivered a positive return of 3.6% which was ahead of the strategic benchmark, albeit behind the Fund's tactical benchmark. Over periods of 3 years and 5 years to 31 March 2025, the Fund experienced positive asset growth, with investment returns of 2.4% p.a. and 7.0% p.a. respectively. These returns remain ahead of the Fund's strategic benchmark, with the Fund therefore demonstrating long-term performance which remains sufficient to support affordable and stable levels of contributions.

The positive investment performance (in absolute terms) over the 12-month period was primarily driven by the Fund's passive equity allocation, as well as positive contributions from credit allocations. Over the year global equity markets performed well, driven by strong returns of US technology stocks. Credit markets were buoyed by resilient corporate earnings and the prospect of interest rate cuts improved the outlook for corporate balance sheets.

The Fund's active equity allocation, infrastructure and global property allocations were the main sources of underperformance relative to the tactical benchmark over the 12-month period.

Implementation of agreed changes in the investment strategy continued over the year. The allocation to the LCIV Global Alpha Growth Paris Aligned Fund was reduced from 15% to 12.5%, with the proceeds invested in the LGIM Future World Fund (thereby increasing the allocation from 10% to 12.5%). This was undertaken to provide a greater balance across the equity mandate target allocations, whilst retaining a well-diversified aggregate equity allocation. In addition, steps were taken to reduce potential return volatility in the RLAM mandate through reducing the benchmark duration of the index linked gilts portfolio.

Finally, during the year, the Committee took further steps to progress against objectives set out in the Fund's Climate Risk Policy and Action Plan. This included the Committee reviewing the ESG-related exclusions and restrictions applicable to the Fund's existing investments, completing an assessment of climate metrics for the Fund's existing investments as at 31 March 2024, and becoming a signatory of the 2024 Global Investor Statement to Governments on the Climate Crisis. The Committee also produced

their fourth annual report setting out their approach to managing climate-related risks in line with the Taskforce on Climate-related Financial Disclosures (TCFD) framework.

Due to a change in guidance, the Committee reviewed the reporting arrangements back in June 2017 and agreed that only one fund manager will attend each Committee meeting, unless performance concerns override this. Managers in the London CIV sub funds are now monitored by them and the London CIV produce quarterly monitoring reports, which are distributed to the Committee.

Cyclical coverage of manager monitoring is set out in **Annex B**.

INTERNAL & EXTERNAL RESOURCES

Investment strategy and performance monitoring of the Fund is a matter for the Committee which obtains and considers advice from the Authority and oneSource officers, and as necessary from the Fund's appointed professional adviser, actuary and performance measurers who attend meetings as and when required.

The structure of the Committee, which reflects the political balance of the Council, and who were responsible for decision making during the year to 31 March 2025, follows:

Labour Group

Cllr Mandy Anderson (Chair)

Conservative Group:

Cllr Viddy Persaud

Cllr Joshua chapman

Havering Residents' Group

Cllr Stephanie Nunn (Vice- Chair)

Cllr Jacqueline Williams

Cllr James Glass

Other

Union Members (Non-voting) x 2 - Derek Scott (Unison) and Vacant (GMB)

Admitted/Scheduled Body Representative (voting) (currently vacant)

Day to day management of the Fund is delegated to the authority's statutory section 151 Officer/Strategic Director of Resources and the Director of Exchequer & Transactional Services, delivered via oneSource (shared service arrangement between London Borough of Havering and Newham).

The Investment and Financial management of the Fund is delivered by the London Borough of Havering's Pensions and Treasury Team and Pensions Administration is delivered via the oneSource arrangement.

The Pensions Committee is also supported by Committee Services.

Administrative costs are reimbursed to the Administrating Authority by the Fund.

From 1 November 2017, the London Borough of Havering delegated the pension administration service to Lancashire County Council (LCC) who has engaged the Local Pension Partnership Administration (LPPA) to undertake their pension's administration.

Estimated costs for the forthcoming three years for Administration, Investment Management expenses and Governance & Oversight follow in this report.

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

At a Pensions Committee meeting held on the 25 June 2024, members reviewed and agreed the £648k 2024/25 budget for the LPPA Pensions Administration contract. The 2025/26 budget will be presented to the Pensions committee at the 24 June 2025 meeting.

The oneSource Pensions Administration section consists of 3 full time equivalent posts, which includes a post for the Projects and Contracts Manager who monitors the LPPA pension's administration contract and ad hoc projects.

The financial information can be seen in Financial Estimates section.

Accountancy and Investment support - The Pensions Finance team consists of 2.4 full time equivalent posts (3 officers). They ensure that members of the committee receive advice on investment strategy and monitoring of the fund managers. The team also maintains compliance with the Pension Fund statutory obligations, as well as accounting for the activities of the Fund.

FINANCIAL ESTIMATES

The financial accounts of the Havering Pension Fund for 2024/25 is included in the formal Annual Report of the Fund itself and not included here. The Annual Report is prepared later in the year when the pension fund accounts have been finalised.

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

1. Administrative Expenses

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

	2023/24 Actual £000	2024/25 Estimate £000	2024/25 Actual £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
Administration & Processing	806	908	996	1,030	1,030	1,030
Other Fees (Levies)	15	16	8	15	15	15
Other Costs (Interest)	125	75	2	0	0	0
TOTAL	946	999	1,006	1,045	1,045	1,045

Please note the following regarding the above figures:

- Administration & processing costs include the Pension Administration Contract LPPA, Project & Contract manager, payroll & legal charges and ad hoc project costs. Increase in 2024/25 costs relates to an additional backdated 2022/23 Fusion Licensing costs (£68k). Increase in 2025/26 estimate relate to increase in Pensions Administration Contract (£97k).
- Interest payments accounted for in Leavers out expenditure and will no longer an increase in interest rates
- Assumed inflation at 3% where applicable or average over three years - No further allowance for inflation after 2025/26

2. Investment Management expenses

These costs will include any expenses incurred in relation to the management of Fund assets.

