



# Haverling

LONDON BOROUGH

## PENSIONS COMMITTEE AGENDA

<b>7.00 pm</b>	<b>Tuesday 17 March 2026</b>	<b>Appointment Centre Rooms 7 &amp; 8, Town Hall, Romford</b>
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Members 7: Quorum 3

**COUNCILLORS:**

**Conservative Group  
( 2 )**

Viddy Persaud  
Joshua Chapman

**Haverling Residents' Group  
( 3 )**

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

**Labour Group  
( 1 )**

Keith Darvill

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**Trade Union Observers**

**(No Voting Rights) (1)**

Peter Liddle

**Admitted/Scheduled Bodies  
Representative**

**(Voting Rights) (0)**

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

**Luke Phimister 01708 434619  
luke.phimister@haverling.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:-

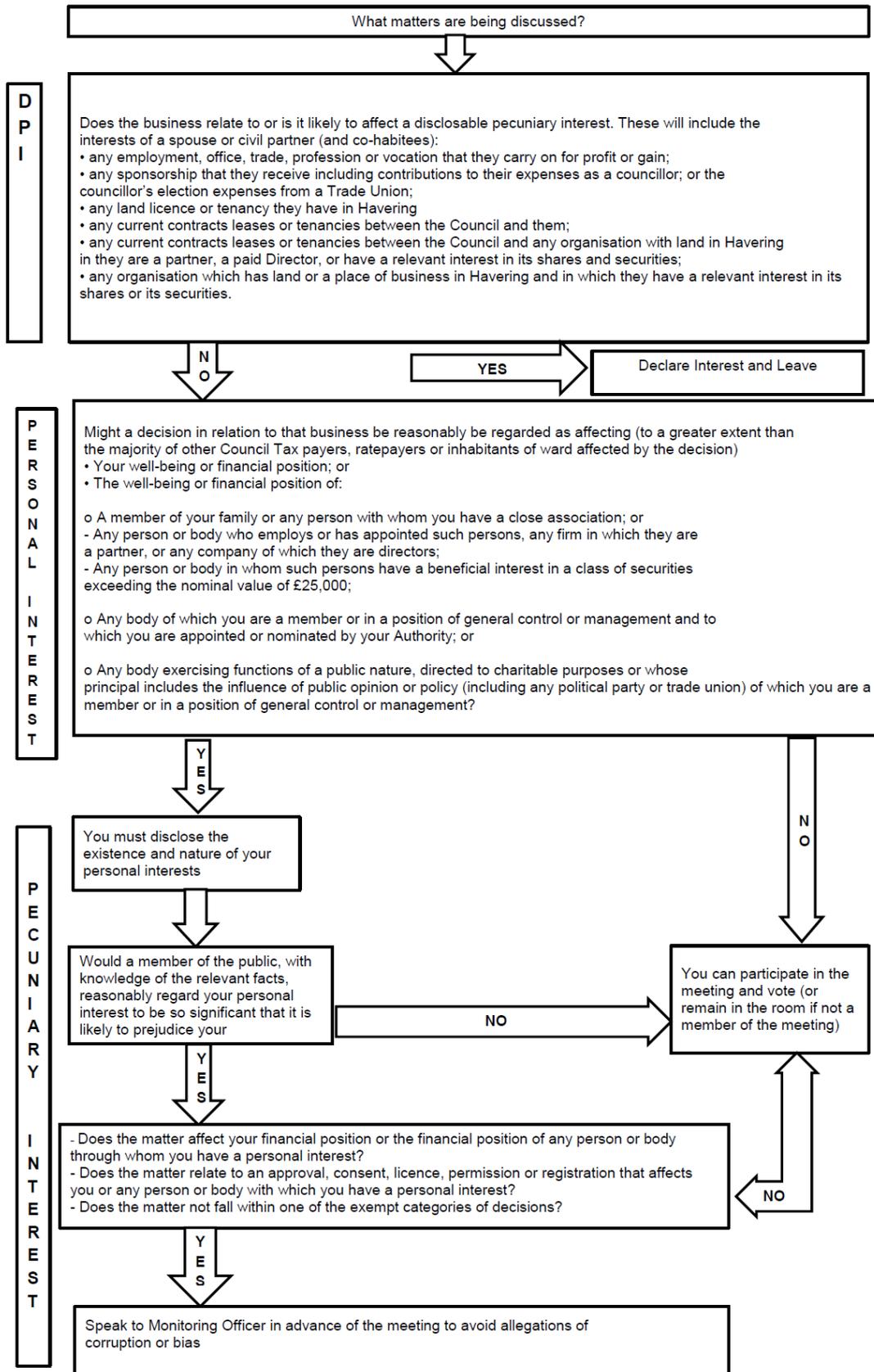
- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing,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

**DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF**



**Principles of conduct in public office**

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

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

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

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

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

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

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

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

## AGENDA ITEMS

### 1 CHAIRMAN'S ANNOUNCEMENTS

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

### 2 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

(if any) - receive

### 3 DISCLOSURE OF INTERESTS

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

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

### 4 MINUTES OF THE MEETING (Pages 7 - 10)

To approve as correct the minutes of the meeting held on 9 December 2025 and authorise the Chairman to sign them.

### 5 2025 ACTUARIAL VALUATION REPORT (Pages 11 - 108)

Documents attached

### 6 2026 INVESTMENT STRATEGY REPORT (Pages 109 - 126)

Documents attached

### 7 PENSION FUND PERFORMANCE MONITORING Q4 2025 REPORT (Pages 127 - 172)

Documents and exempt document attached

### 8 2025 VOTING AND ENGAGEMENT REPORT (Pages 173 - 190)

Documents attached

### 9 FIT FOR THE FUTURE UPDATE (Pages 191 - 196)

Document attached

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

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**MINUTES OF A MEETING OF THE  
PENSIONS COMMITTEE  
Appointment Centre Rooms 7 & 8 - Town Hall  
9 December 2025 (7.05 - 8.02 pm)**

**Present:**

**COUNCILLORS**

**Conservative Group** Viddy Persaud

**Havering Residents' Group** James Glass and Stephanie Nunn (Vice-Chair)

**Labour Group** Keith Darvill

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

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

Apologies were received for the absence of Joshua Chapman and John Crowder.

**41 DISCLOSURE OF INTERESTS**

There were no disclosures of interests.

**42 MINUTES OF THE MEETING**

The minutes of the previous meeting held on 11<sup>th</sup> November 2025 were agreed as a correct record and signed by the Chairman.

**43 EXCLUSION OF THE PUBLIC**

The Chairman notified members that there were exempt appendices to items 6 and 7 and therefore any discussion on those documents would need to be in a closed session.

The Committee were content with this.

**44 VALUATION UPDATE AND DRAFT FUNDING STRATEGY STATEMENT**

The Committee received a report on the Valuation Update and Draft Funding Strategy Statement (FSS).

The actuaries reported that the fund had moved into surplus for the first time. Assets were reported at approximately £1.008bn as at 31 March 2025, with liabilities reduced to just under £1bn, driven primarily by a higher

long-term expected return of around 5.5% per annum following the sharp increase in interest rates. The formal valuation report was noted as due by 31 March 2026.

The statutory FSS was presented to members for review. Officers confirmed that there were no substantive changes, but highlighted clarifications to three policies; Contribution rate reviews between valuations, cessation policy for employers exiting the fund, and the 'pass-through' approach for contractors which simplifies admission and places risk with the awarding body. Members noted that academy outsourcing under pass-through posed no risk to the Council. It was agreed that explanatory material would accompany the FSS for employer consultation.

The Committee:

1. **Noted** the Initial Whole Fund Results Report 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. **Approved** the draft Funding Strategy Statement

45 **PENSION FUND PERFORMANCE MONITOR FOR THE QUARTER ENDED SEPTEMBER 2025**

The Committee received a report on the Pension Fund Performance for Quarter End September 2025.

Members noted a positive quarter with a 5% return, outperforming both the tactical benchmark and the longer-term strategic benchmark. Fund assets rose to just under £1.1bn at quarter-end and returns were driven by strong global equity markets amid easing trade tensions and positive growth indicators. Shorter-term yields fell slightly while longer-term yields rose marginally with core inflation edged down. The increase in equity values marginally raised the allocation to growth assets above target, with income-oriented allocations slightly below target.

Members noted no immediate rebalancing was required and the migration of assets into the pool would be considered alongside rebalancing in due course. Equity managers were reported as positive over the quarter. Within income assets, officers explained that the CBRE property fund remained behind longer-term expectations and the renewable energy infrastructure allocation was noted as early-stage and to be judged over a longer period. Members noted that expectations for income assets (e.g., CPI+5%) were stretching given recent inflation. On concentration risk, it was noted that the global equity index exposure to US equities was around 65% for the passive global fund.

The Committee:

- 1) **Considered** Hymans Performance Report
- 2) **Noted** the analysis of the cash balances
- 3) **Considered** the quarterly reports sent electronically, provided by each fund manager.

46 **TASKFORCE FOR CLIMATE - RELATED FINANCIAL DISCLOSURES YEAR ENDING 31 MARCH 2025**

The committee received the annual voluntary TCFD report.

Members noted it was structured around governance, strategy, risk management, and metrics/targets. Members noted the prior scenario analysis undertaken at the last valuation would be refreshed as part of the current valuation cycle. Officers described engagement with asset managers, including via the London CIV, allocations with explicit climate considerations, for example the Paris-aligned equity mandates and renewable energy infrastructure, and measurement of emissions-related and carbon-intensity metrics alongside exposures to climate risks/opportunities.

