



Havering

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

PENSIONS COMMITTEE AGENDA

7.00 pm

**Tuesday
9 December 2025**

**Council Chamber -
Town Hall**

Members 7: Quorum 3

COUNCILLORS:

**Conservative Group
(2)**

Joshua Chapman
Viddy Persaud

**Havering Residents' Group
(3)**

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

**Labour Group
(1)**

Keith Darvill

Trade Union Observers

(No Voting Rights) (2)

**Admitted/Scheduled Bodies
Representative**

(Voting Rights) (1)

Peter Liddle

**For information about the meeting please contact:
Luke Phimister 01708 434619
luke.phimister@havering.gov.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.

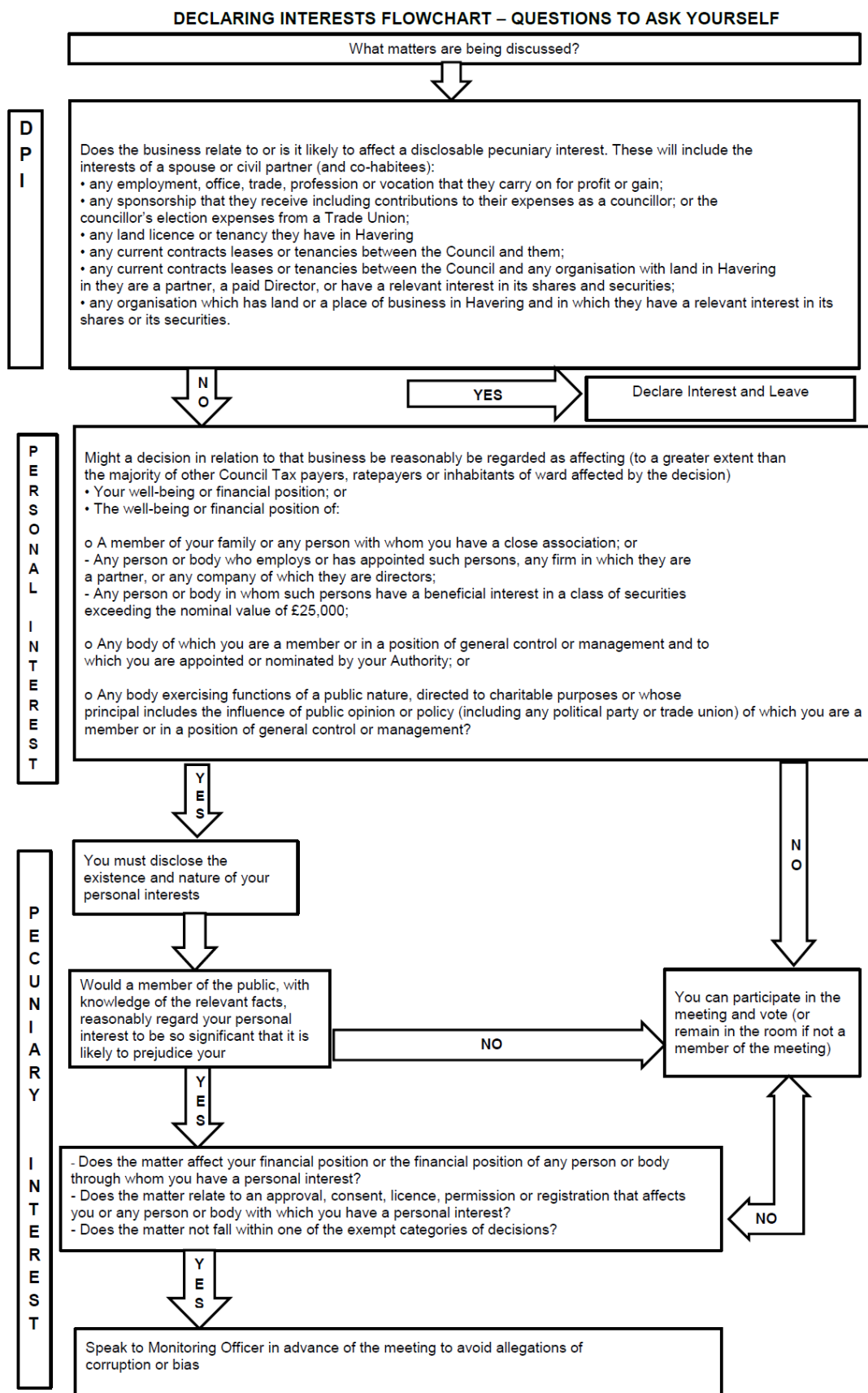
Reporting means:-

- 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.



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 attached minutes of the meeting held on 11 November 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 VALUATION UPDATE AND DRAFT FUNDING STRATEGY STATEMENT (Pages 11 - 82)

Report and appendices attached

7 PENSION FUND PERFORMANCE MONITOR FOR THE QUARTER ENDED SEPTEMBER 2025 (Pages 83 - 110)

Report and appendix attached

8 TASKFORCE FOR CLIMATE - RELATED FINANCIAL DISCLOSURES YEAR ENDING 31 MARCH 2025 (Pages 111 - 120)

Report and appendix attached

9 FIT FOR THE FUTURE UPDATE (Pages 121 - 126)

Report attached

Zena Smith
Head of Committee and
Election Services

**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Council Chamber - Town Hall
11 November 2025 (7.00 - 7.45 pm)**

Present:

COUNCILLORS

Conservative Group	Viddy Persaud
Havering Residents' Group	John Crowder (Chairman) and Stephanie Nunn (Vice-Chair)
Labour Group	Keith Darvill

Apologies were received for the absence of Joshua Chapman and James Glass.

All decisions were taken with no votes against.

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

30 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

Apologies were received from Councillors Joshua Chapman and James Glass. Apologies were also received from Trade Union Observer Peter Liddle.

31 DISCLOSURE OF INTERESTS

There were no disclosures of interests.

32 MINUTES OF THE MEETING

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

33 FUNDING STRATEGY STATEMENT

The Committee were informed that, following discussions with internal legal department and Hymans, a draft Funding Strategy Statement will be available in the December 9th Pensions Committee Agenda.

34 INVESTMENT CONSULTANT OBJECTIVES

Members were introduced to Tim Mpofu, Head of Partner Fund Solutions at London CIV, and Dagma Dvorak, Head of Invest Strategy and Strategy Asset Allocation at London CIV, who will assist the Council with transition arrangements.

The Committee received a report on the performance of the Investment Consultant for the period 1 October 2024 to 30 September 2025 against strategic objectives previously set.

It was noted that three new objectives are being added this year to aid with the transition of assets to the London CIV asset pool. These objectives are:

- Work with officers to support a smooth transition of the remaining assets to the investment pool.
- Support oversight of the pool following transition.
- Help the Committee to establish clear expectations of the investment pool.

It was noted that the performance ratings of Hymans when reviewed against set objectives are all currently green.

The Committee agreed all the recommendations as set out in the report.

35 REVIEW OF CUSTODIAN

The Committee received a report on the reviewed performance of the Custodial and Performance Measurement services provided by Northern Trust for the period 1 October 2024 to 30 September 2025.

It was noted that a new replacement Global Custody Framework should be available soon, albeit the time frame is unknown, and waiting for this framework is the preferred route to take by the officers. However, if not, consultations with legal advisors have been sought and procurement will commence for a new framework.

Councillors were pleased to note that the assessment service review ratings were all currently Green (Favourable Output) and were pleased with the timely service that is provided by Northern Trust.

The Committee agreed all the recommendations as set out in the report.

36 REVIEW OF ACTUARIAL SERVICE

The Committee received a report on the review of the service and performance of the Havering Pension Fund's ("the Fund") Actuary from the 1 October 2024 to 30 September 2025.

Officers assured Members that they currently have no concerns about the Actuarial Service provided.

Members were pleased at the service that is currently being provided, noting that the actuarial service provides regular and digestible information, feedback, and justification to Councillors and officers.

The Committee agreed all the recommendations as set out in the report.

37 ANNUAL REPORT

The Committee received a draft of The Pension Fund Annual Report 2024/25 that was prepared in accordance with Regulation 57 of the Local Government Pension Scheme Regulations 2013. It was noted that the report, along with the financial statement, is currently awaiting approval from the auditor and may be subject to some minor changes before the final version is issued.

It was noted that the Fund continues to demonstrate strong stewardship and resilience. As of the 31 March 2025, the net assets rose to £1.008billion, which was a 4% increase on the previous totals.

In line with the Governments Fit for the Future Reform, the Fund continues to transition assets to London CIV. At the end of the year 64% of assets were poor or under poor management, so officers remain committed to a full transition deadline of the 31 March 2026.

Seven key risks and mitigation strategies were reviewed and updated, including investment performance, compliance, cyber threats, and fraud.

The Committee agreed all the recommendations as set out in the report.

38 RISK REGISTER

The Committee received a report on the Pension Fund Risk Register as of October 2025, which details the potential risks the Fund is exposed to and the controls in place to manage those risks.

It was noted that the risk register is a live document which is continuously being updated and reviewed to ensure that all risks remain relevant and controlled.

Members noted that some of the Risks are currently categorised as Amber (Very likely / Serious or Likely / Moderate). However, officers assured that these Amber risks are being mitigated, such as the Operational Risk of key person dependency in both finance and administration being alleviated through Tim Mpofu's secondment.

The Committee agreed all the recommendations as set out in the report.

39 **GOVERNANCE COMPLIANCE STATEMENT**

The Committee received a report on the review of the Governance Compliance Statement, which is a statutory duty of the Authority to produce.

It was noted that the Governance Compliance Statement has been a statutory requirement since 2006, however during the Fit for the Future consultation the Government has proposed that this be altered to be a more comprehensive governance and training strategy.

The Committee agreed all the recommendations as set out in the report.

Chairman

PENSIONS COMMITTEE

09 December 2025

Subject Heading:	Valuation Update and Draft Funding Strategy Statement
ELT Lead:	Kathy Freeman
Report Author and contact details:	Tara Haroon Tara.Haroon@Havering.gov.uk
Policy context:	To meet the statutory obligation to have an actuarial valuation every three years
Financial summary:	The funding level is a snapshot at a point in time. It is sensitive to the assumptions used for the valuation

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

People - Supporting our residents to stay safe and well	<input checked="" type="checkbox"/>
Place - A great place to live, work and enjoy	<input checked="" type="checkbox"/>
Resources - Enabling a resident-focused and resilient Council	<input checked="" type="checkbox"/>

SUMMARY

This report presents the initial results of the 31 March 2025 triennial valuation, summarises the underlying actuarial assumptions, and seeks the Committee’s approval for the resulting draft Funding Strategy Statement.