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

	2023/24 Actual £000	2024/25 Estimate £000	2024/25 Actual £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
Fund Manager Fees	3,995	4,000	3,606	3,900	3,900	3,900
Performance Related Fees	200	160	32	50	50	50
Transaction costs	361	335	597	490	490	490
Custodian Fees	28	35	29	30	30	30
TOTAL	4,584	4,530	4,264	4,470	4,470	4,470

Please note the following regarding the above figures:

- Lower Fund Manager fees relate to lower fee rates being applied. Return of capital results in lower asset values and therefore lower fees
- Movement between Performance Related Fees & Transaction costs relate to better understanding of cost classifications
- Fund Manager/Performance Fees & Transaction costs are charged according to the fund value; therefore, an average figure from the last three years has been applied for estimates 2025/26 onwards and adjusted for mis-postings as appropriate.

3. Governance and Oversight

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

	2023/24 Actual £000	2024/25 Estimate £000	2024/25 Actual £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
Financial Services	229	240	194	200	200	200
Actuarial Fees	125	60	35	100	40	40
Audit Fees	90	90	114	100	100	100
Performance Measurement Fees	38	45	54	55	55	55
Member Training (inc. LPB)	2	10	15	15	15	15
Advisor Fees	80	80	110	90	90	90
London CIV	101	100	97	100	100	100
Local Pension Board	7	10	9	10	10	10
Pensions Committee	38	40	27	30	30	30
Other Fees	15	16	17	20	20	20
TOTAL	725	691	672	720	720	720

Please note the following regarding the above figures:

- Financial Services reduction relate to the outcome of management changes following exit from oneSource
- Actuarial Fees shown are shown net of recharges from 2024/25 onwards.
- LCIV reflects lower fee Development Fund charges
- Incompletion of prior year audits costs causing delays for accurately predicating audit fees. Estimates for audit fees are based on 24/25 agreed fees and uplifted for 3% inflation. Audit fees subject to approval by Public Sector Audit Appointments (PSAA).
- Assumed inflation at 3% where applicable or average over 3 years - No further allowance for inflation after 2025/26

	2023/24 Actual £000	2024/25 Estimate £000	2024/25 Actual £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
OVERALL MANAGEMENT TOTAL	6,255	6,220	5,942	6,235	6,235	6,235

MAJOR MILESTONES & ISSUES CONSIDERED/TO BE CONSIDERED

Pension Committee meetings 2024/25

The Committee met a number of times during 2024/25 and Annex A sets out the coverage of matters considered and members in attendance.

Timetables are indicative and some reports may be rescheduled to an alternative date to avoid overloading content at meetings.

Annex A has been compared against the indicative work plan set for 2024/25 to demonstrate what was achieved and is set out below:

Cyclical Planned Work	Achieved	Comments
25 June 2024		
Overall Monitoring Report on Pension Fund to end of Mar 24 - Royal London – Bonds manager to attend	Yes	
Business Plan/Report on the work of the Pensions Committee 2023/24	Yes	
Pension fund Accounts 2023/24	Yes	
Pensions Administration Budget 2024/25	Yes	
Non-Cyclical Planned Work	Achieved	Comments
Review of Pensions Fund Admissions Policy	Yes	Included in the work plan but with no specified date
Agreed Admission to the fund: CleanTEC Services (catering – Elm Park School) and Aspens Services (Catering Empower Learning Trust)	Yes	Not possible to predict when new employers will join so won't be scheduled as part of the business plan
1 October 2024		
Overall Monitoring Report on Pension Fund to end of Jun 24- LGIM Passive Equities Manager to attend	Yes	
Pension Fund Annual Report 2023/24	Yes	Presented at 5 November 2024 meeting
The Pensions Regulator Code of Practice – compliance/action Plan	No	Still under review
Government Actuary Department - Section 13 results	Yes	
5 November 2024		

Annual review of Custodian + contract renewal options	Yes	Presented at 10 December 2024 meeting
Annual review of Adviser + contract renewal options	Yes	
Cyclical Planned Work	Achieved	Comments
5 November 2024 (cont'd)		
Annual review of Actuary +contract renewal options	Yes	
Review of Governance Policy	Yes	
Whistleblowing Annual Assessment/Breaching of Law Policy	Yes	
Risk Register Review	Yes	
Overpayment policy following Death	Yes	
Communications Strategy 2024-27	Yes	
Pension Fund Charging Review	Yes	Presented at 10 December 2024 meeting (included with administration Strategy Review)
Pensions Administration Strategy Review	Yes	Presented at 10 December 2024 meeting
10 December 24		
Overall Monitoring Report on Pension Fund to end of Sep 24 - UBS – UK Property Manager to attend	Yes	
TCFD Report 2023/24	Yes	
Local Pension Board Annual Report 31 March 2024	No	Issues with timings of AGM /sickness. Meeting dates reviewed
Non-Cyclical Planned Work	Achieved	Comments
Investment Strategy Update – Equity portfolio		Included in the work plan but with no specified date
18 March 25		
Overall Monitoring Report on Pension Fund to end of Dec 24 - Stafford – Infrastructure manager to attend	Yes	
Annual review of Fund Managers Voting & Engagement	Yes	
Pensions Administration Budget 2025/26	No	Anticipated for June 2025 meeting
Non-Cyclical Planned Work	Achieved	Comments
New Employer Admissions Process Review		