The Committee discussed the importance of directing capital towards long-term transition solutions and using engagement and voting to hold companies to account.

The Committee **agreed** the 31 March 2025 TCFD report.

47 **FIT FOR THE FUTURE UPDATE**

The Committee received an update on Fit for the Future.

Officers reported receipt of three pieces of draft guidance; pooling, investment strategy, and governance. It related to forthcoming LGPS legislation expected to take effect from 31 March 2026. The guidance reflected a significant strengthening of pooling, with implementation of investment strategy to be delegated to the London CIV asset pool. From April 2026, investment advice would principally come via the pool, and the Council would be required to designate a senior LGPS officer responsible for investments and administration. Members noted that the fund was already around 40% pooled.

Members noted the next step was to enter into an Investment Management Agreement (IMA) with the London CIV to authorise them to buy and sell on the Council's behalf within the committee-set strategic asset allocation and ranges. The committee was asked to delegate authority to the Strategic Director of Resources to finalise and sign the IMA and report back to committee. A service level description, including dispute resolution, would

be incorporated, and the committee would appoint an independent adviser with expertise across investments and administration.

The Committee **agreed** to 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.

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**Chairman**



## PENSIONS COMMITTEE

17 March 2026

<b>Subject Heading:</b>	2025 Actuarial Valuation Report
<b>ELT Lead:</b>	Kathy Freeman
<b>Report Author and contact details:</b>	Tara Haroon Tara.Haroon@Havering.gov.uk
<b>Policy context:</b>	To meet Regulation 62 of the Local Government Pension Scheme Regulations 2013
<b>Financial summary:</b>	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 final results of the 2025 Actuarial Valuation of Havering Pension Fund, along with the updated Funding Strategy Statement (Appendix A).

The key point to note from the valuation is the improved funding position.

**Table 1 – Funding position**

	31 March 2022 £m	31 March 2025 £m
Total Liabilities	1,149	1,008
Total Assets	920	995
Surplus/(Deficit)	(229)	13
<b>Funding Level</b>	<b>80%</b>	<b>101%</b>

## RECOMMENDATIONS

The Committee is asked to:

1. Note the funding position of 101% and the surplus of £13m as set out in the Draft Valuation Report (Appendix A).
2. Approve the 2025 Draft Actuarial Valuation Report (Appendix A).
3. Delegate authority to the Chair and the Strategic Director of Resources (S151) to publish the final version by 31 March 2026.
4. Approve the 2026 Funding Strategy Statement (Appendix B).

## REPORT DETAIL

### 1. Regulations

1.1. The Local Government Pension Schemes Regulations 2013, paragraph 62 states that

*(1) an administering authority must obtain:*

*(a) an actuarial valuation of the assets and liabilities of each of its pensions funds as at 31st March 2016 and on 31st March XXXX in every third year afterwards;*

*(b) a report by an actuary in respect of the valuation; and*

*(c) a rates and adjustments certificate prepared by an actuary.*

*(2) Each of those documents must be obtained before the first anniversary of the date ("the valuation date") as at which the valuation is made or such later date as the Secretary of State may agree.*

*(3) A report under paragraph (1)(b) must contain a statement of the demographic assumptions used in making the valuation; and the statement must show how the assumptions relate to the events which have actually occurred in relation to members of the Scheme since the last valuation.*

*(4) A rates and adjustments certificate is a certificate specifying —*

*(a) the primary rate of the employer's contribution; and*

*(b) the secondary rate of the employer's contribution,*

*for each year of the period of three years beginning with 1st April in the year following that in which the valuation date falls.*

*(5) The primary rate of an employer's contribution is the amount in respect of the cost of future accruals which, in the actuary's opinion, should be paid to a fund by all bodies whose employees contribute to it so as to secure its solvency, expressed as a percentage of the pay of their employees who are active members.*

*(6) The actuary must have regard to —*

*(a) the existing and prospective liabilities arising from circumstances common to all those bodies;*

*(b) the desirability of maintaining as nearly constant a common rate as possible;*

*(c) the current version of the administering authority's funding strategy mentioned in regulation 58 (funding strategy statements); and*

*(d) the requirement to secure the solvency of the pension fund and the long term cost efficiency of the Scheme, so far as relating to the pension fund.*

*(7) The secondary rate of an employer's contributions is any percentage or amount by which, in the actuary's opinion, contributions at the primary rate should, in the case of a Scheme employer, be increased or reduced by reason of any circumstances peculiar to that employer.*

*(8) A rates and adjustments certificate must contain a statement of the assumptions on which the certificate is given as respects —*

*(a) the number of members who will become entitled to payment of pensions under the provisions of the Scheme; and*

*(b) the amount of the liabilities arising in respect of such members, during the period covered by the certificate.*

*(9) The administering authority must provide the actuary preparing a valuation or a rates and adjustments certificate with the consolidated revenue account of the fund and such other information as the actuary requests.*

## **2. Compliance Statement**

2.1. The attached Draft Final Valuation Report has been prepared to fulfil the requirements of LGPS Regulation 62. It confirms the Fund's 31 March 2025 valuation, provides the actuary's report and sets out the basis for the Rates & Adjustments Certificate; the final certificate will be issued within the regulatory timeframe.

3. Appendix A is a summary of the 2025 valuation. As mentioned above, under Regulation 62 (2) the Final version of the 2025 Actuarial Valuation Report must be produced before the first anniversary of the valuation date, this being 31 March 2026.
4. Whilst Appendix A sets out the final results for the Fund it will be classified as draft until it is signed at the end of March. There are some areas of the valuation process where work continues, these can be seen by 'tbc' in the body of the appendix e.g. primary and secondary rate for some employers, climate analytics and finalising some employer results.
5. Final employer contribution rates will be issued in the signed valuation certificate.
6. The triennial actuarial valuation is an important part of the Fund's risk management framework. Its main purpose is to ensure that the Fund continues to have a contribution plan and an Investment Strategy that will achieve the objectives set out in the Funding Strategy Statement (FSS).
7. The contribution plan is formed having assessed the amount of money needed to meet the benefits owed to its members as they fall due for payment and setting employer contribution rates to fund these payments. Whilst the actuary is yet to finalise the employer contribution results, indicative results show contribution rates to have reduced by 3% on average, due to higher assumed future investment returns compared to the 2022 valuation.
8. The Draft Funding Strategy Statement (FSS) was approved at the Pensions committee on the 09 December 2025. The consultation period closed on the 30 January 2025, two responses were received, both resulted in minor amendments.
9. Changes from the draft version to the final version include additional narrative on the gender pay gap and the insertion of the cessation policy, contribution review policy and the pass-through policy, all of which remain unchanged from the earlier FSS.
10. Once approved the FSS will be published on the website.
11. The improved funding position is mainly driven by higher assumed future investment returns.

## IMPLICATIONS AND RISKS

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

The valuation underpins the Funding Strategy Statement (Regulation 58) and informs the Investment Strategy, employer contributions and the long-term financial management of the Pension Fund.

The valuation results depend on actuarial assumptions that are made about the future which cannot be predicted with certainty, and it is unlikely that future experience will match the assumptions used.

Required return to be 100% funded: 5.5%  
Likelihood of achieving this return: 88%

Sensitivity and risk analysis are included within the report on pages 13-15 (Appendix A).

To date the cost of undertaking the valuation and associated additional tasks e.g. Asset Liability Modelling, ill health provisions and data validation, is £0.055m and will be met from the Pension Fund.

### **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:**

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.

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# London Borough of Havering Pension Fund

Report on the actuarial valuation as at 31 March 2025

February 2026

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Steven Law FFA C.Act

Ciaran Henry FFA C.Act

Fellows of the Institute and Faculty of Actuaries  
For and on behalf of Hymans Robertson LLP



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Appendix 2: Assumptions
Appendix 3: Governance audit trail
Appendix 4: Climate change scenario analysis
Appendix 5: Section 13 dashboard
Appendix 6: Reliances & limitations
Appendix 7: Glossary
Appendix 8: Rates and Adjustments Certificate
Appendix 9: Gender pension gap

Executive  
summary



# 1. Executive summary

We have been commissioned by the London Borough of Havering (“the Administering Authority”) to carry out a valuation of the London Borough of Havering Pension Fund (“the Fund”) as at 31 March 2025. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report is a summary of the valuation.

## Contribution rates

The contribution rates for individual employers set at the 31 March 2025 valuation can be found in the Rates and Adjustments certificate. Table 1 shows the combined individual employer rates, compared to the last valuation in 2022.

	31 March 2025		31 March 2022	
Primary rate	tbc% of pay		21.1% of pay	
	2026/27	tbc%	2023/24	4.9%
Secondary rate	2027/28	tbc%	2024/25	4.6%
	2028/29	tbc%	2025/26	2.2%

Table 1: Combined employer contribution rates compared with previous valuation

On average, contribution rates have reduced due to higher assumed future returns at 2025, reducing the estimated cost of funding future benefit payments.

## Funding position

At 31 March 2025, the funding position on the Fund’s assumptions has improved from the last valuation at 31 March 2022. Table 2 shows the reported funding position, compared to the last valuation in 2022.