RECOMMENDATIONS

1. To note the Initial Whole Fund Results Report (Appendix A **Exempt**) including;
 - a. the proposed valuation assumptions;
 - b. Prudence level of 85% is adopted (2022 80%), which results in a future investment return assumption ('discount rate') of at least 5.5% per annum (2022 3.5%);
 - c. the potential impact of post 31 March market volatility and that the proposed assumptions and employer funding plans remain appropriate for the 2025 valuation.
2. To approve the draft Funding Strategy Statement (Appendix B).

REPORT DETAIL

1. Every three years, Local Government Pension Scheme (LGPS) administering authorities have a statutory duty to carry out an actuarial valuation of their pension fund. For the London Borough of Havering Pension Fund (the "Fund"), this process involves assessing the Fund's assets and liabilities as at 31 March 2025, based on prevailing market conditions, to determine its overall funding position.
2. The primary objective of the valuation is to establish employer contribution rates for the three-year period beginning one year after the valuation date, i.e. from 1 April 2026 to 31 March 2029.
3. Although the assumptions used do not affect the ultimate cost of paying benefits, they enable the Actuary to estimate the present value of liabilities arising from pension benefits. These assumptions influence employer contribution levels.
4. LGPS Regulations require that actuarial assumptions incorporate a degree of prudence. The Actuary must set contributions based on these prudent assumptions while aiming to maintain stability for employers wherever possible.
5. Prudence effectively provides a 'buffer' against the various risks and uncertainties inherent in funding LGPS benefits. This buffer helps safeguard the Fund and its employers against adverse future outcomes, such as lower-than-expected investment returns. It is primarily reflected in the discount rate assumption, which represents the expected future investment return.

6. The significant assumptions underpinning the valuation are detailed in Appendix A and include:

Financial Assumptions	31 March 2025	31 March 2022
Discount rate (assumed future investment return)	5.5% (85% prudence margin)	3.5% (80% prudence margin)
CPI inflation (benefit revaluation)	2.6% (best estimate)	2.7% (best estimate)
Longevity assumptions	CMI 2024 model	CMI 2021 model

7. The discount rate (assumed future investment return) and CPI inflation (benefit revaluation) generally have the most significant impact on the value placed on pension benefits (liabilities) and the resulting employer contribution rates.

Discount Rate Assumption – investment returns

8. Pension benefits accrued within the Fund will be paid over many decades. To compare these future obligations with the Fund's current assets, the Actuary calculates their present value by applying a discount rate to future benefit payments.
9. The Fund's approach is to base the discount rate on the expected long-term returns from its investment portfolio over the next 20 years. These projections are derived using the Economic Scenario Service (ESS) model, which simulates 5,000 potential future economic scenarios.
10. At the 31 March 2022 valuation, the discount rate was set at 3.5% per annum, reflecting an 80% prudence level.
11. The funding environment remains challenging, with heightened geopolitical risks and market volatility potentially impacting inflation and investment returns. To strengthen the Fund's resilience, officers recommend increasing the prudence level from 80% to 85% for the 2025 valuation. This means the discount rate is set so that there is an 85% probability of being achieved by the Fund's asset portfolio over the next 20 years, and conversely a 15% chance that actual returns could fall short.
12. Based on the Actuary's modelling of expected returns over 20 years and applying an 85% prudence margin, the proposed discount rate for the 2025 valuation is 5.5% per annum.

CPI Inflation Assumption - benefit revaluation

13. Members' pension benefits in the LGPS are linked to Consumer Price Inflation (CPI), ensuring that benefits maintain their value over time.
14. The Actuary incorporates CPI inflation into the valuation by using the Economic Scenario Service (ESS) model, which generates 5,000 potential future economic scenarios, each reflecting different inflation outcomes.
15. At the 2022 valuation, the Fund adopted a CPI assumption of 2.7% per annum. While inflation has been elevated during 2023 and 2024, it is anticipated to trend back towards the Bank of England's long-term target of 2% per annum. For the 2025 valuation, the Actuary recommends a CPI assumption of 2.6% per annum.
16. Officers remain cautious about levels of future inflation given current levels of political and economic uncertainty; however, they remain comfortable that a sufficient level of prudence is included within the discount rate to capture this uncertainty.

Longevity assumptions

17. The Fund uses Club Vita analytics to determine the life expectancy assumptions, tailoring them to reflect the Fund's membership. These assumptions comprise two key components:
 - a. Baseline
 - b. Future improvements
18. The baseline assumption estimates how long members are expected to live based on current observed mortality rates.
19. Assumptions about future improvements in longevity are more subjective and have become increasingly uncertain in recent years. Factors contributing to this uncertainty include the impact of the COVID-19 pandemic and its aftermath, potential effects of climate change, and changes in healthcare provision.
20. Despite these uncertainties, it is generally assumed that mortality rates will continue to decline over time, resulting in ongoing improvements in life expectancy, consistent with long-term historical trends.

Other assumptions

21. Other demographic assumptions based on national LGPS experience include:
 - a. The proportion of members opting to join the 50/50 section of the scheme

- b. The level of cash commutation at retirement (i.e., exchanging part of pension for a lump sum)
- c. Assumed retirement ages

22. The results presented in this report are as at 31 March 2025. Since that date, financial markets and other factors have continued to experience volatility, which may affect these results. However, the Actuary does not believe the impact to be material on the valuation or require any additional adjustments.

Draft Funding Strategy Statement

23. The Funding Strategy Statement (FSS) is a statutory document that sets out the Fund's approach to meeting its long-term pension liabilities. It links the actuarial valuation to the practical funding policies of the Fund, including how employer contribution rates are determined and reviewed. A copy of the draft FSS can be found at Appendix B.

24. Following the 31 March 2025 triennial valuation, the FSS has been updated, primarily to reflect new guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Scheme Advisory Board (SAB), which aims to create greater consistency across LGPS funds.

25. The main changes to the FSS are:

- a. **Structural Alignment:** The document has been restructured into two main parts (*Key Funding Principles and Employer Events*) to align with the format prescribed in the new guidance.
- b. **Standardised Terminology:** New, consistent language (e.g., 'resolution bodies', 'SAB Tiers') has been adopted to improve clarity and comparability for employers participating in multiple LGPS funds.
- c. **Enhanced Governance:** The FSS now includes a formal commitment to a regular review, as recommended by the new guidance.
- d. **Updated Assumptions:** The appendices will be updated to reflect the assumptions outlined earlier in this report.

26. As required by LGPS Regulations, the next step is to carry out a formal consultation on the draft FSS with all scheme employers. Any feedback will be reviewed before presenting the final version to the Committee for approval.

27. The Committee should note that minor changes may be made following the consultation and before the FSS becomes effective on **1 April 2026**.

28. The Fund commissioned Hyman's to develop a Valuation and FSS Consultation FAQ to support employers in engaging with the consultation process.

Initial Whole Fund Results

29. The initial results of the 31 March 2025 triennial valuation have been received from the Fund Actuary, Hymans Robertson. They show an improvement in the Fund's overall funding position since the previous valuation in 2022. The Fund is now in surplus, meaning the value of its assets is higher than the estimated value of its long-term pension liabilities.
30. The improvement in the funding level is primarily due to changes in long-term economic assumptions, particularly higher expected future investment returns. This has the effect of reducing the present-day value of the Fund's future liabilities. While actual investment returns over the last three years were lower than assumed, and high inflation increased the value of benefits, these factors were more than offset by the positive impact of the revised future outlook.
31. The next stage of the valuation process will involve detailed analysis at the individual employer level to set individual employer specific contribution rates commencing 1 April 2026.

IMPLICATIONS AND RISKS

Financial implications and risks:

The valuation process makes several assumptions in calculating the long term financial position of the fund. Considering the financial and economic risks facing the fund the level of prudence assumed for investment returns has been increased to 85%, to provide increased mitigation against the risk of future returns falling below expectations

The funding level is a snapshot at a point in time. It is sensitive to the assumptions used for the valuation, particularly the assumed level of future investment returns, inflation and life expectancy (which are uncertain), and other sources of funding risk.

Legal implications and risks:

There are no legal implications other than those referenced in the report, which is aimed at ensuring legal compliance.

Human Resources implications and risks:

None arise from 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.

BACKGROUND PAPERS

1. FSS Supporting Drafting Guide, by Hyman's Robertson
2. 2025 Actuarial Valuation – Frequently asked questions

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

Document is Restricted

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London Borough of Havering Pension Fund

Funding Strategy Statement

April 2026

Effective date	1 April 2026
Previous valuation date	31 March 2025
Date approved	
Next review	March 2029
Prepared in accordance with SAB / CIPFA / MHCLG guidance dated	January 2025

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1 Purpose of the London Borough of Havering Pension Fund and the funding strategy statement

This document sets out the funding strategy statement (FSS) for London Borough of Havering Pension Fund.

The London Borough of Havering Pension Fund is administered by the London Borough of Havering Council, known as the Administering Authority. The London Borough of Havering Council worked with the Fund's Actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2026.

There's a regulatory requirement for Havering Council to prepare an FSS. You can find out more about the regulatory framework in [Appendix A](#). If you have any queries about the FSS, contact Tara Haroon at tara.haroon@haverling.gov.uk.

1.1 What is the London Borough of Havering Pension Fund?

The London Borough of Havering Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The Administering Authority runs the Fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in [Appendix B](#).

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- 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 for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The Fund will engage with employers when developing funding strategy in a way which balances the risk appetite of stakeholders.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the Fund, because it sets out how money will be collected from them to meet the Fund's obligations to pay members' benefits.

Different types of employers participate in the Fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they cannot accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers (otherwise known as Resolution bodies)

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the Fund cannot refuse entry. The employer then decides which employees can join the scheme.

Admission bodies

Other employers can join through an admission agreement. The Fund can set participation criteria for them and can refuse entry if the requirements are not met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms are not defined under current regulations but remain in common use from previous regulations.

The Scheme Advisory Board refer to three different tiers of employers which may participate in the LGPS, specifically:

- Tier 1 – Local Authorities (including contractors participating in the LGPS with Local Authority backing)
- Tier 2 – Academy Trusts and Further Education Institutions (Colleges).
- Tier 3 – Standalone employers with no local or national taxpayer backing. Include universities, housing associations and charities.