PENSION COMMITTEE MEETINGS 2024/25

ANNEX A

Date	Good Governance Framework category		Topic	Attended By	Duration of meeting
25 Jun 24	Investment	Monitoring of Investments	Noted the Pension Fund Performance Monitoring Report for quarter ending March 2024: received presentations from the Fund's bonds manager : Royal London	Cllr Mandy Anderson (Chair) Cllr Viddy Persaud Cllr Joshua Chapman Cllr Jacqueline Williams Cllr Stephanie Nunn (Vice-Chair)	2 hours 10 minutes
	Governance	Annual Report & Accounts	Noted Pension Fund Accounts 2023/24		
	Governance	Budget Setting	Agreed the Pensions Administration Budget 2024/25		
	Governance	Policies/Strategies	Agreed review of the Funds Admission policy		
	Funding	New Employer	Agreed Admission to the fund: <ul style="list-style-type: none"> • CleanTEC Services Limited – cleaning services to Elm Park School • Aspens Services Limited – catering services to Empower Learning Academy Trust 		
	Governance	Business Planning/Service Delivery	Agreed the rolling 2024/25 – 2026/27 Business Plan/ Annual Report on the work of the Pensions Committee for 2023/24		
1 Oct 24	Investment	Monitoring of Investments	Noted the Pension Fund Performance Monitoring Report for quarter ending 30 June 2024: received presentations from the Fund's Passive Equity Manager: Legal & General	Cllr Stephanie Nunn (Chair) Cllr Viddy Persaud Cllr Jacqueline Williams	1 hour 30 minutes
	Funding	Actuarial Valuations	Noted the results of Public Services Pensions Act 2013 – Section 13 report		

PENSION COMMITTEE MEETINGS 2024/25

ANNEX A

Date	Good Governance Framework category		Topic	Attended By	Duration of meeting
5 Nov 24	Governance	Review of Effectiveness	Noted Annual review of Actuary for the year ending 30 Sept 2024 and agreed contract extension to June 2026 and agreed to commence tendering for new contract via the National Framework	Cllr Mandy Anderson (Chair) Cllr Viddy Persaud Cllr Jacqueline Williams Cllr James Glass Cllr Robby Misir (sub for Cllr Nunn)	1 hour 30 minutes
	Governance	Review of Effectiveness	Noted Annual review of Investment Consultant & agreed to commence tendering for new contract via the National Framework		
	Governance	Governance Compliance Statement	Agreed Governance Policy & Compliance Statement following review		
	Governance	Annual Report & Accounts	Agreed the Pension Fund Annual Report 31 March 2024 and noted compliance against checklist		
	Governance	Breaches	Agreed the policy for reporting breaches of law and noted there were no breaches		
	Pension Administration	Communication Strategy	Agreed the Communications Policy 2024 to 2027		
	Governance	Risk Management	Approved the updated Pension Fund Risk Register – updated as of Nov 2024		
	Pension Administration	Processes	Agreed the continuation of the overpayment policy following death of a pensioner		
10 Dec 24	Investment	Monitoring of Investments	Noted the Pension Fund Performance Monitoring Report for quarter ending 30 September 2024: received presentations from the Fund’s UK Property Manager: UBS	Cllr Mandy Anderson (Chair) Cllr Viddy Persaud Cllr Joshua Chapman Cllr Jacqueline Williams	2 hours 20 minutes

PENSION COMMITTEE MEETINGS 2024/25

ANNEX A

Date	Good Governance Framework category		Topic	Attended By	Duration of meeting
	Governance	Review of Effectiveness	Noted Service review of the Pension Fund Custodian for the year to September 2024 & agreed to commence tendering for new contract via the National Framework		
	Investment	Performance	Agreed the Taskforce on Climate Related Financial Disclosure report for the year ending 31 March 2024		
	Pension Administration	Administration Strategy	Agreed the Pensions Administration Strategy Charging Policy for 3 years to 2027		
18 Mar 25	Investment	Monitoring of Investments	Noted the Pension Fund Performance Monitoring Report for quarter ending 31 December 2024: received presentations from the Fund's Infrastructure Manager: Stafford	Cllr Stephanie Nunn (Chair) Cllr Stanton (sub for Cllr Anderson) Cllr Jacqueline Williams Cllr Dilip Patel (sub for Cllr Persaud)	1 hour 45 minutes
	Pension Administration Investment	New Employer Responsible Investment	Agreed the change to the admissions process for new employers Noted the Review of Voting & Engagement Activity for the year to June 24		

- Three members constitute a quorum.
- Target dates for issuing agendas were met.

Pension Committee meetings 2025/26 and onwards

To assist members to make effective decisions, the Business Plan sets out an indicative timetable for reports to be submitted to the committee which will cover cyclical reports, as shown in **Annex B**.

In addition to the annual cyclical work programme there are a number of key issues that are likely to be considered by the Pensions Committee in the coming year and beyond and will be added to the meeting cycle as appropriate and are set out below:

- Restate investment beliefs [Q3, 2025]
- Continued development/monitoring and implementation of Climate Risk Policy
- Develop and implement approach for climate related engagement, in conjunction with LCIV
- Task Force on Climate Related Financial Disclosures (TCFD) reporting compliance/gap analysis (subject to regulatory publications)
- Implementation of the long-term Investment strategy
- Consider Local investment agenda (ongoing considerations at present)
- Potential consideration of Private Equity investment (consider alongside local investment)
- London CIV Pooling progression/Continued consideration of transfer of assets to the London CIV (particularly Multi Asset Credit, Index linked assets)
- Consideration of reallocating into Private Debt/Infrastructure close ended funds and review Phase 2 implementation of property strategy within LCIV
- Governance review of London CIV
- Planning for SAB Good Governance guidance compliance - once guidance is issued
- TPR New Code of Practice compliance check – develop action plan
- New training policy to reflect Good Governance and TPR compliance
- New contract – Actuary (current contract expires 30 June 2026)
- New contract – Investment Advisor (current contract expires 31 March 2026)
- New contract – Custodial Services (current contract expires 30 September 2026)
- Administration issues i.e. ongoing work associated with the McCloud ruling – readiness for Pensions Dashboard
- Covenant Risk Review
- SAB developments
- Consideration of LGPS Regulation changes and consequential policy, as applicable
- Topical issues discussed as appropriate
- Continued training and development (include training programme following Local Elections May 2026)