Valuation Date	31 March 2025	31 March 2022
Assets (£m)	1,008	920
Liabilities (£m)	995	1,149
Surplus / (Deficit) (£m)	13	(229)
Funding Level	101%	80%

Table 2: Reported funding position compared with previous valuation

Similar to contribution rates, the improvement in funding level is primarily due to higher assumed future investment returns at 2025.

## Comparison with other LGPS funds

The funding position and contribution rates are based on assumptions about future factors such as investment returns, inflation and life expectancy. As these are uncertain, different assumptions are used by each LGPS fund to reflect their own views, circumstances and strategic objectives. These differences (amongst other factors, including crucially the previous funding level and employer affordability and long-term contribution stability) will lead to differences in funding positions and contribution rates across the LGPS. To support comparison, LGPS funds are required to report a funding position on a consistent set of assumptions (called the “SAB funding level”). The Fund’s SAB funding level at 31 March 2025 is 93%. **SAB assumptions are to allow comparison only and are not intended to be appropriate for funding or setting contribution rates. As such, this result has no impact on the Fund’s funding strategy or employer contribution rates.**

# Valuation approach



## 2. Valuation approach

### 2.1 Valuation purpose

The triennial actuarial valuation is an important part of the Fund's risk management framework. Its main purpose is to ensure the Fund continues to have a funding strategy that is likely to achieve the objectives set out in the Funding Strategy Statement.

**This report contains the valuation's two key outcomes:**

- Employer contribution rates for the period 1 April 2026 to 31 March 2029
- The funding position of the whole Fund at 31 March 2025.

Further information on the process, methodology and strategy has been communicated to relevant stakeholders throughout the valuation. There is also further information publicly available in the Funding Strategy Statement and [Hymans Robertson's LGPS 2025 valuation toolkit](#).

### 2.2 Setting employer contribution rates

Employer contributions need to be set at a level which ensures the Fund has a reasonable likelihood of having enough money to pay members' benefits. Identifying the amount of benefits that may be paid is complex, as benefits earned today may not be paid until 50+ years has passed. Over that period, there is significant uncertainty over factors which affect the cost of benefits e.g. inflation and investment returns. These uncertainties are considered within the risk-based approach to setting employer contribution rates. This approach is built around three key funding decisions.

#### Key funding decisions

- **Decision 1:** What is the target funding level (how much money the Fund aims to hold) and funding basis (the set of actuarial assumptions used to value the past and future liabilities)?
- **Decision 2:** What is the funding time horizon (the time given to employers to meet the target funding level)?
- **Decision 3:** What is the likelihood of success (how likely it is that employers will meet the target funding level at the end of the funding time horizon)?

The funding decisions will vary between employers within the Fund and are documented in the Funding Strategy Statement.

#### Risk-based approach

Asset-liability modelling is used to project each employer's assets and benefit payments into the future under 5,000 different economic simulations. The resulting 5,000 projections of the employer's assets and benefits are used to quantify the likelihood of success.

The simulations are generated using Hymans Robertson's Economic Scenario Service (ESS). Further information on this can be found in [Appendix 2](#).

Contribution rates are then set for each employer which achieve each employer's minimum likelihood of meeting their target funding level on their funding basis at the end of their funding time horizon.

### 2.3 Measuring the funding position

The funding position is measured as at the valuation date. While it is limited in providing insight into the future health of the Fund, it is a useful high-level summary statistic. A market-related approach is taken to calculate both the assets and the liabilities to ensure they are consistent with one another:

- The market value of the Fund’s assets at the valuation date has been used.
- The liabilities have been valued using assumptions based on market indicators at the valuation date (these are detailed in [Appendix 2](#)).

#### Calculating the liabilities

The liabilities are the value of all future payments to members based on all benefits earned up to, or in payment at, the valuation date, expressed in today’s money. Chart 1 shows the annual split of projected benefit payments for all members in the Fund at the valuation date.

The projections are based on the membership data provided for the valuation ([Appendix 1](#)), the assumptions ([Appendix 2](#)) and our understanding of the LGPS benefit structure as at 31 March 2025 (details at [www.lgpsregs.org](http://www.lgpsregs.org)). There are currently sources of uncertainty and potential change related to the LGPS benefit structure and [Appendix 2](#) sets out how these have been considered.

The “spike” in year 2 reflects the anticipated retirement of a tranche of active and deferred members who are currently older than their assumed retirement age, whilst the “dip” around year 20 reflects the planned increase in State Pension Age to 68.

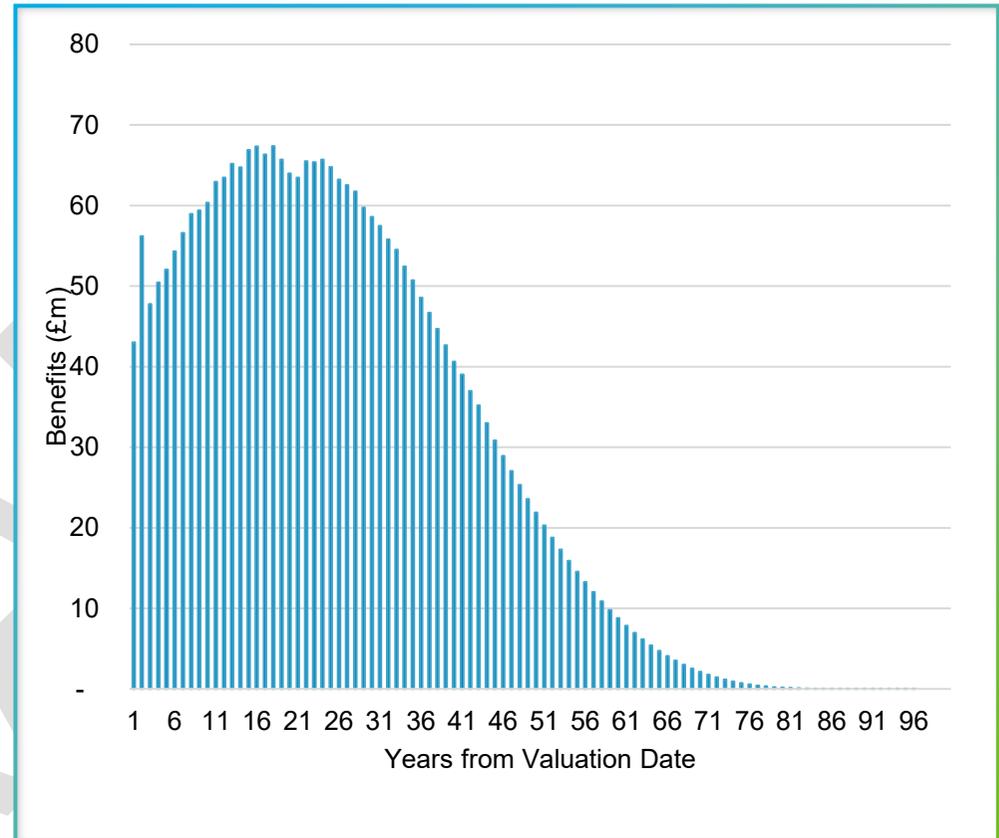


Chart 1: Projected benefit payments for all service earned up to 31 March 2025

To express the future payments in today’s money, each projected payment is discounted back to the valuation date in line with an assumed rate of future investment return (known as the ‘discount rate’).

# Valuation results



### 3. Valuation results

#### 3.1 Employer contribution rates

The primary objective of the funding strategy is to set employer contribution rates that will enable it to have enough assets to pay members' benefits as they fall due. A secondary objective is to ensure the rates are as stable and affordable as possible. The risk-based approach detailed earlier is used to meet these objectives.

The employer contribution rate is made up of two components:

- **Primary rate:** the level of contributions sufficient to fund benefits that will be accrued in the future.
- **Secondary rate:** the difference between the primary rate and the total contribution rate. This may be in respect of costs associated with accrued benefits or adjustments to achieve the Fund's stability and affordability objectives.

Table 3 shows the combined individual employer contribution rates to be paid into the Fund over the period 1 April 2026 to 31 March 2029. There is also a comparison with the contributions set at the last valuation in 2022.

	31 March 2025		31 March 2022	
<b>Primary rate</b>	tbc% of pay		21.1% of pay	
<b>Secondary rate</b>	2026/27	tbc%	2023/24	4.9%
	2027/28	tbc%	2024/25	4.6%
	2028/29	tbc%	2025/26	2.2%

Table 3: Combined employer contribution rates compared with previous valuation

The primary rate includes an allowance of 1.0% of pensionable pay for the Fund's administration and governance expenses (0.8% of pay at the last valuation).

Employees pay contributions to the Fund in addition to these rates. The employee contribution rates are set by the LGPS Regulations.

On average, employer total contribution rates (ie Primary plus Secondary) have reduced mainly due to higher assumed future investment returns at 2025 compared to 2022. This reduces the estimated cost of funding future benefit payments.

Each employer has a contribution rate which is appropriate to their circumstances, and these can be found in the Rates & Adjustments Certificate ([Appendix 8](#)).

### 3.2 Funding position as at 31 March 2025

Table 4 sets out the assets and liabilities at the valuation date. The results at the 2022 valuation are shown for comparison.

The funding position provides a high-level snapshot as at 31 March 2025, but there are limitations:

- The liabilities are very sensitive to the choice of assumptions about the future
- The market value of assets held by the Fund will change daily.