1.4 How is the funding strategy specific to the London Borough of Havering Pension Fund?

The funding strategy reflects the specific characteristics of the Fund employers and its own investment strategy.

1.5 How often is the Funding Strategy Statement reviewed?

The FSS is reviewed in detail at least every three years ahead of the triennial actuarial valuation and an annual check is carried out in the intervening years.

Amendments to the FSS may be in the following circumstances:

- material changes to the scheme benefit structure (e.g. HM Treasury-led)
- on the advice of the Fund Actuary
- Significant changes to investment strategy or if there has been significant market volatility which impacts the FSS or goes beyond FSS expectation
- if there have been significant changes to the Fund membership and/or Fund maturity profile
- if there have been significant or notable changes to the number, type, or individual circumstances of any of the employing authorities to such an extent that they impact on the funding strategy (e.g. exit/restructuring/failure) which could materially impact cashflow and/or maturity profile and/or covenant)
- if there has been a material change in the affordability of contributions and/or employer(s) financial covenant strength which has an impact on the FSS.
- recommendations from MHCLG/GAD.

In undertaking such reviews, the Administering Authority should consider:

- looking at experiences in relation to long-term funding assumptions (in terms of both investment income and forecast contributions income) and consequences of actions taken by employers (e.g. pay awards and early retirements)

- the implications for the funding strategy and, if significant, determine what action should be taken to review the FSS
- the implications arising from the funding strategy for meeting the liabilities of individual employers and any amendments required to the ISS
- consulting with individual employers specifically impacted by any changes as an integral part of the monitoring and review process and ensuring any communication regarding a review won't necessarily lead to rates changes for individual employers but could impact admissions, terminations, approach to managing risk and employer risk assessment.

Any amendments will be consulted on, approved by the Pensions Committee and included in the Committee meeting minutes.

This Funding Strategy Statement is effective from 1 April 2026 and is expected to remain in force until 31 March 2029 at the latest, unless an interim review is carried out prior to then.

1.6 Links to Administration Strategy

The Fund maintains a Pensions Administration Strategy which outlines the responsibilities, standards and procedures for employers and the Fund. A copy of this can be found [here](#).

Adherence with the requirements of the Administration Strategy Statement is crucial to ensure the well-running of the pension Fund and any failure to do so may lead to uncertainty around the value of an employer's liabilities and the need for prudent assumptions to fill any data gaps.

1.7 Actuarial valuation report

[LGPS Regulations](#) (specifically Regulation 62) require an actuarial valuation to be carried out every three years, under which contribution rates for all participating employers are set for the following three years. This Funding Strategy Statement sets out the assumptions and methodology underpinning the 2025 actuarial valuation actuarial exercise. The actuarial valuation report sets out 1) the Actuary's assessment of the past service funding position, and 2) the contributions required to ensure full funding by the end of the time horizon. The Rates and Adjustments certificate shows the contribution rates payable by each employer (which may be expressed as a percentage of payroll and/or monetary amounts).

PART A – Key Funding Principles

2 How does the Fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contribution rates are determined by a mandatory actuarial valuation exercise and are made up of the following elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the Fund's expenses.

The Fund Actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in [Appendix E](#).

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the Fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach taken by the Fund Actuary helps the Fund meet the aim of maintaining as stable a primary employer contribution rate as possible.

The Fund permits the prepayment of employer contributions at the discretion of the Administering Authority and the Fund's Actuary.

2.2 The contribution rate calculation

Table 1: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies		CABs and designating employers		TABs*
Sub-type	Local authorities	Academies	Open to new entrants	Closed to new entrants	(all)
SAB Tier	Tier 1	Tier 2	Tier 3	Tier 3	Tier 1
Funding target**	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Ongoing
Minimum likelihood of success	75%	75%	80%	80%	75%
Maximum time horizon	20 years	20 years	15 years or average future working lifetime, if less		Same as the letting employer
Primary rate approach ***	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon, expressed as a percentage of pensionable pay				
Secondary rate	The difference between the total contribution rate payable (determined as per 2.1) and the primary rate. Negative adjustments are expressed as a percentage of payroll and positive adjustments can be expressed as a percentage of payroll or monetary at the discretion of the Administering Authority.				
Stabilised contribution rate?	Yes	No	No	No	No
Treatment of surplus	Covered by stabilisation arrangement	Contributions kept at lower of primary rate and current rate. However, reductions may be permitted at the ultimate discretion of the Administering Authority		Reduce contributions by spreading the surplus over the remaining contract term	
Recognising covenant	Recognised through minimum likelihood of success and maximum time horizon.				
Phasing of contribution changes	Covered by stabilisation arrangement	Maximum of 3 years subject to the Administering Authority being satisfied as to the strength of the employer's covenant.			None

* Employers participating in the Fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting Authority

** See [Appendix E](#) for further information on funding targets.

*** The primary rate for the whole Fund is the weighted average (by payroll) of the individual's employers' primary rates

The Fund manages funding risks as part of the wider risk management framework, as documented in the Fund's risk register. The funding-specific risks identified and managed by the Fund are set out in [Appendix D – Risks and Controls](#)

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. If this is not appropriate, contribution increases or decreases may be phased. The Fund may also adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the Fund Actuary, the Administering Authority believes a stabilised approach is a prudent longer-term strategy for the Local Authority employer. On the basis of extensive modelling, contribution rates for the Fund's local Authority employer will be limited to maximum changes of 1% of pay p.a..

2.4 Links to investment strategy

The funding strategy sets out how money will be collected from employers to meet the Fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the Administering Authority.

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the Fund won't be able to pay benefits, so higher contributions would be required from employers.

The investment strategy is designed allowing for the funding position determined on an appropriate and prudent basis, with the objective of achieving the funding objective for each employer group of the specific time horizon.

The Fund's current strategic investment strategy as at 31 March 2025 is summarised in the table, with full details available [here](#).

Asset class	Minimum	Benchmark Proportion	Maximum
Global Equity	30.0%	40.0%	55.0%
Multi Asset	0.0%	12.5%	17.5%
Property	5.0%	10.0%	15.0%
Infrastructure	7.5%	12.5%	17.5%
Bonds & Cash	20.0%	25.0%	30.0%
Other*	0.0%	0.0%	10.0%

*to include local investment, natural capital, private equity

2.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that Funds take a 'prudent longer-term view' of funding liabilities (see [Appendix A](#))

2.6 Reviewing contributions between valuations

The Fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The Fund's policy is available in Appendix F. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.7 What is pooling?

The Administering Authority will consider contribution rate pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In a contribution rate pool, contributions are set to target full funding for the pool as a whole, rather than for individual employers.

Employers in a pool maintain their individual funding positions, tracked by the Fund Actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate. Setting contributions in this way means that while the Fund receives the contributions required, the risk that employers develop a surplus or deficit increases.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates are not disclosed to pooled employers, unless agreed by the Administering Authority.

If an employer leaves the Fund, the required contributions are based on their own funding position rather than the pool average.

2.8 Administering Authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the Administering Authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the Administering Authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

2.9 Non cash funding

The Fund will not accept any form of non-cash assets in lieu of contributions.

2.10 Managing surpluses and deficits

The funding strategy is designed to ensure that all employers are at least fully funded on a prudent basis at the end of their own specific time horizon. The uncertain and volatile nature of pension scheme funding means that it is likely there will be times when employers are in surplus and times when employers are in deficit. The funding strategy recognises this by 1) including sufficient prudence to manage the effect of this over the time horizon, and 2) making changes to employer contribution rates to ensure the funding strategy objectives are met.

Fluctuations in funding positions are inevitable over the time horizon, due to market movements and changing asset values, which could lead to the emergent of deficits and surplus from time to time, and lead to changes in employer contribution rates at formal valuations.

Table 1 sets out the Fund's approach to setting contribution rates for each employer group.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the Fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, unless otherwise agreed by Administering Authority.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

All employers in the Fund have an allowance for ill-health strain costs. The Fund monitors ill-health for each employer. If the cumulative cost of ill-health retirement in any financial year exceeds the allowance made at the previous valuation, the employer will be charged additional contributions on the same basis as non ill-health cases. Details are included in each admission agreement.

Employers may choose to use external insurance to manage ill-health early retirement costs. If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill-health early retirement strains, then the employer's contributions to the Fund each year may be reduced by the amount of that year's insurance premium.

When an active member retires on ill-health early retirement, the claim will be paid directly from the insurer to the insured employer. This amount should then be paid to the Fund to allow the employer's asset share to be credited.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

4 How does the Fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The Fund adopts a cashflow approach to track individual employer assets.

Each Fund employer has a notional share of the Fund's assets, which is assessed yearly by the Actuary. The Actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The Fund Actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole Fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

4.2 How are employer liabilities calculated?

The Fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in [Appendix E](#), the Fund Actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

PART B – Employer Events

5 What happens when an employer joins the Fund?

5.1 When can an employer join the Fund

Employers can join the Fund if they are a new scheduled body or a new admission body. New designated employers may also join the Fund if they pass a designation to do so.

On joining, the Fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer, the existence of any guarantee, and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.3 below.

5.2 New academies

New academies (including free schools) join the Fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not (usually) transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the Fund Actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. The Fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. The Fund may allow contribution pooling for academies who are part of the same multi-academy trust.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members attributable to the academy will transfer to the new MAT.

The Fund's policies on academies may change based on updates to guidance from the Ministry for Housing, Communities and Local Government (MHCLG) or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

5.3 New admission bodies as a results of outsourcing services

New admission bodies usually join the Fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the Fund Actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the Administering Authority.

Where an academy or a Local Education Authority school is the letting employer, the Fund's policy is to require all new admission bodies to be set up with a pass-through arrangement which is closed to new members joining the Fund. This is to ensure that the '[DfE Academy Trust LGPS Guarantee policy](#)' applies to the outsourcing. For all other letting employers, the Fund's default policy is to require all new admission bodies to be set up with a pass-through arrangement.

The Fund's policy on pass-through arrangements is set out in Appendix H.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the Fund, eg set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the Fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the Fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the Fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the Fund Actuary assesses this because the assessment must be carried out to the Administering Authority's satisfaction.

After considering the assessment, the Administering Authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

The Fund's admissions policy can be found [here](#).

Where an academy is the letting employer, the Fund will expect academies to ensure and confirm that the outsourcing complies with the requirements set out in the '[DfE Academy Trust LGPS Guarantee policy](#)' before permitting an admission body in the Fund. Where this requirement is met, no additional risk assessment or security will typically be required for the admitted body as the pension liabilities will be covered by the DfE Academy Guarantee.