• KEY REPORTING DATES / INDICATIVE WORK PLAN 2025/26

ANNEX B

	JUNE 2025	SEPTEMBER 2025	NOVEMBER 2025	DECEMBER 2025	MARCH 2026
Formal Committees with Members	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of March 25: Russell (FX hedging) ▪ Business Plan/Report on the work of the Pensions Committee 2024/25 ▪ Pension Fund Accounts 2024/25 ▪ Pensions Administration Budget 25/26 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of June 25 – JP Morgan (Infrastructure) ▪ Pension Fund Annual Report for 2024/25 	<ul style="list-style-type: none"> ▪ Annual review of Custodian ▪ Annual review of Actuary ▪ Annual review of Adviser ▪ Review of Governance Policy ▪ Risk Register Review ▪ FSS Statement ▪ Summary of new employer admissions report 	<ul style="list-style-type: none"> Overall Monitoring Report on Pension Fund to end of Sep 25: Churchill (Private Debt) ▪ TCFD report 2024/25 ▪ Local Pension Board Annual Report 31 March 25 ▪ 2025 Valuation results ▪ Investment Review ▪ ISS Statement 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of Dec 25: LCIV (Pooling) ▪ Annual review of Fund Managers Voting & Engagement ▪ Business Plan/Report on the work of the Pensions Committee 2025/26
Training	Associated Training	Associated Training	Associated Training	Associated Training	Associated Training

KEY REPORTING DATES / WORK PLAN 2026/27

	JUNE 2026	SEPTEMBER 2026	NOVEMBER 2026	DECEMBER 2026	MARCH 2027
Formal Committees with Members	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of March 26: CBRE (Property) ▪ Pension Fund Accounts 2025/26 ▪ Summary of new employer admissions report 2026/27 ▪ Pensions Administration Budget 26/27 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of June 26 – Royal London (Bonds) ▪ Pension Fund Annual Report for 2025/26 	<ul style="list-style-type: none"> ▪ Annual review of Custodian ▪ Annual review of Actuary ▪ Annual review of Adviser ▪ Review of Governance Policy ▪ Risk Register Review 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of September 26 Permira (Private Debt) ▪ Annual review of Fund Managers Voting & Engagement ▪ TCFD report 2025/26 ▪ Local Pension Board Annual Report 31 March 26 ▪ Triennial mid-point valuation (as at Sep 26) 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of December 26: Stafford (Infrastructure)
Training	Associated Training	Associated Training	Associated Training	Associated Training	Associated Training

KEY REPORTING DATES / WORK PLAN 2027/28

	JUNE 2027	SEPTEMBER 2027	NOVEMBER 2027	DECEMBER 2027	MARCH 2028
Formal Committees with Members	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of March 27: LGIM (Passive equity) ▪ Business Plan/Report on the work of the Pensions Committee 2026/27 ▪ Pension Fund Accounts 2026/27 ▪ Pensions Administration Budget 27/28 ▪ Summary of new employer admissions report 2026/27 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of June 27 – UBS (UK Property) (Bonds) ▪ Pension Fund Annual Report for 2026/27 	<ul style="list-style-type: none"> ▪ Annual review of Custodian ▪ Annual review of Adviser ▪ Annual review of Actuary ▪ Review of Governance Policy ▪ Risk Register Review ▪ Cash Policy Review ▪ Overpayment policy following Death ▪ Pensions Administration Strategy ▪ Charging Policy 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of September 27 JP Morgan (Infrastructure) • GAD Section 13 Results • Annual review of Fund Managers Voting & Engagement ▪ TCFD report 2026/27 ▪ Local Pension Board Annual Report 31 March 27 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of December 26: Churchill (Private Debt) ▪ Pensions Administration Budget 28/29
Training	Associated Training	Associated Training	Associated Training	Associated Training	Associated Training

PROVISION OF TRAINING

The Pensions Regulator new single Code of Practice came into force on 28 March 2024 and includes a requirement for members of the Pension Committee (PC)/Local Pension Board (LPB) to demonstrate that they have an appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Committee/LPB.

A joint training strategy for the PC/LPB was last agreed by the Pensions Committee on the 24 November 2015 and presented to the Local Pension Board at its meeting on the 6 January 2016. A Training Strategy review had been deferred pending issuance of guidance/regulations for the anticipated Good Governance Review and TPR New Code of Practice. The Code of Practice has now been issued and officers are in the process of reviewing compliance against the new code and will commence with a Training Strategy review during 2025/26.

The PC of the London Borough of Havering Pension Fund fully supports the intentions behind CIPFA's Knowledge and Skills Code of Practice and has agreed to formally adopt its principles. The updated June 2021 Knowledge and Skills framework for committee members was adopted as part of the training programme following the Local Borough elections in May 2022.

As set out in the Council's constitution committee procedure rules, a member appointed to the PC shall have received, or shall within six months of appointment receive, training appropriate to its membership. If a member does not undertake the required training within six months of appointment, then that member shall not partake in the decision making of the Committee until their training has been completed. The completion of the LOLA v1 modules was deemed to meet these criteria. Long membership of the committee is also encouraged in order to ensure that expertise is developed and maintained within. The Council recommend that the membership of the Pension Committee remain static for the life of the term in Council, unless exceptional circumstances require a change.

Maintaining expertise, experience and knowledge is a key focus for the committee in order to meet the "qualitative test" under Markets in Financial Instrument Directive (MiFID 11). Firms will undertake an assessment of the expertise, experience and knowledge of the local authority and its pension fund committee in order to be reasonably assured that they are capable of making their own investment decisions and have an understanding of the risks involved before a firm will permit election to professional status. All requests for election have been granted for existing investment service providers.