Employer contribution rates are not set using the reported funding position above. The contribution rates take into consideration how assets and liabilities will evolve over time in different economic scenarios. They also reflect each employer’s funding profile and covenant.

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The funding position and contribution rates are based on assumptions about future factors such as investment returns, inflation and life expectancy. As these are uncertain, different assumptions are used by each LGPS fund to reflect their own views, circumstances and strategic objectives. These differences (amongst other factors, including crucially the previous funding level and employer affordability and long-term contribution stability) will lead to differences in funding positions and contribution rates across the LGPS. To support comparison, LGPS funds are required to report a funding position on a consistent set of assumptions (called the “SAB funding level”). The Fund’s SAB funding level at 31 March 2025 is 93%. **SAB assumptions are to allow comparison only and are not intended to be appropriate for funding or setting contribution rates. As such, this result has no impact on the Fund’s funding strategy or employer contribution rates.**

Valuation date	31 March 2025	31 March 2022
<b>Assets</b>	1,008	920
<b>Liabilities</b>	<b>Actives (£m)</b>	316
	<b>Deferreds (£m)</b>	171
	<b>Pensioners (£m)</b>	508
Surplus / (Deficit) (£m)	13	(229)
Funding Level	101%	80%

Table 4: Single reported funding position compared with the previous valuation

The improvement in funding level is primarily due to higher assumed future investment returns at 2025. Chart 2 on the next page provides further information on what’s caused the funding position to change since 2022.

### 3.3 Other funding metrics

The future investment return required to be 100% funded at this valuation is 5.5% p.a. which has increased from the previous valuation (4.8% p.a.). This means, at 31 March 2025, the Fund needed to earn 5.5% p.a. to have enough money to meet accrued benefits at that date. The estimated likelihood of the Fund’s investment strategy achieving the required return is 88.0% at 31 March 2025 (66% at 2022).

### 3.4 Changes since the last valuation – funding position

The factors that have caused the funding position to change since the last valuation are split between:

- actual experience being different from expectations at the last valuation (**known events**)
- changes in assumptions about the future (**future expectations**).

Chart 2 details these factors and their magnitude.

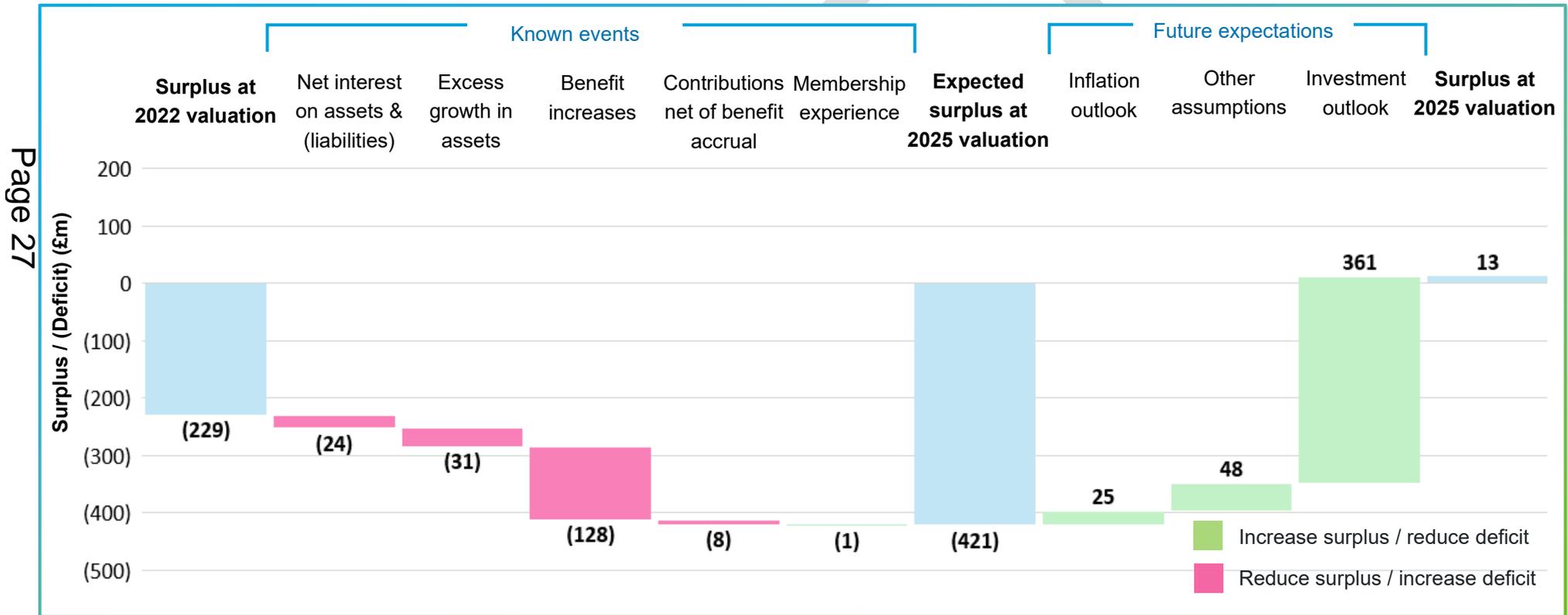


Chart 2: Change in funding position since last valuation

# Risks and sensitivities



## 4. Risks and sensitivities

### 4.1 Background

If all future experience is in line with expectations and there are no changes in the financial or demographic environment, it's projected that the funding level at the next valuation (31 March 2028) will remain broadly unchanged.

However, the funding position, and the Fund's funding strategy, are sensitive to various sources of risks. These funding risks broadly fall into categories of economic, demographic, regulatory and other.

Identifying and specifying these risks, including analysis of their potential impact, is an important part of the risk management cycle.

### 4.2 Economic risks

#### Impact of known events

The main economic risks are in relation to investment returns, benefit increases (ie Consumer Price Index inflation) and salary increases.

For all three sources of risk, the table below details the actual experience since the last valuation compared to 2022 expectations, and the impact on funding.

Source	Expected	Actual	Funding impact
Investment returns	3.5% p.a.	2.5% p.a.	(£31m)
Benefit increases	2.7% p.a.	6.1% p.a.	(£128m)
Salary increases	3.4% p.a.	6.7% p.a.	(£15m)

Table 5: Impact of known economic events since 2022

#### Impact of changes in future outcomes

The results in this report are based on a set of assumptions about the future outcomes for these economic risks. If the future differs from the assumptions used at this valuation, the Fund's liabilities may be higher (or lower) than the current estimate.

- **Investment returns:** Chart 3 below shows how the funding level at 31 March 2025 changes depending on the level of assumed future investment returns. Each point on the line denotes the estimated likelihood of achieving the level of future return at the valuation date. This indicates that the best estimate (return with an estimated 50% likelihood) funding level at 31 March 2025 is 147%. The Fund’s assumption at this valuation is summarised in [Appendix 2](#) and is illustrated by the solid blue diamond.
- **Benefit increases:** if future inflation was 0.1% pa higher than assumed at this valuation, then the funding level would reduce by around 1% (with a c£15m fall in the surplus).
- **Salary increases:** if salary increases were 0.5% pa higher than assumed at this valuation then the funding level would reduce by less than 1% (with a c£5m fall in the surplus).

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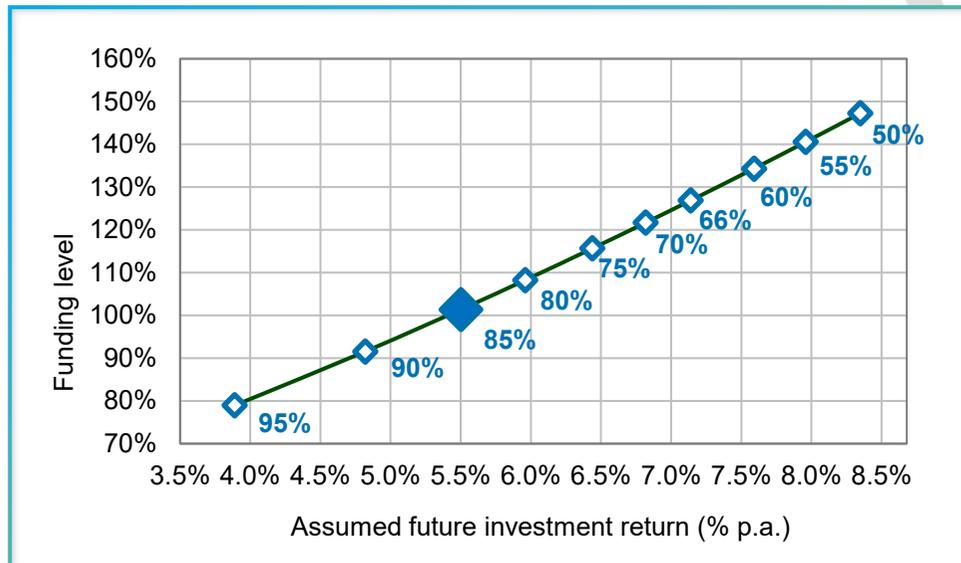


Chart 3: Impact of future return assumption on funding level

### Prudence within assumptions

Reflecting the sharp change in the economic environment since the last valuation in 2022, the Fund has made allowance for higher assumed future investment returns (compared to the 2022 valuation). However, there is also increased uncertainty within the wider environment due to ongoing geo-political tensions and financial market volatility, alongside additional uncertainty about future long-term UK inflation levels and global financial markets. Therefore, the Fund has increased the level of prudence within funding strategies and contribution rates at the 2025 valuation\*. The overall outcome of higher assumed future investment returns, even when combined with higher prudence is, on average, a reduction in employer total contribution rates (ie Primary plus Secondary) at the 2025 valuation.