Where the admission body does not meet the requirements of the DfE Academy Trust LGPS Guarantee policy, the Fund will review each case individually to decide if the admission body must provide security before being admitted to the Fund. In these cases, the Fund will typically require the academy to act as guarantor and provide evidence that they have sought and received permission from the DfE to do so.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the Fund will not pay bulk transfers greater in value than either the asset share of the transferring employer in the Fund, or the value of the liabilities of the transferring members, whichever is lower
- the Fund will not grant added benefits to members bringing in entitlements from another Fund, unless the asset transfer is enough to meet the added liabilities
- the Fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

7 What happens when an employer leaves the Fund?

7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

- the last active member stops participation in the Fund. The Administering Authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation payment won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the Fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the Administering Authority will instruct the Fund Actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the Fund leaves the scheme.

7.2 What happens on cessation?

The Administering Authority must protect the interests of the remaining Fund employers when an employer leaves the scheme. The Actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in [Appendix E](#).

- (a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in [Appendix E](#).
- (b) Where there is a guarantor, the guarantee will be considered before the cessation valuation.
 - Where the guarantor is a guarantor of last resort (i.e. where the guarantee will cease to have effect after the cessation event and final settlement), this will have no effect on the cessation valuation.
 - If this isn't the case (i.e. if the guarantee continues to apply in respect of the former employer's obligations post cessation), cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the Fund.
- (c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms. This is known as 'subsumption' of the assets and liabilities.

If the Fund cannot recover the required payment in full, unpaid amounts will be paid by the related letting Authority (in the case of a ceased admission body) or shared between the other Fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The Fund Actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and Fund.

The cessation policy is available in [Appendix G](#).

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the Administering Authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

Details of the Fund's approach to exit credits is set out in the Fund's cessation policy in Appendix G.

7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement
- if an exiting employer enters into a deferred debt agreement, it stays in the Fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

Details of the Fund's approach to deferred spreading and deferred debt agreements are set out in the Fund's cessation policy in Appendix G.

7.5 What if an employer has no active members?

When employers leave the Fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the Fund and either:

- a) their asset share runs out before all ex-employees' benefits have been paid. The other Fund employers will be required to contribute to the remaining benefits. The Fund Actuary will portion the liabilities on a pro-rata basis based on each employer's proportion of the Fund's pensionable pay.
- b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The Fund Actuary will apportion the remaining assets to the other Fund employers based on each employer's proportion of the Fund's liabilities.

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS Funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report includes advice on whether the following aims are achieved:

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other Funds. Either:

- (a) employers collectively can increase their contributions, or the Fund can realise contingencies to target a 100% funding level
- or
- (b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the Administering Authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS Funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing Funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the Fund's actuarial bases don't offer straightforward comparisons.

Standard information about the Fund's approach to solvency of the pension Fund and long-term cost efficiency will be provided in a uniform dashboard format in the valuation report to facilitate comparisons between Funds.

Appendices

Appendix A – The regulatory framework

A1 Why do Funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require Funds to maintain and publish a funding strategy statement (FSS). According to the Ministry for Housing, Communities and Local Government (MHCLG) the purpose of the FSS is to document the processes the Administering Authority uses to:

- *establish a clear and transparent Fund-specific strategy identifying how employers' pension liabilities are best met going forward*
- *support the desirability of maintaining as constant and stable primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013*
- *ensure that the regulatory requirements to set contributions to ensure the solvency and long-term cost efficiency of the Fund are met.*
- *explain how the Fund balances the interests of different employers.*
- *explain how the Fund deals with conflicts of interest and references other policies/strategies.*

To prepare this FSS, the Administering Authority has used guidance jointly prepared by the Scheme Advisory Board (SAB), MHCLG, and the Chartered Institute of Public Finance and Accountancy (CIPFA) dated January 2025.

The Fund has a fiduciary duty to scheme members and obligations to employers to administer the scheme competently to keep employer contributions at an affordable level. The funding strategy statement sets out how the Fund meets these responsibilities.

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with “*persons the Authority considers appropriate*”. This should include ‘*meaningful dialogue... with council tax raising authorities and representatives of other participating employers*’.

The consultation process included issuing a draft version to participating employers.

A3 How is the FSS published?

The FSS is made available to interested parties by:

- publishing on the Administering Authority's and Fund's [website](#)
- sending copies to each employer
- sending copies to members of the local pension board
- sending copies to the Fund's investment consultants
- making copies freely available on request.

The FSS is published on the pension Fund's [website](#).

A4 How does the FSS fit into the overall Fund documentation?

The FSS is a summary of the Fund's approach to funding liabilities. It isn't exhaustive – the Fund publishes other statements like the investment strategy statement, governance strategy and communications strategy. The Fund's annual report and accounts also includes up-to-date Fund information.

You can see all Fund documentation at the pension Fund's [website](#).

Appendix B – Roles and responsibilities

B1 The Administering Authority is required to:

- 1 operate a pension Fund
- 2 collect employer and employee contributions, investment income and other amounts due to the pension Fund as stipulated in LGPS Regulations
- 3 have an escalation policy in situations where employers fail to meet their obligations
- 4 pay from the pension Fund the relevant entitlements as stipulated in LGPS Regulations
- 5 invest surplus monies in accordance with the relevant regulations
- 6 ensure that cash is available to meet liabilities as and when they fall due
- 7 ensure benefits paid to members are accurate and undertake timely and appropriate action to rectify any inaccurate benefit payments take measures as set out in the regulations to safeguard the Fund against the consequences of employer default
- 8 manage the valuation process in consultation with the Fund's Actuary
- 9 prepare and maintain an FSS and associated funding policies and SIP/ISS, after proper consultation with interested parties
- 10 monitor all aspects of the Fund's performance and funding, and amend the FSS/ISS accordingly
- 11 establish a policy around exit payments and payment of exit credits/debits in relation to employer exits
- 12 effectively manage any potential conflicts of interest arising from its dual role as both Fund Administrator and scheme employer
- 13 enable the local pension board to review the valuation and FSS review process and as set out in their terms of reference
- 14 support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice

B2 Individual employers are required to:

- 1 Ensure staff who are eligible are contractually enrolled and deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations),
- 2 provide the Fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any deficiencies in their data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality
- 3 pay all ongoing contributions, including employer contributions determined by the Actuary and set out in the rates and adjustments certificate, promptly by the due date
- 4 develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- 5 make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain

- 6 notify the Administering Authority promptly of all changes to active membership that affect future funding
- 7 pay any exit payments on ceasing participation in the Fund timely provide the Fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any inaccuracies in data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality.

B3 The Fund Actuary should:

1. prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency based on the assumptions 26 set by the Administering Authority and having regard to the FSS and the LGPS Regulations
2. provide advice so the Fund can set the necessary assumptions for the valuation • prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc
3. provide advice and valuations to the Fund so that it can make decisions on the exit of employers from the Fund
4. provide advice to the Fund on bonds or other forms of security against the financial effect on the Fund of employer default
5. assist the Fund in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations
6. ensure that the Fund is aware of any professional guidance or other professional requirements that may be relevant in the role of advising the Fund.
7. Identify to the Fund and manage any potential conflicts of interest that may arise in the delivery the contractual arrangements to the Fund and other clients.

B4 Local Pension Boards (LPB):

Local Pension Boards have responsibility to assist the Administering Authority to secure compliance with the LGPS regulations, other legislation relating to the governance and administration of the LGPS, any requirements imposed by the Regulator in relation to the LGPS, and to ensure the effective and efficient governance and administration of the LGPS. It will be for each Fund to determine the input into the development of the FSS (as appropriate within Fund's own governance arrangements) however this may include:

1. Assist with the development and review the FSS
2. Review the compliance of scheme employers with their duties under the FSS, regulations and other relevant legislation
3. Assist with the development of and review communications in relation to the FSS.

B5 Employer guarantors

- 1 Department for Education - To pay cessation debts in the case of academy cessations (where the obligations are not being transferred to another MAT) and to consider using intervention powers if an academy is deemed to be in breach of the regulations.
- 2 Other bodies with a financial interest (outsourcing employers)
- 3 Any other Guarantor

B4 Other parties:

- 1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement
- 2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of Fund assets in line with the ISS
- 3 auditors comply with standards, ensure Fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements
- 4 governance advisers may be asked to advise the Administering Authority on processes and working methods
- 5 internal and external legal advisers ensure the Fund complies with all regulations and broader local government requirements, including the Administering Authority's own procedures
- 6 the Ministry for Housing, Communities and Local Government, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS Funds to meet Section 13 requirements.

Appendix C – Glossary

Actuarial certificates

A statement of the contributions payable by the employer (see also rates and adjustments certificate). The effective date is 12 months after the completion of the valuation.

Actuarial valuation

An investigation by an Actuary, appointed by an Administering Authority into the costs of the scheme and the ability of the Fund managed by that Authority to meet its liabilities. This assesses the funding level and recommended employer contribution rates based on estimating the cost of pensions both in payment and those yet to be paid and comparing this to the value of the assets held in the Fund. Valuations take place every three years (triennial).

Administering Authority (referred to as ‘the Fund’)

A body listed in Part 1 of Schedule 3 of the regulations who maintains a Fund within the LGPS and a body with a statutory duty to manage and administer the LGPS and maintain a pension Fund (the Fund). Usually, but not restricted to being, a local Authority.

Admission agreement

A written agreement which provides for a body to participate in the LGPS as a scheme employer

Assumptions

Forecasts of future experience which impact the costs of the scheme. For example, pay growth, longevity of pensioners, inflation, and investment returns,

Code of Practice

The Pensions Regulator’s General Code of Practice.

Debt spreading arrangement

The ability to spread an exit payment over a period of time

Deferred debt agreement

An agreement for an employer to continue to participate in the LGPS without any contributing scheme members

Employer covenant

The extent of the employer’s legal obligation and financial ability to support its pension scheme now and in the future.

Funding level

The funding level is the value of assets compares with the liabilities. It can be expressed as a ratio of the assets and liabilities (known as the funding level) or as the difference between the assets and liabilities (referred to as a surplus or deficit).

Fund valuation date

The effective date of the triennial Fund valuation.

Guarantee / guarantor

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Local Pension Board

The board established to assist the Administering Authority as the Scheme Manager for each Fund.