A training budget has been agreed for the provision of training for £10,000 but this will be re-evaluated as appropriate. Training costs will be met from the Pension Fund.

The majority of training and development is cyclical in nature, spanning the four-year membership of the PC. Associated training and development will be given when required and linked to the Pension Fund meeting cyclical coverage as shown in **Annex B**.

In addition to the cyclical training and development that the PC will have over the lifetime of their membership, training will be provided in the areas where it has been specifically requested or has been identified as required. Special PC meetings will be arranged from time to time to discuss matters as appropriate

Members receive briefings and advice from the Fund's Investment adviser at each Committee meeting.

Members and Officers also attend seminars arranged by Fund Managers or other third parties who specialise in public sector pensions.

The Fund is a member of the CIPFA Pensions network, which gives access to an extensive programme of events, training/workshops, newsletters and documentation, including briefing notes on the latest topical issues.

The Head of Pensions and Treasury, Projects and Contracts Manager, Pension Fund Manager (Finance) and /or Accountant also attends regular forum meetings with peers from other London Boroughs; this gives access to extensive opportunities of knowledge sharing and benchmarking data.

Officers within oneSource Pensions teams also benefited from sharing of best practice

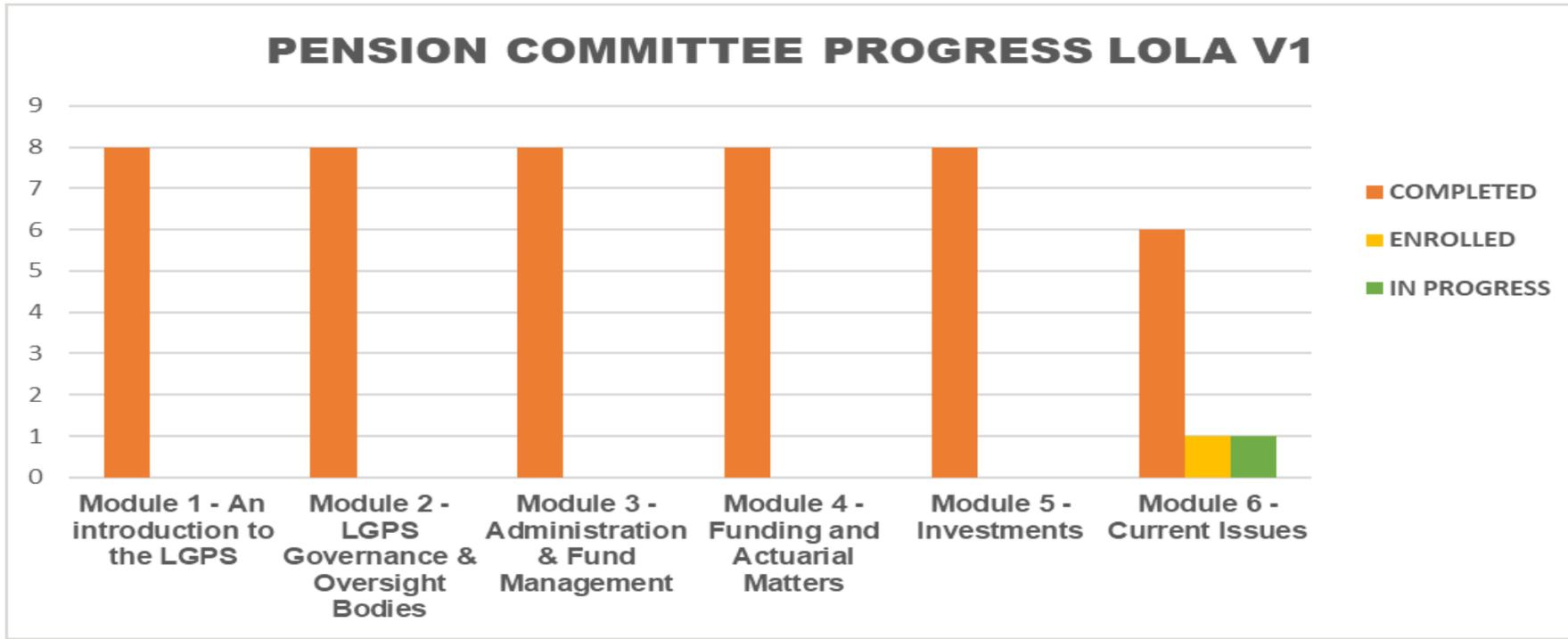
The London CIV runs periodic seminars to aid Officer and Committee member development.

The Pensions Regulator has launched an e-learning programme and this is available for members of the PC and LPB to use.

The Fund has also subscribed to the LGPS Online Learning Academy (LOLA) launched by our Actuaries (Hymans). There were issuances of learning modules under version 1 (v1) and version 2 (v2). This is an online platform designed to support the training needs of PC, LPB and Officers. The training is split into a number of modules covering the CIPFA Knowledge & Skills Framework and TPR's Code of Practices. Each module contains short 'videos on demand' presentations of 20 minutes or less with supplemental learning materials and quizzes. PC members were requested to complete LOLA v1 modules to meet the Council's constitution committee procedure rules.