The Fund believes this approach balances the key objectives of **affordability** and **stability** of employer contribution rates, whilst ensuring the Fund is **solvent** over the long-term.

- **Affordability:** the Fund has taken into account, and given credit for, higher expected future investment returns which reduces the cost to employers of providing LGPS benefits (all other things being equal).
- **Stability:** if the Fund doesn’t achieve the higher level of assumed returns, or future returns expectations reduce, then it doesn’t necessarily mean immediate increases in employer contribution rates in the future. Prudence levels will remain under review and part of the Fund’s wider governance and risk management framework and, given different economic or funding conditions, it may be appropriate to reduce prudence at future valuations to support the Fund’s longer-term aims of stable (and affordable) contributions for employers.

\* Prudence levels are set out in the Fund’s Funding Strategy Statement and the governance audit trail of these key decisions is documented in [Appendix 3](#).

### 4.3 Demographic risks

#### Impact of known events

The main demographic risk is in relation to life expectancy. The Fund's mortality experience between the 2022 and 2025 valuations has resulted in the following impact on the funding position, as shown in Table 6.

Mortality experience	
Actual amount of annual pension ceased	£3.6m
Expected amount of annual pension ceased	£3.7m
Difference	£0.2m
<b>Impact on funding position</b>	<b>(£0.2m)</b>

Table 6: Impact of member mortality experience since 2022

#### Impact of changes in future outcomes

The results in this report are based on an assumption that in the long-term, the rate of mortality reduces at a rate of 1.5% p.a. If this rate of reduction turned out to be stronger (1.75% p.a. instead of 1.5% p.a.), then members would live longer than expected. In this scenario, the funding level would fall by 1% (with a c£5m fall in the surplus).

### 4.4 Other risks

#### Regulatory

Changes in central government legislation may affect the future cost of the LGPS. For example, the cost to rectify the McCloud discrimination is estimated to be an increase in liabilities of £2m at this valuation. [Appendix 2](#) sets out potential regulatory changes which may impact future pension costs.

#### Climate change

Climate change has the potential to make extreme outcomes more likely which could in turn have a significant impact on the funding position. The Fund has carried out separate modelling to assess the potential impact of extreme outcomes on longer term funding. Further details on this are presented in [Appendix 4](#).

#### Post-valuation events

The results in this report are as at 31 March 2025. Since this date, asset performance has been positive and the funding position is likely to have improved as a result. However, short-term volatility in the funding position is to be expected due to the Fund's growth-orientated investment strategy. Given that the Fund aims to set long-term, stable funding strategies and contribution rates, and experience since 31 March 2025 is not abnormal, no allowance has been made for post-valuation events in setting employer contribution rates or the funding position at this valuation.

The Fund will continue to monitor the environment in which it participates to understand and manage the impact of any changes.

Final  
comments



## 5. Final comments

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The Fund's valuation operates within a broader framework, and this document should be considered alongside the following:

- The Funding Strategy Statement which (in particular) highlights how different employers in different circumstances have their contributions calculated.
- The Investment Strategy Statement, which sets out the investment strategy for the Fund.
- The Fund's risk register.
- The general governance of the Fund, including meetings of the Pensions Committee and Local Pensions Board, decisions delegated to officers, the Fund's business plan, etc.

Throughout the valuation, relevant stakeholders in the Fund have been engaged, consulted and communicated with as appropriate. Details of the governance process followed during the valuation are set out in [Appendix 3](#).

Under the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2028 where contribution rates payable from 1 April 2029 will be set.

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February 26

For and on behalf of Hymans Robertson

Steven Law FFA C.Act

Ciaran Henry FFA C.Act



# Appendices

[London Borough of Havering Pension Fund](#)

[Appendices](#)

[Appendix 1: Data](#)

[Appendix 2: Assumptions](#)

[Appendix 3: Governance audit trail](#)

[Appendix 4: Climate change scenario analysis](#)

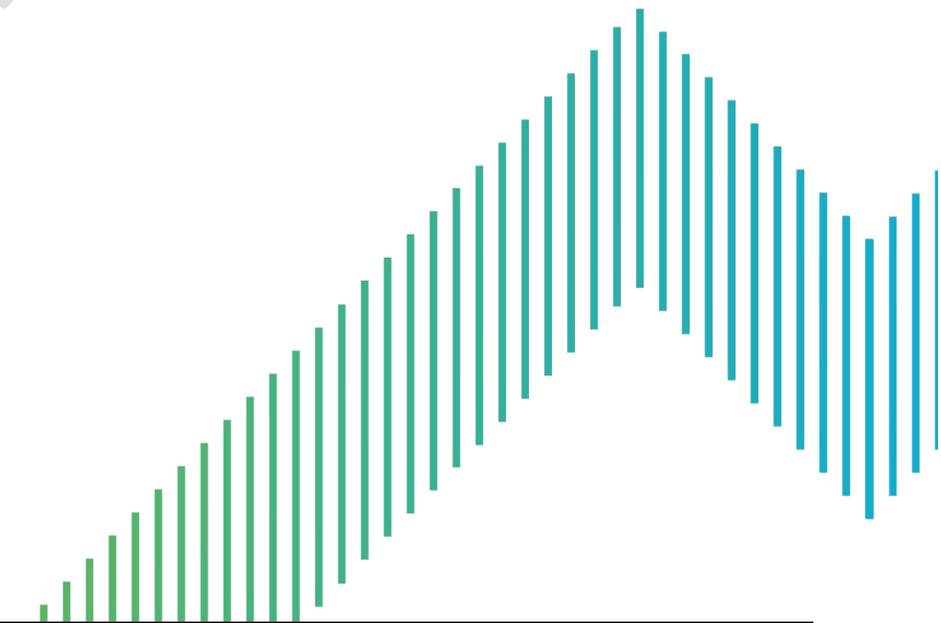
[Appendix 5: Section 13 dashboard](#)

[Appendix 6: Reliances & limitations](#)

[Appendix 7: Glossary](#)

[Appendix 8: Rates and Adjustments Certificate](#)

[Appendix 9: Gender pension gap](#)



## Appendix 1: Data

### Membership data

The membership data used for the purposes of this valuation was provided by the Administering Authority on 1 August 2025.

A summary of the membership data used for this valuation is set out in Table 7, alongside corresponding data from the previous valuation for comparison. The membership numbers in the table relate to the total number of records.

The results of this valuation are dependent on the quality of the underlying data used. We have relied on information supplied by the Administering Authority and their administrator as being accurate. We have carried out a series of reasonableness validation checks on the supplied membership data and compared against the Fund's (unaudited) accounts to confirm its suitability for the purposes of this valuation.

More information on how we verify the quality of the data used in the valuation is detailed in our report titled '2025 Valuation – Data Report', issued March 2026.

Whole Fund Membership Data	This Valuation 31 March 2025	Last Valuation 31 March 2022
<b>Employee members</b>		
Number	7,401	6,270
Total actual pay (£000)	166,927	124,258
Total accrued pension (£000)	27,227	20,666
Average age (liability weighted)	55	53
<b>Deferred pensioners (including undecideds)</b>		
Number	7,936	7,151
Total accrued pension (£000)	14,148	11,103
Average age (liability weighted)	54	52
<b>Pensioners and dependants</b>		
Number	7,214	6,598
Total pensions in payment (£000)	41,067	33,587
Average age (liability weighted)	71	70

Table 7: Membership data summary

**Investment strategy**

A summary of the investment strategy allocation used to derive the future assumed investment return is set out in Table 8.

This strategy was confirmed by the Administering Authority on 24 July 2025 as appropriate for the purposes of the valuation.

**Asset data**

To check the membership data and derive employer asset values, we have used asset and accounting data and employer-level cash flow data provided by the Fund

Asset class	Allocation
Global Equities	35.0%
Emerging Market Equities	5.0%
Diversified Growth Funds	12.5%
Property	10.0%
Infrastructure	12.5%
Private Lending	7.5%
Coporate Bonds	5.0%
Index Linked Gilts	5.0%
Multi Asset Credit	7.5%
<b>Total</b>	<b>100.0%</b>

*Table 8: Investment strategy allocation used for the calculation of employer contribution rates.*

## Appendix 2: Assumptions

The final set of assumptions were reviewed and agreed by the Pensions Committee in December 2025.