Non-statutory guidance

Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents

Notifiable events

Events which the employer should make the Administering Authority aware of

Past service liabilities

The cost of pensions already built up or in payment

Pension committee

A committee or sub-committee to which an Administering Authority has delegated its pension function

Pensions Administration Strategy

A statement of the duties and responsibilities of scheme employers and Administering Authorities to ensure the effective management of the scheme

Primary and secondary employer contributions

Primary employer contributions meet the future costs of the scheme and Secondary employer contributions meet the costs already built up (adjusted to reflect the experience of each scheme employer). Contributions will therefore vary across scheme employers within a Fund.

Rates and adjustments certificate

A statement of the contributions payable by each scheme employer (see actuarial certificates)

Scheme Manager

A person or body responsible for managing or Administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each Fund has a Scheme Manager which is the Administering Authority.

Appendix D – Risks and controls

D1 Managing risks

The Administering Authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

Details of the key Fund-specific risks and controls are logged in the Fund's risk register which can be found on the pension Fund's [website](#). Risks are regularly monitored and reported on to the Pension Committee and Board.

D2 Climate risk and TCFD reporting

The Fund has considered climate-related risks when setting the funding strategy and was an early adopter of TCFD reporting in the LGPS and are developing a broad climate action plan. The Fund's latest TCFD report can be found on the pension Fund's [website](#).

In addition, the Fund included climate scenario stress testing in the contribution modelling exercise for the local Authority as at the 2025 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks.

The same stress tests were not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local Authority employers make up the vast majority of the Fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

Further details on the Fund's approach to climate risk (and other risks) can be found at the pension Fund's [website](#).

Appendix E – Actuarial assumptions

The key outputs from an employer's funding valuation are its contribution rate requirement (see Section 2 for further details) and its funding level (see Section 4). For both calculations the fund actuary requires actuarial assumptions.

The fund typically reviews and sets the actuarial assumptions used for funding purposes as part of the triennial valuation. Those assumptions are then used until the next triennial valuation (updated for current market conditions where appropriate).

The fund has reviewed the actuarial assumptions used for funding purposes as part of the 2025 valuation. These are set out below.

E1 What are assumptions?

Actuarial assumptions are required to value the fund's liabilities because:

- There is uncertainty regarding both the timing and amount of the future benefit payments (the actual cost can't be known until the final payment is made). Therefore to estimate the cost of benefits earned to date and in the future, assumptions need to be made about the timing and amount of these future benefit payments
- The assets allowed to an employer today are a known figure. However, the future investment return earned on those assets and future cashflows into the fund are uncertain. An assumption is needed about what those future investment returns will be

There are two types of actuarial assumptions that are needed to perform an actuarial valuation: **financial assumptions** determine the expected amount of future benefit payments and the expected investment return on the assets held to meet those benefits, whilst **demographic assumptions** relate primarily to the expected timing of future benefit payments (i.e. when they are made and for how long).

All actuarial assumptions are set as best estimates of future experience with the exception of the discount rate assumption which is deliberately prudent to meet the regulatory requirement for a 'prudent' valuation.

Any change in the assumptions will affect the value that is placed on future benefit payments ('liabilities'), but different assumptions don't affect the actual benefits the fund will pay in future.

E2 What funding bases are operated by the Fund?

A *funding basis* is the set of actuarial assumptions used to value an employer's (past and future service) liabilities. The fund operates two funding bases for funding valuations: the *ongoing participation basis* and the *low-risk exit basis*. All actuarial assumptions are the same for both funding bases with the exception of the discount rate – see further details below.

E3 What financial assumptions are used by the Fund?

Discount rate

The discount rate assumption is the average annual rate of future investment return assumed to be earned on an employer's assets from a given valuation date.

The fund uses a risk-based approach to setting the discount rate which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions') and the Fund's investment strategy.

The discount rate is determined by the *prudence level*. Specifically, the discount rate is calculated to be:

The average annual level of future investment return that can be achieved on the Fund's assets over a 20 year period with a x% likelihood.

The prudence level is the likelihood. The prudence levels used by the fund are as follows:

	Employer type	Prudence level
Ongoing basis	All employers except closed community admission bodies	85%
Low-risk exit basis	Community admission bodies closed to new entrants	N/A – see below

The discount rate for the low risk exit basis is not set using the risk-based methodology. The low-risk exit basis discount rate is set equal to the annualised yield on long dated conventional government bonds at the valuation date.

CPI inflation

The CPI inflation assumption is the average annual rate of future Consumer Price Index (CPI) inflation assumed to be observed from a given valuation date. This assumption is required because LGPS benefit increases (in deferment and in payment) and revaluation of CARE benefits are in line with CPI.

The fund uses a risk-based approach to setting the CPI inflation assumption which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions').

The CPI inflation assumption is calculated to be the average annual level of future CPI inflation that will be observed over a 20 year period with a 50% likelihood, plus an inflation risk premium of 0.3%.

Salary growth

The salary growth assumption is linked to the CPI inflation assumption via a fixed margin. The salary increases assumption is 0.7% above the CPI inflation assumption plus a promotional salary scale.

E4 Further detail on the calculation of financial assumptions

The (ongoing basis) discount rate and CPI inflation assumptions are calculated using a risk-based method. To assess the likelihood associated with a given level of investment return or a given level of future inflation, the fund actuary uses Hymans Robertson's propriety economic scenario generator; the *Economic Scenario Service* (or ESS). The model uses statistical distributions to project a range of 5,000 different possible outcomes for the future behaviour of different asset classes and wider economic variables, such as inflation.

The table below shows the calibration of the model as at 31 March 2025 for some sample asset classes and economic variables. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years. Yields and inflation refer to the simulated yields at that time horizon.

Table 2: Summary of assumptions underlying the ESS, 31 March 2025

Time period	Percentile	Annualised total returns										Inflation/Yields		
		Global Equities (unhedged)	EM equities (unhedged)	DGF Low Beta	Property	Infrastructure equity (unlisted)	A Credit (14 yr maturity)	A Credit (4 yr maturity)	Index linked gilt (24 yr maturity)	Multi Asset Credit (sub investment grade)	Private Lending	Inflation (CPI)	17 year real yield (CPI)	17 year yield
5 years	16 th	-0.5%	-3.2%	3.5%	0.2%	1.1%	2.5%	4.0%	1.4%	4.1%	4.5%	1.2%	1.5%	4.8%
	50 th	8.2%	8.5%	5.8%	6.8%	8.1%	4.9%	5.2%	4.6%	6.7%	8.2%	2.8%	2.4%	5.8%
	84 th	16.9%	20.9%	8.1%	14.1%	15.5%	7.1%	6.1%	8.0%	8.8%	11.4%	4.3%	3.3%	7.1%
10 years	16 th	2.1%	0.2%	4.3%	2.3%	3.1%	4.5%	4.8%	2.8%	5.8%	6.4%	0.8%	0.8%	3.9%
	50 th	8.5%	8.8%	6.2%	7.3%	8.4%	6.0%	5.8%	5.0%	7.4%	8.8%	2.5%	2.1%	5.3%
	84 th	14.8%	17.5%	8.1%	12.7%	13.8%	7.3%	6.7%	7.5%	8.9%	10.9%	4.1%	3.3%	7.1%
20 years	16 th	3.7%	2.2%	4.4%	3.5%	4.2%	5.5%	4.6%	3.1%	6.1%	7.0%	0.7%	-0.5%	1.6%
	50 th	8.3%	8.5%	6.1%	7.3%	8.3%	6.5%	5.8%	4.9%	7.6%	8.8%	2.3%	1.3%	3.6%
	84 th	13.1%	15.1%	8.2%	11.3%	12.4%	7.4%	7.2%	6.8%	9.1%	10.7%	3.9%	3.0%	6.2%
	Volatility (1 yr)	18.6%	24.3%	4.9%	15.2%	14.5%	6.5%	3.2%	7.8%	6.3%	9.3%	1.4%	-	-

5 What demographic assumptions are used by the Fund?

Demographic assumptions are best estimates of future experience. The Fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the Fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2024 version of the continuous mortality investigation (CMI) model published by the actuarial profession. The core parameters of the model apply, however, the starting point has been adjusted by +0.25% (for males and females) to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death Dependant of a male is 3.5 years younger than him Dependent of a female is 0.6 years older than her
Commutation	65% of maximum tax-free cash
50:50 option	0% of members will choose the 50:50 option.

Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		III-health tier 1		III-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.17	323.45	609.76	0.00	0.00	0.00	0.00
25	117	0.17	213.65	402.77	0.00	0.00	0.00	0.00
30	131	0.20	151.59	285.73	0.00	0.00	0.00	0.00
35	144	0.24	118.44	223.22	0.10	0.07	0.02	0.01
40	151	0.41	95.36	179.66	0.16	0.12	0.03	0.02
45	159	0.68	89.57	168.72	0.35	0.27	0.07	0.05
50	167	1.09	73.83	138.92	0.90	0.68	0.23	0.17
55	173	1.70	58.14	109.45	3.54	2.65	0.51	0.38
60	174	3.06	51.82	97.51	6.23	4.67	0.44	0.33
65	174	5.10	31.81	59.85	11.83	8.87	0.00	0.00

Females

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		III-health tier 1		III-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.10	281.94	373.90	0.00	0.00	0.00	0.00
25	117	0.10	189.71	251.55	0.10	0.07	0.02	0.01
30	131	0.14	159.02	210.83	0.13	0.10	0.03	0.02
35	144	0.24	137.25	181.90	0.26	0.19	0.05	0.04
40	151	0.38	114.23	151.34	0.39	0.29	0.08	0.06
45	159	0.62	106.60	141.21	0.52	0.39	0.10	0.08
50	167	0.90	89.87	118.92	0.97	0.73	0.24	0.18
55	173	1.19	67.06	88.83	3.59	2.69	0.52	0.39
60	174	1.52	54.04	71.50	5.71	4.28	0.54	0.40
65	174	1.95	25.76	34.07	10.26	7.69	0.00	0.00

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PENSIONS COMMITTEE

09 December 2025

Subject Heading:

Pension fund performance monitor for the quarter ended September 2025

ELT Lead:

Kathy Freeman

Report Author and contact details:

Tara Haroon
Tara.Haroon@havering.gov.uk

Policy context:

Pension Fund performance is monitored quarterly against investment objectives and to keep the committee informed of developments

Financial summary:

This report comments upon the performance of the Fund for the period ended 30 September 2025

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

- | | |
|---|-------------------------------------|
| People - Supporting our residents to stay safe and well | <input checked="" type="checkbox"/> |
| Place - A great place to live, work and enjoy | <input checked="" type="checkbox"/> |
| Resources - Enabling a resident-focused and resilient Council | <input checked="" type="checkbox"/> |

SUMMARY

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

This report summarises the Fund's investment performance and outlines key Local Government Pension Scheme (LGPS) updates for the quarter ending **30 September 2025**.