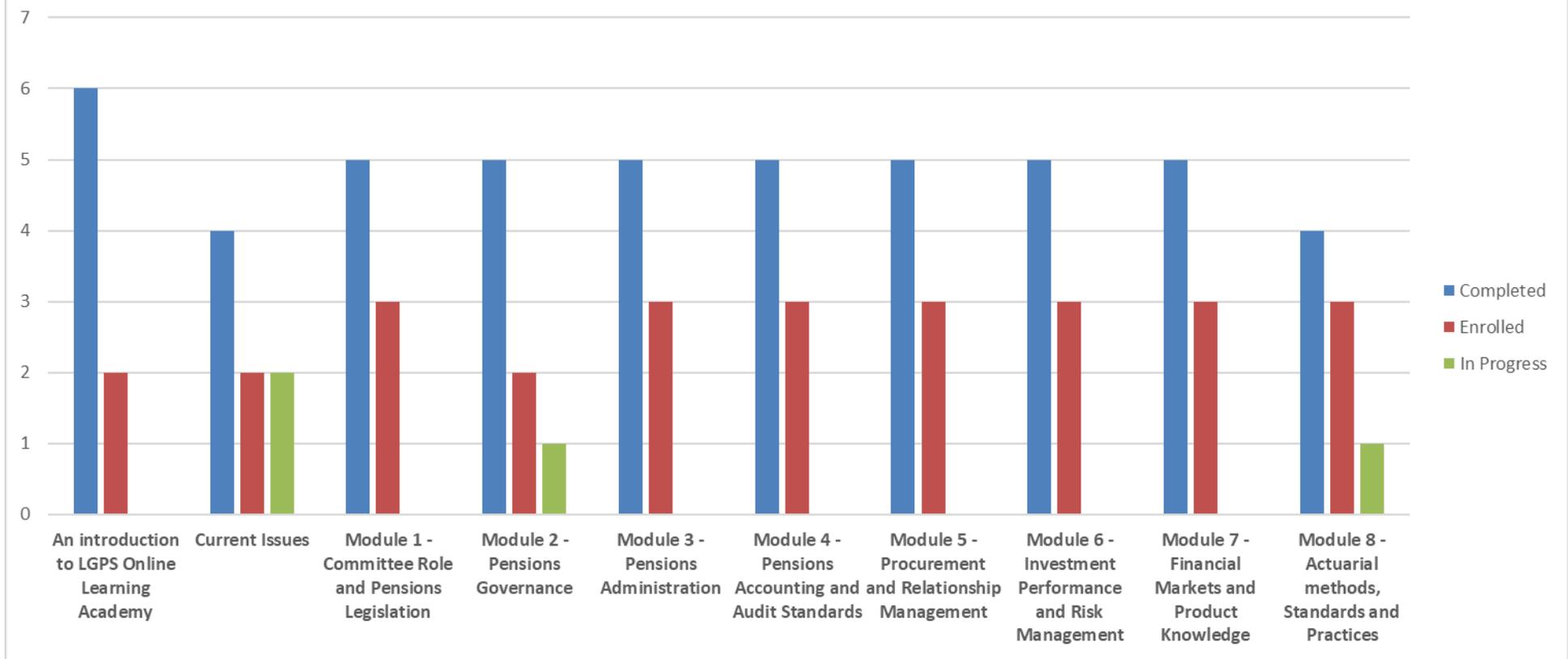
The Fund receives regular progress reports, allowing it to easily evidence member's development and progress as at 31 March 2025 can be seen in the tables that follows:

:



The fund transitioned to the LOLA v2 module in October 2023 and the PC are encouraged to refresh their learning by completing the modules under version 2. Progress made as at **31 March 2025** can be seen in the following table:

Pensions Committee Progress LOLA v2



Training and development took place during 2024/25 to ensure that Members of the Committee were fully briefed in the decisions they were taking. Training logs are maintained and attendance and coverage can be found in **Annex C below**. Training will be recorded following the May 2022 elections to demonstrate continuous development and training during their full term of elected office on the PC. This is in addition to the LOLA modules.

PENSION COMMITTEE TRAINING (May 2022 Election - 31 March 2025)					Annex C
Date	Good Governance/CIPFA Framework category		Topic	Attended By	Duration
23 Jun 2022	ALL	ALL	Introduction to Pensions	Cllr Mandy Anderson (Chair)	1 hour
11 Jul 2022	ALL	Financial/ Investment Strategy, pooling & Financial Mkts & products	LCIV Induction for new Pension Committee Chairs	Cllr Mandy Anderson (Chair)	1 hour
19 Jul 2022	ALL	ALL	New Pension Committee induction	Cllr Mandy Anderson (Chair) Cllr Dilip Patel Cllr Viddy Persaud Cllr Julie Wilkes Cllr Philip Ruck Cllr Matthew Stanton	1 hour 30 minutes
5/6 Sept 2022	Investment	Strategy Implementation – Asset pooling	LCIV Annual Strategy Conference	Cllr Mandy Anderson (Chair) Derek Scott (Union Rep)	12 hours
20 Oct 2022	Governance	Governance	LGA Fundamentals Day 1	Cllr Mandy Anderson (Chair)	7 hours
10 Nov 2022	Governance	Strategy Implementation – Asset pooling	LGA Fundamentals Day 2	Cllr Mandy Anderson (Chair)	7 Hours
5 Dec 2022	Funding	Funding Strategy &	2022 Valuation results	Cllr Julie Wilkes Cllr Viddy Persaud	2 hours

PENSION COMMITTEE TRAINING (May 2022 Election - 31 March 2025)

Annex C

Date	Good Governance/CIPFA Framework category		Topic	Attended By	Duration
		Actuarial Methods		Derek Scott (Union Rep)	
15 Dec 2022	ALL	ALL	New member induction	Cllr James Glass	1 hour
19/20 Jan 2023	Governance	ALL	Local Government Conference 2023	Cllr Mandy Anderson (Chair) Derek Scott (Union Rep)	12 hours
6 Mar 2023	Investment	Strategy Implementation, Risk management	Education session on Climate Metrics	Cllr Mandy Anderson (Chair) Cllr Philip Ruck Cllr Viddy Persaud Cllr Stephanie Nunn Derek Scott (Union Rep)	1 hour
17 Jul 2023	ALL	ALL	New member induction	Cllr Joshua Chapman	1 hour
18 Jul 2023	Governance	Investment Strategy, Pooling	LCIV AGM	Cllr Mandy Anderson Cllr Viddy Persaud	2 hours
25 Jul 23	Governance	Management accounting	Havering Pension Fund Accounts 2022/23	Cllr Mandy Anderson (Chair) Cllr Philip Ruck Cllr Viddy Persaud Cllr Dilip Patel Cllr James Glass Cllr Joshua Chapman Derek Scott (Union Rep)	30 minutes
4/5 Sep 23	Governance / Investment	Strategy Implementation – Asset pooling	LCIV Conference	Cllr Mandy Anderson (Chair) Cllr James Glass	12 hours
12 Sep 23	Investment	Financial markets and Products	Corporate Bonds/LCIV Global Bond Fund	Cllr Mandy Anderson (Chair) Cllr Viddy Persaud Cllr James Glass	50 minutes