### Summary of assumptions

	31 March 2025	31 March 2022
<b>Financial assumptions</b>		
Discount rate	5.5% p.a. (85% likelihood of success)	3.5% p.a. (80% likelihood of success)
Benefit increases (CPI inflation)	2.6% p.a.	2.7% p.a.
Salary increases	3.3% p.a.	3.4% p.a.
<b>Demographic assumptions</b>		
Baseline longevity	VitaCurves	VitaCurves
Longevity future improvements	CMI2024 model with core parameterisation except Initial addition = 0.25% (Male & Female) Long-term rate of improvement 1.5% p.a.	CMI 2021 model Initial addition, A = 0.25% (both Male and Female) Smoothing factor, Sk = 7.0 Long-term rate of improvement = 1.5% p.a.
Commutation	65% of maximum under HMRC limits	60% of maximum under HMRC limits
50:50 scheme	0% of members elect to change scheme elect to change scheme	1% of members elect to change scheme elect to change scheme
Retirement age	Earliest age at which members can retire with unreduced benefits	
Family statistics	Varying proportion have dependant at death Dependant of a male is 3.5 years younger than him Dependant of a female is 0.6 year older than her	Varying proportion have dependant at retirement Dependant of a male is 3 years younger than him Dependant of a female is 3 year older than her

Table 9: Summary of assumptions

**Deriving future investment return likelihoods**

To derive the distribution of future investment returns and obtain associated estimated likelihoods, we use the Fund's long-term investment strategy and our Economic Scenario Service (ESS) model. The ESS uses statistical models to generate a future distribution of year-on-year returns for each asset class, eg UK equities. The ESS reflects correlations between asset classes and wider economic variables (eg inflation). In the short-term (first few years), the models are fitted with current financial market expectations. Over the longer-term, models are built around our views of fundamental economic parameters, for example equity risk premium, credit-spreads and long-term inflation. Table 10 sets out the individual asset class return distribution of the ESS model at 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 <sup>th</sup>	-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 <sup>th</sup>	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 <sup>th</sup>	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 <sup>th</sup>	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 <sup>th</sup>	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 <sup>th</sup>	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 <sup>th</sup>	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 <sup>th</sup>	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 <sup>th</sup>	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%	-	-

Table 10: ESS individual asset class return distributions at 31 March 2025

**Demographic assumptions**

The tables below set out sample rates for demographic assumptions at 5-year age intervals. All figures are incidence rates per 1,000 members except salary scale. FT and PT denote full-time and part-time active membership respectively.

**Males**

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

Table 11: Sample rates for demographic assumptions – Males

**Females**

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

Table 12: Sample rates for demographic assumptions - Females

### Average life expectancies

Based on the longevity assumptions used for the 2025 valuation, Table 13 details the average life expectancy for the Fund's membership.

Average life expectancy	31 March 2025	31 March 2022
Male pensioner	21.5 years	21.7 years
Male non-pensioner	22.3 years	22.6 years
Female pensioner	24.1 years	24.3 years
Female non-pensioner	25.3 years	25.8 years

Table 13: Average life expectancies

The average life expectancies are from the age of 65. They assume that pensioners are aged 65 at the respective valuation date and non-pensioners are aged 45.

### Benefit structure

Results are based on our understanding of the benefit structure of the LGPS in England and Wales on 31 March 2025 – see [www.lgpsregs.org](http://www.lgpsregs.org). However, there are areas of uncertainty and potential change.

- **McCloud:** in line with the 2022 valuation, we have made an allowance for the cost of these potential improvements, including McCloud data (where available). Further detail on the assumption is available on request.
- **Cost sharing mechanism:** we have assumed that there will be no changes required to the LGPS benefit structure due to this mechanism.
- **Guaranteed Minimum Pension equalisation and revaluation:** in line with the 2022 valuation, we have assumed that all increases on GMP for members with a State Pension Age after 5 April 2016 will be funded by the Fund.
- **Virgin Media case:** we have made no allowance for any impact that the Virgin Media case may have on the LGPS benefit structure.
- **Other benefit changes:** there may be benefit changes due to the current “Access and Fairness” consultation. We have not made any allowance for any changes to the benefit structure proposed in this consultation as we would not expect them to be material if implemented.

## Appendix 3: Governance audit trail

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The triennial actuarial valuation is a significant exercise carried out by the Fund. This report is a summary of the main outputs from the triennial actuarial valuation. The outputs are the result of funding strategy analysis, discussions and Fund decisions throughout the valuation process. A high-level audit trail of the key funding strategy decisions is set out below.

### Funding strategy

The **actuarial assumptions** were reviewed and agreed at the Pensions Committee at the December 2025 meeting.

The funding strategy parameters, which feed into the setting of employer contribution rates, were considered as follows.

- Review carried out in Q4 2025, including consideration of funding target, funding time horizon, likelihood of success, contribution stability mechanism and interaction with the Fund's investment strategy. The outcomes were discussed at the December 2025 Pensions Committee meeting.

The outcomes of these decisions was collated and documented in an updated copy of the Funding Strategy Statement. The draft FSS was discussed at the December 2025 Pensions Committee meeting. The final version will be approved at the March 2026 Pensions Committee meeting.

### Stakeholder engagement

In addition, the Fund has engaged with employers and the Local Pensions Board throughout the valuation exercise. A summary of the engagement is detailed below.

- **Employer results:** a results schedule setting out their 2025 valuation funding position and contribution rate was issued to relevant employers in Q1 2026. Employers were then offered the opportunity to engage with the Fund to discuss their results.
- **Funding Strategy Statement consultation:** an updated version of the FSS was issued to employers in December 2025 with the opportunity to feed back comments or ask questions to the Fund by 31 January 2026.

## Appendix 4: Climate change scenario analysis

Climate change is now widely regarded as one of the main sources of risk for pension funds, with potential implications for future **inflation, investment returns and longevity**. LGPS funds, given their long-term horizons, may face greater exposure to climate risks – and many stakeholders are asking what more can be done to understand the possible impact of these risks.

We have used two sets of scenario analysis to test the resilience of the funding strategy under potential climate-related risks.

Scenario analysis helps assess risks and tests the resilience of current and long-term strategies under various scenarios. This helps to identify vulnerabilities across both assets and liabilities.

Identification of these vulnerabilities can inform risk management processes helping to ensure that appropriate controls and mitigations are in place. Scenario analysis can therefore also support informed decision making, as well as ensuring compliance with regulations, including TCFD.

### Scenario approach 1 – Stress testing

We take our usual 5,000 simulations to see how an LGPS fund could evolve over 20 years. We then consider how quickly the world responds to climate risk in three scenarios (broadly speaking now, later or even later), with the simple assumption that in every case the response leads to intense disruption and a period of heightened market volatility. The scenarios are not explicitly designed to be “good” or “bad”, and we tend to see a modest impact on high level risk metrics.

### Scenario approach 2 – Narrative driven

The new, narrative analysis complements the stress tests by imagining a specific climate-related trigger event and considering how that plays out under three different pathways.

We take a specific, extreme, downside risk event (in this instance a shock to the planet’s food supply) that could occur in the coming years. We then map out distinctive potential reactions to the event, considering things like market changes and policy responses and how these may evolve differently over time. This results in three distinct pathways.

### Challenges and limitations

When interpreting the results, users should be aware of the following challenges and limitations in addition to the usual limitations of asset-liability modelling:

- All of the modelling results are ultimately based on the original 5,000 projections from our core model, so we are implicitly assuming that markets continue to function and that the assumed correlations, risk premia, volatilities etc are still valid.
- Neither set of climate scenarios is intended to be exhaustive, and other outcomes beyond what the scenarios cover are of course possible

**Full details and results are included in the 2025 Climate Scenario Analysis Output Report dated TBC, and further detail on the scenario methodology is included in the [2025 valuation toolkit](#).**

**Climate scenario stress test analysis – output summary**

Below we set out the quantitative outputs from the ‘stressed’ climate scenarios. These reflect how the Fund may be impacted over the coming years should the world’s response to climate change reflect the one of our three qualitative scenario descriptions. The base case reflects the market having already priced in climate change, but not any one specific climate scenario.

Modelling results at 20-year time horizon				
Metric	Base case	Green revolution	Delayed transition	Head in the sand
Likelihood of success	tbc	tbc	tbc	tbc
Worst 5% of outcomes	tbc	tbc	tbc	tbc

Table 14: Summary modelling results in the base case and stress test scenarios

Overall, the impact on likelihood of success is modest over the 20-year horizon, suggesting that the level of prudence in the funding strategy has not been drastically underestimated due to climate risk. There is generally a greater impact on downside risk which is to be expected given that higher volatility will lead to a broader range of outcomes and this means that the worst outcomes get even worse.

The stress test scenarios are designed to test the entire range of funding outcomes. The above impact on downside risk suggests that the extremes merit further, dedicated investigation, particularly as climate change has the potential to make “extreme” outcomes more likely.

The narrative-driven scenario approach was introduced at the 2025 valuation to complement the stress tests by digging further into potential downside risks.

**Narrative-driven scenario analysis – output summary**

The chart below shows the likelihood of success in each of the three narrative scenarios. All of them begin with the same initial shock, and then the results diverge based on different imagined responses.