The total value of the Fund's assets increased by **c.£51.3m** over the quarter to £1,096.4m as at 30 September 2025. The overall fund performance of 5.0% over the quarter ahead of both the tactical benchmark by 0.3% and the strategic benchmark by 5.9%.

The general position of the Fund is considered plus other matters including any current issues as advised by Hymans.

Any significant events occurring after production of this report will be addressed verbally at the meeting.

RECOMMENDATIONS

That the Committee:

- 1) Consider Hymans Performance Report (Appendix A **Exempt**)
- 2) Note the analysis of the cash balances in paragraph 5.
- 3) Consider the quarterly reports sent electronically, provided by each fund manager.

REPORT DETAIL

1. Hyman's 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.

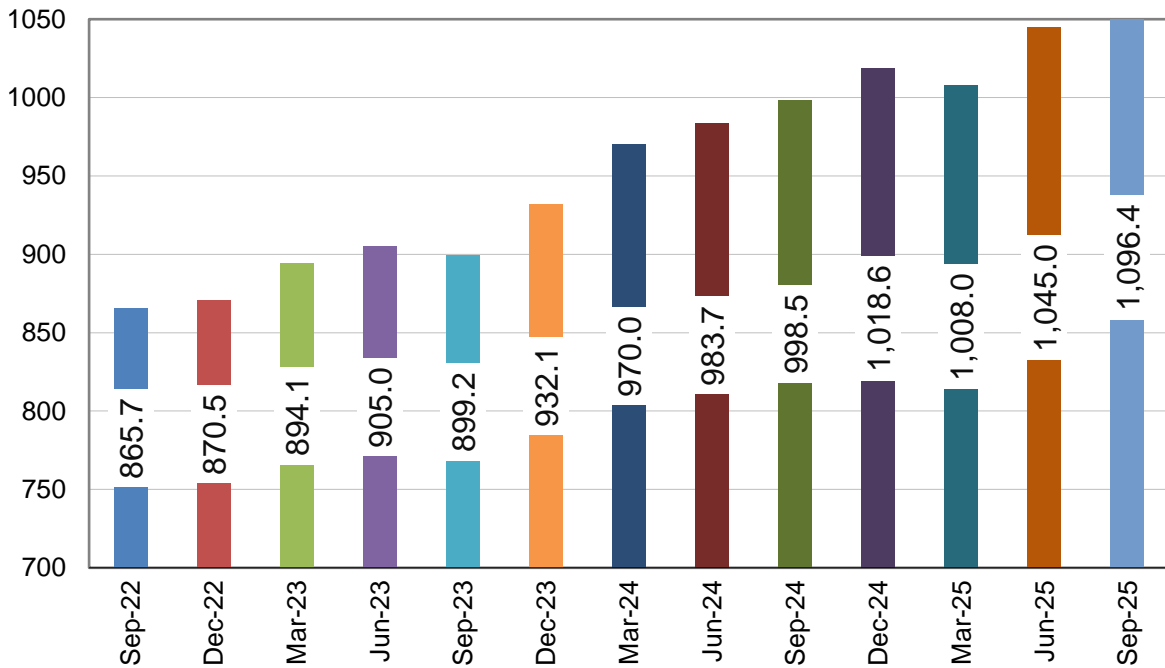
3. **BACKGROUND**

- a. The Committee adopted an updated Investment Strategy Statement (ISS) in September 2023, aiming to achieve long-term investment returns that exceed the growth in the Fund's liabilities.
- b. Assets performance is reviewed quarterly against tactical and strategic benchmarks to ensure alignment with the ISS objectives.

4. PERFORMANCE

- a. Over the quarter to 30 September 2025, the Fund's asset value increased by £51.4m to £1,096.4m driven by a £52m increase in asset values and £1m reduction in cash and currency.

Chart 1 – Pension Fund Asset Value



Source: Northern Trust Performance Report

- b. The Fund's overall performance against **tactical benchmarks** reflects each manager's specific investment targets. While these benchmarks vary by mandate and aren't directly comparable to the strategic benchmark, they contribute to assessing overall fund performance.

Table 1: Tactical Performance

	Quarter to 30/09/2025 %	12 Months to 30/09/2025 %	3 Years to 30/09/2025 %	5 years to 30/09/2025 %
Fund	4.98	9.52	7.64	5.88
Benchmark	4.64	10.27	9.91	8.16
*Difference in return	0.34	-0.75	-2.28	-2.27

Source: Northern Trust Performance Report

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

- c. The Fund's net performance is measured against the **Strategic Benchmark** (Gilts + 1.8% net of fees), which reflects the expected growth in liabilities. Comparing asset performance to this benchmark indicates whether the Fund's funding level has strengthened or weakened.

Table 2: Strategic Performance

	Quarter to 30/09/2025 %	12 Months to 30/09/2025 %	3 Years to 30/09/2025 %	5 years to 30/09/2025 %
Fund	4.98	9.52	7.64	5.88
Benchmark	-0.89	-6.05	-3.35	-6.90
*Difference in return	5.87	15.58	10.99	12.78

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 (Exempt)** in the performance report which will be presented by the Investment Adviser (Hymans)

5. CASH FORECAST

- a. At the end of September 2025, the cash balance stood at £17.7m, which is invested with London Borough of Havering Treasury and available for operational cash requirements as needed.

Table 3: Cash Flow Forecast

	6 months to 30 Sept 2025	6 Months to 31 March 2026	Year to 31/03/2027	Year to 31/03/2028	Year to 31/03/2029
	£000	£000	£000	£000	£000
Balance b/f	16,468	17,721	15,563	5,365	(4,636)
Benefits paid	(17,571)	(17,706)	(35,983)	(36,702)	(37,436)
BACS expenses*	(7,448)	(6,282)	(12,955)	(13,214)	(13,479)
Lump sums by faster payment	(1,711)	(1,936)	(3,720)	(3,720)	(3,720)
Transfers in	2,242	1,746	3,328	3,328	3,328
Contributions received**	6,130	22,020	39,132	40,306	41,515
Pension strain	63	0	0	0	0
Sweep	19,547	0	0	0	0
Balance c/f	17,721	15,563	5,365	(4,636)	(14,428)

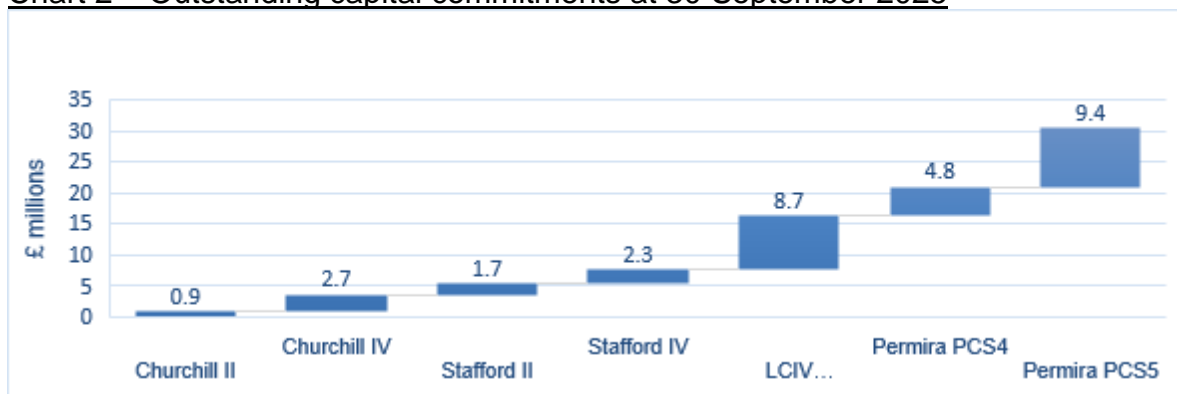
* BACS expenses also includes some grants i.e. lump sums made to members via payments team

** 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.

- e. As operational cash reserves diminish, the Fund retains the capacity to withdraw funds from Northern Trust. The cash balance held with Northern Trust, which is excluded from the table presented above, amounted to £22 million as at 30 September 2025.
- f. In the quarter ending 30 September 2025, the Fund completed £3.5m of capital draw down requests, funded from investment income received and held with the Custodian.
- g. At 30 September 2025 there was £30.5m of outstanding capital commitments as follows:

Chart 2 – Outstanding capital commitments at 30 September 2025



6. REPORTING ARRANGEMENTS

- a. Summary fund manager reviews are included within Hyman's performance report at **Appendix A (Exempt)**.
- b. 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.
- c. **Hyman's independent review of the pool**
 - i. Hyman's have produced an LCIV quarterly oversight report, it reviews key developments and an overview of leadership, operations and relationships using a traffic light system.
 - ii. One item scored below 1.4 and receiving a red traffic light was Leadership due to high staff turnover signifying the Fund's need to engage further LCIV.
 - iii. LCIV have clarified that staff turnover remains stable at 4% which is significantly below the market norm of 10%. They are currently operating with a headcount of 57 employees. They explained that

changes in Commercial and Investment teams relate to growth, with six new roles add to the investment team over the past six months.