PENSION COMMITTEE TRAINING (May 2022 Election - 31 March 2025)

Annex C

Date	Good Governance/CIPFA Framework category		Topic	Attended By	Duration
17 Oct 2023	ALL	ALL	New member induction	Cllr Jacqueline Williams	1 hour
27 Mar 24	Investment	Strategy Implementation, Risk management	Climate Policy workshop	Cllr Mandy Anderson (Chair) Cllr Jacqueline Williams	2 hours 45 minutes
2023/24 Committee dates	ALL	ALL	Various – refer to Annex A	Pensions Committee	9 hours 15 minutes
25 Jun 24	Governance	Management accounting	Havering Pension Fund Accounts 2023/24	Cllr Mandy Anderson (Chair) Cllr Stephanie Nunn Cllr Jacqueline Williams Cllr Joshua Chapman	30 minutes
31 Oct 24	ALL	ALL	New member induction	Cllr Robby Misir	1 hour
Annex A 2024/25 Committee dates	ALL	ALL	Various – refer to Annex A	Pensions Committee	9 hours 15 minutes



PENSIONS COMMITTEE

Subject Heading:	Pensions Administration Budget 2025/26
ELT Lead:	Kathy Freeman Strategic Director of Resources
Report Author and contact details:	Caroline Guyon Pensions Projects and Contracts Manager caroline.guyon@havering.gov.uk 01708 4323185
Policy context:	Local Government Pension Scheme Regulations 2013.
Financial summary:	The proposed budget for 2025/26 is £0.740m to be met by the Pension Fund. This is an increase of £92,000 on the original budget set for 2024/25

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 administration of the Havering Local Government Pension Scheme (LGPS) is provided via a shared service agreement with Lancashire County Council (LCC) who delegate the function to the Local Pensions Partnership Administration (LPPA).

This report details the LPPA's proposed budget for 2025/26 financial year of £0.740m, an overall increase of 14.14% from 2023/24, for agreement by Committee.

RECOMMENDATIONS

The Committee are asked to:

- Approve the 2024/25 budget of £0.740m for the provision of the LPPA pension administration service.

REPORT DETAIL

1. Background

- 1.1 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
- 1.2 LPPA is a non-profit making entity and our contract with LCC is set on a full cost recovery basis, i.e. any surplus against the annual budget is refunded and any deficit is charged to the fund at the end of the financial year. LPPA on behalf of LCC, will propose the annual budget and it will be presented to officers, who will review before presenting to committee for approval.
- 1.3 Within the service agreement, officers of the Havering Pension Fund (the Fund) have the option not to agree the proposed budget, in such case the budget will be set at the current budget plus an increase based on Consumer Price Index (CPI) as at January. As set out in the terms of the arrangement, LCC operate a full cost recovery, so if LCC's actual costs are in line with their forecast and LBH agree to a lower budget based on CPI, LBH will be invoiced for the difference between the actual costs and the budget that was actually agreed.

- 1.4 Following receipt of the budget proposal officers met with the Operations Manager and Director of Finance in March 2025 to discuss the budget in further detail seeking to gain a full understanding of the rationale for the increase.
- 1.5 Due to timing of the session and subsequent information requested, officers were unable able to present a final budget position at March 2025 committee.

2. Budget Proposal for 2024-25

- 2.1 LPPA on behalf of LCC has proposed a budget for 2025-26 of £0.740m this is an increase of 14.14% on 2024-25, the increase is split in two parts;
- a. Increase in membership numbers
 - b. Increase in price per member
- 2.2 Table 1 below provides a summary of the split;

	Number of Members	Rate per Member	Total Cost
2024-25 LPPA Administration Budget	21,149	£30.64	£648,005.36
2025-26 LPPA Administration Budget	22,078	£33.50	£739,613.00
Difference (Amount)	929	£2.86	£91,607.64
Difference (Percentage)	4.39%	9.33%	14.14%

- 2.3 Membership numbers are taken in August of each year and used as the basis for the forthcoming budget proposal. The increase has been expected due to the continued growth in membership across the Havering pension fund, as reported in LPPA's quarterly performance reports.
- 2.4 The increase in price per member has been driven by a variety of factors' for the purpose of the report it has been grouped by;
- Inflationary/Increase in Employer National Insurance
 - Service Development
 - Data Quality
 - Legislative and Compliance Requirements

Inflationary Pressures

- a. Inflation related
 - i. Average wage increase has been 3%

- ii. Average contract and Third Party Supplier cost increase – 2.6%
- b. National Insurance Employer Cost
 - i. In the 2024 Autumn Budget, Chancellor Rachel Reeves announced the rate of employers' National Insurance Contributions will increase from 13.8% to 15%, from April 2025. The level at which employers start paying NICs (the secondary threshold) will also reduce from £9,100 to £5,000 per year
 - 1. Factoring the early point for commencing paying National Insurance and the higher rate, LPPA estimate an approximate increase to their salary costs of 3%

Service Development

- c. Demand on LPPA's services continue to increase each year, over the annual increase in membership numbers.
 - i. The membership numbers of the fund have increased by 4.39%, but the volume of cases and workload has increased above that number