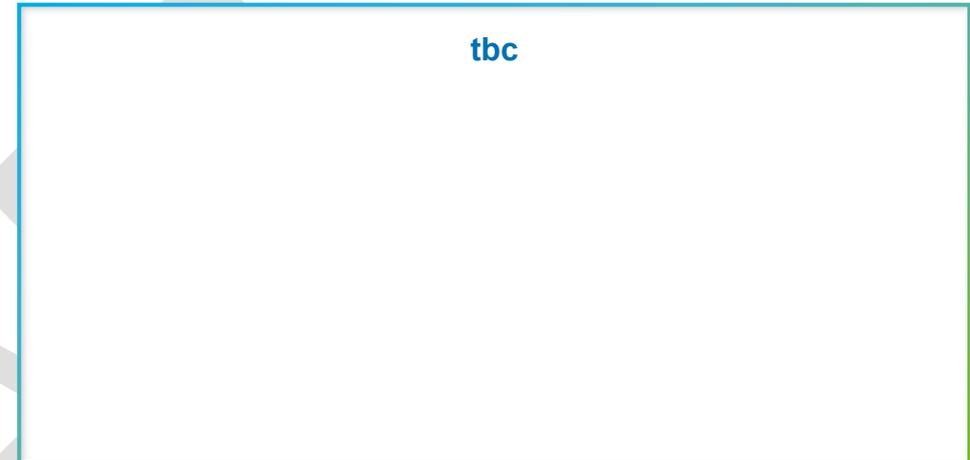


Chart 4: Likelihood of success in the base case and narrative-driven scenarios

Over medium time horizons of 5-10 years, we see improvement in the likelihood of success under each of the three scenarios, although all remain below both the base case and the level of success that is required by the Fund. Over longer time horizons of 10+ years we begin to see a divergence in the likelihood of success, with rapid response and technology investment supporting regrowth under the Green Growth and Technological Triumph pathways, but delayed action under Climate Catastrophe, instead leading to prolonged economic and social disruption and a likelihood of success below the Fund’s desired threshold.

There is therefore a plausible downside scenario prompted by a climate-related event that would put the Fund’s funding strategy at risk.

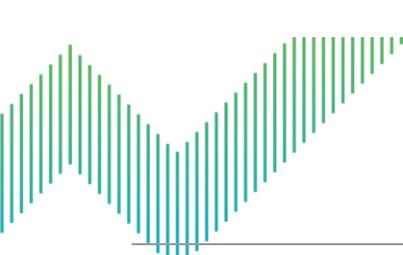
## Appendix 5: Section 13 dashboard

Metric	Unit	2025 valuation
<b>2025 funding position – local funding basis</b>		
Funding level (assets/liabilities)	%	101%
Funding level (change since previous valuation)	%	21% increase
Asset value used at the valuation	£m	1,008
Value of liabilities (including McCloud liability)	£m	995
Surplus (deficit)	£m	13
Discount rate – past service	% p.a.	5.5%
Discount rate – future service	% p.a.	Past service and future service are consistently valued with the same underlying assumptions, methodologies and models regarding future expected levels of inflation, interest rates and investment returns.
Assumed pension increase (CPI)	% p.a.	2.6%
Method of derivation of discount rate, plus any changes since previous valuation		There is a 85% likelihood that the Fund's assets will return at least 5.5% over the 20 following the 2025 valuation date. This is the same methodology used for the 2022 valuation but with a higher likelihood (80% at 2022).

Metric	Unit	2025 valuation
<b>Assumed life expectancy at age 65</b>		
Life expectancy for current pensioners – men age 65	years	21.5
Life expectancy for current pensioners – women age 65	years	24.1
Life expectancy for future pensioners – men age 45	years	22.3
Life expectancy for future pensioners – women age 45	years	25.3
<b>Past service funding position – SAB basis (for comparison purposes only)</b>		
Market value of asset	£m	1,008
Value of liabilities	£m	1,079
Funding level on SAB basis (assets/liabilities)	%	93%
Funding level on SAB basis (change since last valuation)	%	5% decrease

Metric	Unit	2025 valuation	2022 valuation
<b>Contribution rates payable</b>			
Primary contribution rate	% of pay	tbc	21.1%
<b>Secondary contribution rate (cash amounts in each year)</b>			
Secondary contribution rate - 1 <sup>st</sup> year of rates and adjustments certificate	£m	tbc	6.4
Secondary contribution rate - 2 <sup>nd</sup> year of rates and adjustments certificate	£m	tbc	6.3
Secondary contribution rate - 3 <sup>rd</sup> year of rates and adjustments certificate	£m	tbc	3.1
<b>Giving total expected contributions</b>			
Total expected contributions - 1 <sup>st</sup> year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	tbc	34.4
Total expected contributions - 2 <sup>nd</sup> year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	tbc	35.2
Total expected contributions - 3 <sup>rd</sup> year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	tbc	35.0
<b>Assumed payroll (cash amounts in each year)</b>			
Total assumed payroll - 1 <sup>st</sup> year of rates and adjustments certificate	£m	tbc	132.6
Total assumed payroll - 2 <sup>nd</sup> year of rates and adjustments certificate	£m	tbc	137.2
Total assumed payroll - 3 <sup>rd</sup> year of rates and adjustments certificate	£m	tbc	141.9
3 year average total employer contribution rate	% of pay	tbc	25.4%
Average employee contribution	% of pay	6.5%	6.5%
Expected employee contributions (£ figure based on assumed payroll of <b>£177.5m</b> )	£m p.a.	tbc	8.6

Metric	Unit	2025 valuation	2022 valuation
Deficit recovery and surplus spreading plan			
Latest deficit recovery period end date, where this methodology is used by the fund's actuarial advisor	Year	Methodology not used	Methodology not used
Earliest surplus spreading period end date, where this methodology is used by the fund's actuarial advisor	Year	Methodology not used	Methodology not used
The time horizon end date, where this methodology is used by the fund's actuarial advisor	Year	2045	2039
The funding plan's likelihood of success, where this methodology is used by the fund's actuarial advisor	%	Minimum 75%	Minimum 60%
Surplus Methodology		Explicit contribution stabilisation mechanism	Explicit contribution stabilisation mechanism
Surplus methodology & parameters explanation (including changes since previous valuation)		Employer contributions are limited to increase/decrease at most by 1% of pay pa to support long-term stability. The Fund has allowed an one-off immediate reduction from 1 April 2026 to the 2028/29 rate to support affordability. Further detail is in the FSS.	Employer contributions are limited to increase/decrease at most by 1% of pay pa to support long-term stability.
<b>Additional information</b>			
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	%	0%	0%
Percentage of total liabilities that are in respect of Tier 3 employers	%	1.8%	0.4%



Included climate change analysis/comments in the 2025 valuation report		Yes	Yes
Gender pension gap statistic - Fund active mean CARE pension GPG	%	39%	N/A
Gender pension gap statistic - Fund active mean combined Final Salary and CARE pension GPG	%	45%	N/A
Gender pension gap statistic - Fund pensioner mean pension GPG	%	54%	N/A

DRAFT

## Appendix 6: Reliances & limitations

We have been commissioned by the London Borough of Havering ('the Administering Authority') to carry out a full actuarial valuation of the London Borough of Havering Pension Fund ('the Fund') at 31 March 2025, as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ('the Regulations').

This report is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of summarising the main outcomes of the 2025 actuarial valuation. It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

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This summary report is the culmination of other communications in relation to the valuation, in particular our:

- [2025 valuation toolkit](#) which sets out the methodology used when reviewing funding plans
- paper dated 7 November 2025 which discusses the funding strategy for the Fund's local authorities
- initial results report dated 31 October 2025 which outlines the whole Fund results and inter-valuation experience

- data report to be issued which summarises the data used for the valuation, the approach to ensuring it is fit for purpose and any adjustments made to it during the course of the valuation

The totality of our advice complies with the Regulations as they relate to actuarial valuations.

We have also prepared the valuation with regard to the Funding Strategy Statement which details the approach taken by the Fund to fund the current and future benefits due to members.

The following Technical Actuarial Standards apply to this advice and have been complied with where material and to a proportionate degree. They are:

- **TAS100** – Principles for technical actuarial work
- **TAS300** – Pensions

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## Appendix 7: Glossary

### ➤ **50:50 option**

An option for LGPS members to pay half employee contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).

### ➤ **Asset-liability modelling**

An approach to modelling and understanding risk for a pension fund. The assets and liabilities are projected forwards into the future under many different future scenarios of inflation, investment returns and interest rates. The future scenarios are then analysed to understand the risk associated with a particular combination of contribution rates and investment strategy. Different combinations of contribution rates and/or investment strategies may be tested.

### ➤ **Baseline longevity**

The rates of death (by age and sex) in a given group of people based on current observed data.

### ➤ **VitaCurves**

The assumptions used for baseline longevity. These assumptions are provided by Club Vita, a firm of longevity experts we partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed longevity assumptions at member-level, as well as insight on general longevity trends and future improvements.

### ➤ **Commutation**

The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.

### ➤ **CPI inflation**

The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government's preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.

### ➤ **Deferred pensioner**

A former employee who has left employment (or opted out of the pension fund) but is not yet in receipt of their benefits from the fund.

### ➤ **Demographic assumptions**

Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. For example, retirement age or promotional salary scales. Demographic assumptions typically determine the timing of benefit payments.

### ➤ **Discount rate**

A number used to place a single value on a stream of future payments, allowing for expected future investment returns.

### ➤ **Employee (or active) members**

Members who are currently employed by employers who participate in the Fund and are paying contributions into the Fund.

### ➤ **ESS**

Economic Scenario Service - Hymans Robertson's proprietary economic scenario generator used to create thousands of simulations of future inflation, asset class returns and interest rates.

### ➤ Funding position

The extent to which the assets held by the Fund at 31 March 2025 cover the accrued benefits ie the liabilities.

The two measures of the funding position are:

- the funding level - the ratio of assets to liabilities; and
- the funding surplus/deficit - the difference between the asset and liabilities values.

### ➤ Inflation

Prices tend to increase over time, which is called inflation. Inflation is measured in different ways, using a different 'basket' of goods and mathematical formulas.

### ➤ Liabilities

An employer's liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members. Benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.

### ➤ Longevity improvements

An assumption about how rates of death will change in future. Typically, we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.