7. FUND UPDATES:

7.1 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:

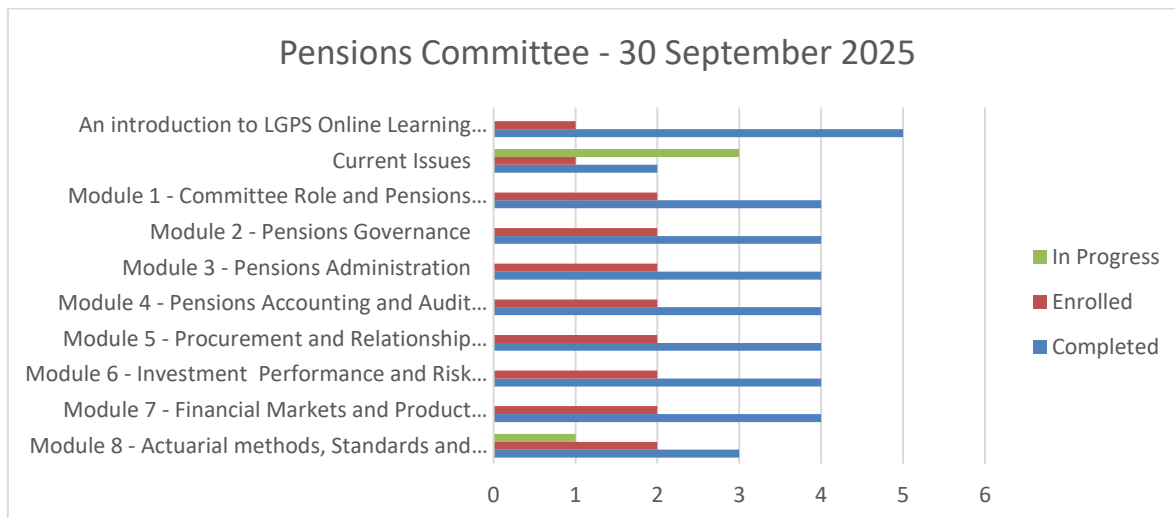
7.1.1 LCIV meetings (since last report)

- a. Responsible investing workshop - 8 October 2025: LCIV are engaging with partner funds with the aim to offer two streams of Responsible Investment (RI) options, one where RI is incorporated with very few exclusions and a second where more exclusions would apply (e.g. social factors, thresholds on palm oil/soy, defence/arms etc).
- b. Investment management agreement (IMA) workshop – 30 October 2025: LCIV are engaging with partners to move forward with an IMA template that represents the interests of both the pool and the Funds. Brabners LLP have been working with the Funds to ensure that the IMA meets their collective needs.

7.1.2 Training Update

- a. The Fund subscribes to the LGPS Online Learning Academy (LOLA) provided by our Actuaries (Hymans) – an online platform designed to support the training needs of Pensions Committees, Local Pension Boards and Officers. Training is split into 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. Alongside induction training, members are expected to complete LOLA modules to support informed decision-making and comply with Committee procedure rules.
- c. New committee members have six months from date of joining to complete the LOLA modules.
- d. Officers will provide the Committee with regular progress reports allowing it to easily evidence member's development and progress, as follows:

Chart 4 – Pension Committee progress LOLA v2: 30 September 2025



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

Hyman's LCIV Q2 pool monitor

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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

09 December 2025

Subject Heading:

TASKFORCE FOR CLIMATE –
RELATED FINANCIAL DISCLOSURES
Year ending 31 March 2025

ELT Lead:

Kathy Freeman

Report Author and contact details:

Tara Haroon
Tara.Haroon@Havering.gov.uk

Policy context:

Reporting against climate risk disclosures

Financial summary:

Estimated cost £3,000 for the report

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

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

SUMMARY

Appendix A to this report summarises the Funds current position concerning the 11 climate-related disclosures under the scope of the Taskforce on Climate-related Financial Disclosures (TCFD), for the year ending 31 March 2025.

RECOMMENDATIONS

That the Committee:

Agree the 31 March 2025 TCFD report as attached as **Appendix A**.

REPORT DETAIL

1. The Fund's investment consultant, Hymans Robertson, has outlined in Appendix A the Fund's approach to reporting against the 11 climate-related disclosures under the TCFD framework for the year ending 31 March 2025.

2. BACKGROUND

- a. The TCFD was established in 2015 by the Financial Stability Board to improve climate-related financial reporting. Its final recommendations, published in 2017, introduced a framework based on four pillars: **Governance, Strategy, Risk Management, and Metrics & Targets**, comprising 11 disclosures.
- b. Although the UK Government set an ambition for mandatory climate-related disclosures by 2025, the TCFD recommendations have since been incorporated into the International Sustainability Standards Board (ISSB) standards. Public sector guidance now follows a phased approach, with full compliance expected by 2025–26 on a “comply or explain” basis.
- c. For the Local Government Pension Scheme (LGPS), the Department for Levelling Up, Housing and Communities (DLUHC) consulted in 2022 on mandatory TCFD-aligned reporting. However, implementation was delayed in June 2023, and no regulations have yet been introduced. The Fund therefore continues to report voluntarily.
- d. This is the Fund's fourth TCFD report, summarising its position across the 11 disclosures. Future reports will highlight actions taken to strengthen alignment with best practice and address recommendations arising from ongoing analysis. The 2024/25 report will be published as a standalone document.

IMPLICATIONS AND RISKS

Financial implications and risks:

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

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

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

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

Legal implications and risks:

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

Human Resources implications and risks:

None arise from 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.

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Climate disclosures for the year ended 31 March 2025

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

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

Governance

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

The Committee has ultimate responsibility for the strategy employed to meet the Fund’s objectives. This strategy and objectives are set out in the Fund’s current Investment Strategy Statement (“ISS”). The ISS was last updated in 2023 to reflect changes in the Fund’s strategy and is next scheduled for review in 2026.

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

The Committee has established and published a Statement of Investment Beliefs which reflects the broad views of members on investment, Environment, Social and Governance (“ESG”) and climate matters. These beliefs are documented within the ISS and include recognition of the financial materiality of climate risk. There were no changes made to the Investment Beliefs over the year to 31 March 2025. The Committee expects the Fund’s Officers and Advisers to reference these beliefs in the management and evolution of the Fund. These beliefs have previously driven the Fund’s various strategic changes and will continue to do so over time. The Committee intends to review its beliefs as part of a Strategy Workshop in September 2025 ahead of the review of the Fund’s investment strategy.

The Committee members are expected to undertake training on all matters relevant to the governance of the Fund. Following a climate workshop in March 2024 which focused on the Fund’s Climate Policy and Action Plan, a further workshop is scheduled for September 2025 during which the Committee intends to further review the actions taken on climate.

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

Voting and engagement activity is undertaken by the Fund’s equity investment managers – L&G and London CIV (“LCIV”). L&G vote directly on behalf of the Fund whilst LCIV delegate voting to EOS at Federated Hermes for global equity funds, using a custom policy, and delegated voting to underlying investment managers for multi-asset funds. Stewardship activity is undertaken directly by the Fund’s other investment managers as necessary.

In supporting its scrutiny of investment managers on climate issues, the Committee has asked that where appropriate, focus should be given to voting practices and the progress climate ambitions through case studies. Further, specific focus should be given to a shortlist of focus companies to facilitate discussion. This approach has helped to foster greater oversight and challenge by the Committee.

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

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

- Officers are expected to ensure that climate related issues are considered in their discussion with all Fund stakeholders. Over the year to 31 March 2025, Officers have engaged in discussions on climate related risks and opportunities with the Fund's investment managers, LCIV as pooling provider and the Fund's Investment Adviser. Officers report the outcome of such discussions and any actions arising to the Committee for decision, as necessary.
- Ahead of each manager meeting, Officers pose a series of question of the Fund's investment manager to capture how each manager is approaching climate related issues. The responses to these questions are shared with the Committee and Advisers. Where appropriate, further information is sought.
- The LCIV is the Fund's pooling provider with responsibility for the development of appropriate solutions for the management and governance of Fund assets. During previous years, LCIV has sought to develop and introduce several pooled vehicles which directly manage climate related risks for its clients. LCIV has also engaged third-party stewardship provider, EOS at Federated Hermes, to provide input on voting and engagement and a data provider, to provide fund level analytics, including the measurement of climate related metrics.
- The Investment Adviser is expected to raise climate related risks and opportunities in the development and delivery of advice. Where possible, the Investment Advisor will consider and note the potential impact of any proposed changes to the Fund's strategy on the Fund's climate-related risks.
- Investment managers employed by the Fund are also expected to competently address climate related issues in their management of Fund issues. The Committee, as a minimum, expect its managers (including the LCIV) to be signatories to the Principles for Responsible Investment and, where appropriate, the FRC UK Stewardship Code. The Committee also question their managers on climate issues as part of regular meetings so as to scrutinise actions being taken.

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

The Committee regards climate risk as an issue that must be considered over all time horizons, given the Fund remains open to new members. The Committee has the belief that "climate change and the expected transition to a low carbon economy represents a long-term financial risk to Fund outcomes and should be considered as part of the Committee's fiduciary duty." and as such, has considered the embedding of climate risk management into the Fund via its Climate Policy and Action Plan, this being put in place in 2024.

The following actions have been achieved as at March 2025:

- Conducted analysis of climate metrics as at 31 March 2024 against an established a baseline.
- Continued to invest in several funds with a climate focus, including renewable energy infrastructure.
- Received quarterly monitoring reports relating to LCIV to aid discussions and engagements with the Pool.
- Engaged with the Fund's investment managers, incorporating discussions that specifically addressed climate related considerations and related progress.

The following actions are expected to take place over the course of 2025/26:

- Update the Fund's climate metrics as at 31 March 2025 position. Following this, write to providers with data gaps.
- Attend a Strategy Workshop with particular focus on:
 - Initial review of the Committee's investment beliefs detailed in the Fund's Investment Strategy Statement.
 - Training on 'Local Investment' in line with upcoming Government requirements.
- Receive a follow up update on the Fund's progress in meeting targets set out in the Climate Action Plan and identify areas where further improvement may be needed to meet established targets.
- Better understand climate uncertainty and potential climate impacts through scenario analysis as part of the 2025 actuarial valuation exercise.

Looking further forward, the following areas been identified as areas of focus for 2026.

From a portfolio emissions perspective:

- Review the climate related metrics provided to the Fund and ensure that these appropriately inform future decision making

From a climate solutions and opportunities perspective:

- Consider potential climate and nature related solutions in the review of investment strategy
- Agree a local investment policy.

From an alignment perspective:

- Consider how transition alignment is being reported to the Fund and ensure it is appropriately reflected in future decision making.

From an engagement perspective:

- Continue to challenge Fund managers on their approach to climate issues during engagement meetings.
- Work with LCIV to ensure that the pool can provide appropriate support on how climate issues are being addressed by the Fund.

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

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

This process was accelerated in 2023 with Committee agreeing a programme of activity, this process having continued since then.

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

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

Over the year, no further climate scenario analysis was undertaken. The Fund is expected to update its climate scenario analysis as part of the actuarial valuation being undertaken as at 31 March 2025. The outcome of this analysis will be included in reporting for the 2025/26 year.