Deaths	8.6%
Retirements	8.8%
Refunds	24.1%
Deferred	50.2%

- d. Investment in technology supporting LPPA's Efficiency and Service Programme (ESIP) is how LPPA is seeking to mitigate the demand increases, the ESIP programme has seen;
 - i. Additional functionality for portal development for employers and members including recent introduction of employer self service estimates. Giving more oversight and control over data held by LPPA.
 - ii. Improvements to the monthly returns process, now means Employers no longer have to;
 - 1. Submit any starter or change of contract forms or leaver forms for members under the age of 55. This will have a positive impact on the member experience
 - 2. Submit a separate contribution reconciliation report to the Fund in addition to uploading their monthly return to LPPA.
- e. Additional budget continues to be ring-fenced for training and development to support resilience within workforce as experienced local government Pension Administration positions become more competitive to source.
- f. Positively LPPA are seeing reward for their training and development strategy with an improvement of 11% in their staff turnover, allowing them to remove the previous vacancy factor.

Data Quality

- g. Efficiencies via, automation and process improvements aim to offset the increase in demand, however one of the barriers to fully realising efficiencies is having accurate and timely data supplied to LPPA.
- h. LPPA have highlighted a growing risk which is the quality and timeliness of data provided by employers of the fund.
- i. This could be employers late with submitting the monthly returns, which may then delay the retirement processes.
- j. As the administering authority we will work with LPPA and engage with Havering employers where there are data issues.

Legislative Requirements

- k. Increase in costs incurred for compliance with statutory and regulatory requirements;
 - i. The McCloud remedy – The first phase of McCloud identified 4875 members who are potentially eligible for underpin addition to their pension. 1928 of these were active members and any underpin will be calculated at the date of the relevant event. The remainder have already had benefits calculated and now LPPA's role is to review each case to establish what, if any, underpin addition is due and recalculate the members' benefits.
 - ii. Pension Dashboard – this will enable individuals to access all their pension information (not just that held with Havering) online, securely and in one place with a view to supporting better planning for retirement. The connection date for public service pension schemes is October 2025, with a public access coming around October 2026.
 - iii. These areas of the budget will be reviewed and challenged due to the need for LPPA to resource to meet dashboard deadline and progress with the remedy, there is expectation in future years the additional resource costs will no longer be required, however there is always the risk of new and regulatory or legal changes being introduced within pensions.
- 2.5 The increase in membership numbers across the Havering Fund correlates to the reported increase in calls to LPPA's contact centre and number of cases across the various areas within LPPA.

3 Benchmarking and Scheme Advisory Board

- 3.1 Cllr Roger Phillips, Chair of Local Government Pension Scheme Advisory Board in January 2025 wrote to Chief Financial Officers, Pension Committee Chairs at Local Government Pension Scheme Administering Authorities, to draw attention to the recommendation in the Good Governance Review.
- 3.2 The recommendation, “each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year”
- 3.3 The letter acknowledges the pressures councils are facing in delivering their services and how this should not impact decisions made on the level of funds made available. To ensure service delivery by the pension fund, acknowledging Pension is a specialist area.
- 3.4 LPPA take part in an annual CEM Benchmarking Survey, which reviews the cost per member rates across 15 pension administrators (with 10 administering LGPS). Details of the latest survey results are found in Exempt Appendix 1.
- 3.5 The price per member rate for administration services, is the same rate per the other 10 local authority funds where LPPA provide LGPS administration services.
- 3.6 All LGPS are responsible for providing data on membership and financial data of the funds as part LGPS Funds Account Return (SF3), which reports administration and management costs of LGPS funds to Ministry of Housing, Communities & Local Government (MHCLG). Reviewing the latest data available (2023-24) Havering rank in the lower mid quartile based on Management costs per member. Note data includes Investment and Administration costs. This will act as another benchmark on the value for money of Havering’s fund administration.

4 Summary

- 4.1 The budget paper was presented at April’s Local Pension Board meeting, where the contents was discussed and approval given for the paper to be presented at the next meeting of the Pension Committee for approval.
- 4.2 Officers continue to meet LPPA monthly to discuss, performance, service requirements and overall contract management including future costing of the service to ensure value for money for the fund.

IMPLICATIONS AND RISKS

Financial implications and risks:

The cost of pension administration is recharged annually to the Fund, this cost is made up of the LPPA service contract and internal administration costs (2024-25 internal administration recharge cost £0.120m, this figure exclude the cost to administer the pensions payroll). The contract costs from LCC and internal administration costs are factored into the budget and any increase in contract or internal administration costs, once agreed, the budget will be increased and the additional cost met within the Fund.

Legal implications and risks:

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

The provisions relating to price are as follows:

- i. For the duration of this arrangement, in September of each year Lancashire will send to Havering a proposed budget for the next financial year including detail of any increases or efficiency savings from previous years. Havering will either agree or offer an amended budget proposal. In the absence of agreement by both Parties the budget will remain as per the previous year plus an inflationary uplift per CPI as at September prior to the commencement of the budgetary year.
- ii. Once the proposed budget is agreed in principle, Havering will refer the proposed budget to its Pension committee or other appropriate body for approval. If approved the annual budget will be ring-fenced for Lancashire and transferred to Lancashire in twelve (12) equal monthly instalments. The actual budget spend will be monitored and reimbursed through a quarterly review process. At the end of each financial year any budgetary over or underspends will be adjusted accordingly.

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

It is open to the Council to not agree the budget proposal in which case it will be increased by CPI.

Human Resources implications and risks:

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

Equalities implications and risks:

An EHIA (Equality and Health Impact Assessment) has not been completed and is not required for this decision. The Council seeks to ensure equality, inclusion, and dignity for all. There are no equalities and social inclusion implications and risks associated with this decision.

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

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