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

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

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

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

- Within strategy management, the Committee will consider market and policy developments with particular regard to climate change and discuss how such factors may influence asset allocation. The Committee has undertaken high level climate scenario analysis as part of the Fund's funding and investment strategy review, as part of its last triennial actuarial valuation as at 31 March 2022. The Committee will undertake a similar climate scenario analysis as part of the Fund's actuarial valuation as at 31 March 2025.
- Within mandate selection, the Committee will consider how climate related risks may influence the design of a particular strategy, taking advice where appropriate. Previously, the Committee has considered this factor in the implementation of the Fund's equity portfolio strategy as well as the implementation of the Fund's allocation to investment grade corporate bonds.
- Within manager selection and ongoing monitoring, the Committee will consider the actions managers are taking to address climate related risks in the management of a mandate. This includes questioning the managers' approach to climate risk, stewardship, governance and its level of engagement with investee companies as a positive influence for ESG action. During the year, the Committee formally met with four of their investment managers, with discussion on climate related risks forming an element of these meetings.

The Committee's process for reviewing managers includes receiving a briefing on manager activity and areas for discussion being highlighted.

- Within stewardship, the Committee includes discussions on governance and voting with the Fund's equity managers on a periodic basis. The Committee reviews stewardship activity, including voting on climate issues, on an annual basis and the effectiveness of its managers in exercising the responsibilities that have been delegated to them.
- The Fund had equity investments through two investment managers (L&G and LCIV) across six mandates. Over the year to 31 March 2025, the Committee reviewed the Fund's equity investment managers' voting and engagement activities over the 12-month period to 30 June 2024. Over the period, the nearly all votes that were eligible to be exercised were voted on. Exercise rates for all mandates were at least 98%. Climate change remained the most frequent reason for engagement across all managers. The Fund will undertake this review again in 2025/26.

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

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

Metrics and Targets

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

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

- Emissions intensity is measured using Weighted Average Carbon Intensity ("WACI").
- Exposure to potentially stranded assets is measured using % assets with ties to fossil fuels.
- Exposure to climate solutions considers both green revenue exposure and direct exposure to climate solutions.

The Committee will review ongoing changes in these metrics and reconsider the metrics being monitored following completion of the actuarial valuation and review of investment strategy, considering any guidance issued.

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

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

Committee has collated data across its three measurement areas as at 31 March 2025. These metrics have been averaged across all mandates within the portfolio and are set out below:

Mandate	WACI (tCO ₂ /£m)*	% of Portfolio with Fossil Fuel Ties	% Exposure to Green Revenues/Climate Solutions
Equity	120	3%	3%
Multi-Asset	231	4%	N/A
Property	69 (UBS – tCO ₂ /£m rent passing)	0%	0%
	38 (CBRE – tCO ₂ /m ²)		
Infrastructure	814	23%	20%
Private Debt	36	0%	N/A
Bonds	159	3%	7%

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

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

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

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

PENSIONS COMMITTEE

09 December 2025

Subject Heading:	Fit for the Future Update
ELT Lead:	Kathy Freeman
Report Author and contact details:	Tara Haroon Tara.Haroon@Havering.gov.uk
Policy context:	The draft LGPS Regulations are set to take effect on 1 April 2026, subject to the passage of the Pensions Schemes Bill through Parliament.
Financial summary:	Transition costs not yet known.

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

People - Supporting our residents to stay safe and well	<input checked="" type="checkbox"/>
Place - A great place to live, work and enjoy	<input checked="" type="checkbox"/>
Resources - Enabling a resident-focused and resilient Council	<input checked="" type="checkbox"/>

SUMMARY

This report provides the Pensions Committee with an update on implementing the *Fit for the Future* proposals following the government’s Pension Investment Review published on 29 May 2025. On 20 November 2025, the Government published the LGPS: Fit for the Future – technical consultation for 6 weeks to 2 January 2026.

As of 30 September 2025, approximately 40% of the Pension Fund’s assets were directly invested with the London CIV. This report provides an update on the asset transition plan to pool the remaining 60% of assets, thereby ensuring compliance from 1 April 2026, subject to the passage of the Pensions Schemes Bill through Parliament. Currently, 26% of these are already under pool management, this would formalise the management agreement of those assets.

RECOMMENDATIONS

That the Committee:

1. Delegate authority to the Strategic Director of Resources in consultation with the Chair of the Committee to oversee the finalisation and approval of the Investment Management Agreement (IMA) with the London CIV and associated asset transition plans, to comply with the LGPS regulations.

REPORT DETAIL

1. Background

- 1.1. Over the past year, the Government has set out to reform the Local Government Pension Scheme (LGPS) as part of the Pension Investment Review. This was initiated with a Call for Evidence in September 2024, followed by the *LGPS: Fit for the Future* consultation which was published in November 2024.
- 1.2. The government published its Final Report on 29 May 2025, confirming that all core proposals will be implemented through primary and secondary legislation. The Government formally introduced the Pension Schemes Bill in the House of Commons on 5 June 2025, which is now in the parliamentary debate stage, with Royal Assent anticipated in 2026.
- 1.3. On 20 November 2025, the Government published the LGPS: Fit for the Future – technical consultation. This consultation seeks views on 2 draft statutory instruments:
 - the ‘Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026’
 - the Local Government Pension Scheme (Amendment) Regulations 2026
- 1.4. This consultation will last for 6 weeks from 20 November 2025 to 2 January 2026.
- 1.5. The ‘Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 will replace the current 2016 LGPS Regulations and give legal effect to the proposals set out in the Pooling and Local Investment chapters of the ‘Fit for the Future’ consultation. They will:
 - require administering authorities (AAs) to delegate the implementation of their investment strategy to their asset pool
 - require AAs to take principal investment advice from their pool

- require all assets to be controlled and managed by the relevant asset pool
 - provide backstop powers for the Secretary of State to direct AAs to participate in specific pools, and for specific pools to facilitate participation
 - establish minimum standards for pools, including FCA authorisation and capacity to manage local investments
 - require compliance from 1 April 2026, subject to passage of the Pension Schemes Bill through Parliament and with limited flexibility in specific cases
- 1.6. The Local Government Pension Scheme (Amendment) Regulations 2026 will implement the proposals in the Governance chapter of the consultation. They will require compliance from 1 April 2026, subject to passage of the Pension Schemes Bill through Parliament and with lead in periods for specific requirements.
- 1.7. The Government's response to the Fit for the Future consultation can be accessed online on the following link [Local Government Pension Scheme \(England and Wales\): Fit for the future – government response - GOV.UK](#)

2. Current Position

- 2.1. LB Havering Pension Fund has made good progress towards pooling and is currently invested in the following London CIV directly managed sub-funds, comprising of approximately 40% of the Fund at 30 September 2025.
- LCIV Absolute Return
 - LCIV Renewable Infrastructure
 - LCIV Global Alpha Growth Paris Aligned
 - LCIV Passive Equities Progressive Paris-Aligned.
- 2.2. Approximately, 26% of assets which includes listed equity investments with LGIM and CBRE were considered under pooled management. The remaining 34% of assets are currently invested in off-pool assets.

3. Asset Transition Plan Update

- 3.1. Officers have engaged with London CIV over the past several months to agree the high-level asset transition plan to ensure that all assets are pooled by 31 March 2026. These discussions are still ongoing and expected to be completed in January 2026.
- 3.2. In finalising the plan, the following pooling options will be considered:

- Where an existing, broadly comparable, solution exists, consider transferring investment to London CIV managed fund.
- Where a solution does not exist, engagement with London CIV to consider appropriate pooling solution.

4. Investment Management Agreement

- 4.1. London CIV has identified that in some cases an Investment Management Agreement (IMA) may be required to achieve the transfer of assets by the government's deadline. An IMA is a formal contract between London CIV and each Partner Fund that establishes the terms under which London CIV will assume investment management responsibilities for the Partner Fund's off-pool investments.
- 4.2. To comply with the Government's Fit for the Future asset pooling agenda, all off-pool and deemed pooled holdings will need to be transferred to London CIV by 31 March 2026. The IMA is the contractual mechanism that enables this pooling and ensures compliance with statutory requirements. Without an IMA in place, the Fund cannot legally transition assets to London CIV or comply with draft regulations.
- 4.3. The IMA will set out the operational and governance framework for investment strategy implementation and management of off-pool assets. It will include a core document, which will be the same for all Partner Funds and four schedules which will be individual to each Partner Fund. These include:
 - i. **Investor Details** - Details about Havering Pension Fund as an investor
 - ii. **Investment Strategy** - How the Fund's strategic asset allocation and objectives will be implemented within LCIV.
 - iii. **Fees** - The structure for fees for operating the pooled arrangements.
 - iv. **Asset listing** – A detailed record of the transferring asset holdings and their values at an agreed date.
- 4.4. The Fund will need to seek legal advice on the IMA wording to ensure that arrangements are in accordance with government legislation. Therefore, the committee is being requested to delegate the review, finalisation and signing of the IMA to the Strategic Director of Resources, in consultation with the Chair of the Pensions Committee.

5. Implications of IMA arrangements

- 5.1. Under the current LGPS (Management and Investment of Funds) Regulations 2016, Havering Pension Fund appoints and manages its own investment managers directly, retaining full discretion over mandates and operational decisions.
- 5.2. However, under the new proposed draft LGPS Regulations, the IMA would facilitate the oversight and management responsibilities to the London CIV. As such, London CIV will become the legal investment manager for all of

Havering Pension Fund's assets, whilst taking responsibility for the day-to-day investment management of the Fund's assets. The Pension Fund will retain its responsibility for setting the investment strategy.

- 5.3. The Pension Committee will continue to play an important role in the strategic direction of the Pension Fund, ensuring strong governance by establishing clear objectives for its investment pool and regularly monitoring investment performance.

6. Changes to Shareholder Agreement

- 6.1. As part of the *Fit for the Future* considerations, all pools were required to submit business plans for how they would implement the government's proposals. ACCESS and Brunel's business plans were deemed to not meet the government's vision for the LGPS. Therefore, the government required the 21 Partner Funds in those pools to inform the government which of the other asset pools they would join, setting a deadline for 30 September 2025.
- 6.2. Buckinghamshire Pension Fund (BPF) approached the London CIV in September 2025 and expressed a preference to join the pool.
- 6.3. Subsequently, London CIV prepared a business case which was shared with all current 32 Partner Funds receiving unanimous agreement in principle. Officers are in favour of BPF joining the London CIV as it is expected further economies of scale can be achieved.
- 6.4. The full business case is available to members on request.

IMPLICATIONS AND RISKS

Financial implications and risks:

The IMA will cover the transfer of the Royal London portfolio as well as the private debt companies. The cost of transitioning these assets is not yet known however, we would be keen to avoid any fire sale. The timing of the transition will also be carefully managed to both minimise costs and ensure the operational capacity within their team.

Legal implications and risks:

Legislation is not yet ready. There are no further legal implications other than those mentioned within the body 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.