### ➤ Pensioner

A former employee who is in receipt of their benefits from the fund. This category includes eligible dependants of the former employee.

### ➤ Primary rate

The estimated cost of future benefits, expressed in percentage of pay terms. The primary rate will include an allowance to cover the Fund's expenses.

### ➤ Prudence

To be prudent means to err on the side of caution in the overall set of assumptions. We build prudence into the choice of discount rate by choosing an assumption with a prudence level of more than 50%. All other assumptions aim to be best estimate.

### ➤ Prudence level

A percentage indicating the likelihood that the assumed rate of investment return will be achieved in practice, based on the ESS model.

The higher the prudence level, the more prudent the assumed rate of investment return.

### ➤ Secondary rate

An adjustment to the primary rate, generally to reflect costs associated with benefits that have already been earned up to the valuation date. This may be expressed as a percentage of pay and/or monetary amount.

### ➤ Withdrawal

Refers to members leaving the scheme before retirement. These members retain an entitlement to an LGPS pension when they retire but are no longer earning new benefits.

## Appendix 8: Rates and Adjustments Certificate

In accordance with Regulation 62 of the Regulations, we have assessed the contributions that should be paid into the Fund by participating employers for the period 1 April 2026 to 31 March 2029 to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in this Rates and Adjustments Certificate are detailed in the Funding Strategy Statement dated April 2026 and in [Appendix 2](#) of the report on the 2025 actuarial valuation dated March 2026. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

Table 15 sets out the combined individual employer primary and secondary contribution rates for the period 1 April 2026 to 31 March 2029. The primary rate is the payroll weighted average of the underlying individual employer primary rates and the secondary rate is the total of the underlying individual employer secondary rates, calculated in accordance with the LGPS regulations and CIPFA guidance. The secondary rate has been shown both as a percentage of the projected pensionable pay and the equivalent monetary amount.

Primary rate	tbc	
Secondary rate	% of payroll	Equivalent monetary amount
<b>2026/27</b>	tbc	tbc
<b>2027/28</b>	tbc	tbc
<b>2028/29</b>	tbc	tbc

*Table 15: Combined individual employer rates from 1 April 2026 to 31 March 2029*

The required minimum contribution rates for each employer in the Fund are set out in the remainder of this certificate.

Steven Law FFA C. Act

Ciaran Henry FFA C. Act

27 February 2026

For and on behalf of Hymans Robertson LLP

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)		
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29
<b>Council</b>								
	London Borough of Havering Pool	20.2%	-0.4%	-0.4%	-0.4%	19.8%	19.8%	19.8%
<b>Academies</b>								
10503	Frances Bardsley School	21.1%	-2.3%	-2.3%	-2.3%	18.8%	18.8%	18.8%
10506	Coopers Company & Coborn School	20.4%	-1.0%	-1.0%	-1.0%	19.4%	19.4%	19.4%
10507	Sacred Heart of Mary School	21.5%	0.4%	0.4%	0.4%	21.9%	21.9%	21.9%
10522	Campion Academy	21.3%	-1.3%	-1.3%	-1.3%	20.0%	20.0%	20.0%
10525	Emerson Park Academy	tbc	tbc	tbc	tbc	tbc	tbc	tbc
10529	Hornchurch High School	20.1%	-2.7%	-2.7%	-2.7%	17.4%	17.4%	17.4%
10535	Langtons Junior Academy	21.4%	-2.8%	-2.8%	-2.8%	18.6%	18.6%	18.6%
10536	Oasis Pinewood Academy	20.4%	-1.6%	-1.6%	-1.6%	18.8%	18.8%	18.8%
10549	Benhurst Primary School	21.1%	-1.2%	-1.2%	-1.2%	19.9%	19.9%	19.9%
10550	Concordia Academy	19.9%	-2.8%	-2.8%	-2.8%	17.1%	17.1%	17.1%
10552	Marshalls Park Academy	20.8%	-0.8%	-0.8%	-0.8%	20.0%	20.0%	20.0%
10559	Harrow Lodge Primary School	20.6%	-1.6%	-1.6%	-1.6%	19.0%	19.0%	19.0%
10561	Gaynes Academy							
10564	Dame Tipping Academy	21.2%	0.4%	0.4%	0.4%	21.6%	21.6%	21.6%
10591	LIFE Education Trust	tbc	tbc	tbc	tbc	tbc	tbc	tbc
	Abbs Cross Academy	20.7%	-2.2%	-2.2%	-2.2%	18.5%	18.5%	18.5%
	Drapers Multi Academy Trust	20.4%	-0.2%	-0.2%	-0.2%	20.2%	20.2%	20.2%
	Empower Learning Academy Trust	20.9%	-0.1%	-0.1%	-0.1%	20.8%	20.8%	20.8%

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
	Harris Federation	21.0%	0.4%	0.4%	0.4%	21.4%	21.4%	21.4%	
	Hornchurch Academy Trust	20.8%	-0.6%	-0.6%	-0.6%	20.2%	20.2%	20.2%	
	Lime Trust	20.5%	-1.6%	-1.6%	-1.6%	18.9%	18.9%	18.9%	
	Olive Academies	20.0%	-2.0%	-2.0%	-2.0%	18.0%	18.0%	18.0%	
	Success for All Educational Trust	20.7%	-1.1%	-1.1%	-1.1%	19.6%	19.6%	19.6%	
	Unity Schools Partnership	20.9%	0.6%	0.6%	0.6%	21.5%	21.5%	21.5%	
<b>Resolution Bodies</b>									
<b>10577</b>	Mercury Land Holdings	12.9%	2.2%	2.2%	2.2%	15.1%	15.1%	15.1%	
<b>Admission Bodies</b>									
<b>10498</b>	Mears	18.0%	-0.8%	-0.8%	-0.8%	17.2%	17.2%	17.2%	
<b>10499</b>	Atalian Servest Food Co Ltd	tbc	tbc	tbc	tbc	tbc	tbc	tbc	
<b>10554</b>	Accent Catering	29.7%	-29.7%	-29.7%	-29.7%	0.0%	0.0%	0.0%	
<b>10565</b>	Lewis and Graves	21.8%	-21.8%	-21.8%	-21.8%	0.0%	0.0%	0.0%	
<b>10573</b>	May Harris (Royal Liberty)	tbc	tbc	tbc	tbc	tbc	tbc	tbc	
<b>10578</b>	Olive Dining Ltd	22.5%	-22.5%	-22.5%	-22.5%	0.0%	0.0%	0.0%	
<b>10581</b>	FCC Recycling	tbc	tbc	tbc	tbc	tbc	tbc	tbc	
<b>10583</b>	Caterlink (St Edwards)	tbc	tbc	tbc	tbc	tbc	tbc	tbc	
<b>10587</b>	Cleantec	tbc	tbc	tbc	tbc	tbc	tbc	tbc	
<b>10588</b>	Aspens Services Ltd (Aspens Srvs Ltd HV on UPM)	tbc	tbc	tbc	tbc	tbc	tbc	tbc	
<b>10590</b>	Olive Dining (Maylands)	tbc	tbc	tbc	tbc	tbc	tbc	tbc	
<b>10593</b>	Harrison Catering (Loxford)	tbc	tbc	tbc	tbc	tbc	tbc	tbc	
<b>10595</b>	May Harris (Rise Park)	tbc	tbc	tbc	tbc	tbc	tbc	tbc	
	SLM	19.9%	-19.9%	-19.9%	-19.9%	0.0%	0.0%	0.0%	

## Notes to the Rates & Adjustments Certificate

- Contributions expressed as a percentage of payroll should be paid into the Fund at a frequency in accordance with the requirements of the Regulations.
- Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.
- Certain bodies have been combined for contribution rate purposes. These bodies should pay the rates of the following pooled employers stated in the Rates and Adjustments Certificate:

Pool	Employer name
<b>Abbs Cross Academy</b>	Abbs Cross Academy (10502), Harrison Catering (10560)
<b>Drapers Multi Academy Trust</b>	Brookside Drapers Academy (10534), Brookside Infant Academy (10547), Drapers Academy (10520), Drapers MAT (10568), Drapers Maylands (10545), Pyrgo Priory Primary School (10542)
<b>Empower Learning Academy Trust</b>	Ardleigh Green Infant School (10497), Ardleigh Green Junior School (10580), Bower Park (10533), Brittons Academy (10521), Empower MAT - Central Staff (10585), Hacton Academy (10562), Hall Mead Academy (10523), Caterlink (10544)
<b>Harris Federation</b>	Harris Academy Trust (10519), Harris Rainham Sixth Form (10584)
<b>Hornchurch Academy Trust</b>	Scargill Infant Academy (10555), Scargill Junior Academy (10556), Upminster Infants (10531), Upminster Juniors (10532), Whybridge Junior Academy (10557), May Harris (10496)
<b>Lime Trust</b>	Forest Approach Academy (10543), Ravensbourne Academy (10546)
<b>London Borough of Havering Pool</b>	Corbets Tey School (10575)
<b>Olive Academies</b>	Olive Academies (10576), Olive AP Academy - Havering (10551)
<b>SLM</b>	SLM Community Leisure Ltd (10516), SLM Fitness and Health Ltd (10515)
<b>Success for All Educational Trust</b>	Redden Court Academy (10526), Rise Park Infant (10539), Rise Park Junior (10540), Royal Liberty Academy (10553), Sanders Academy (10563), SFAET MAT - Central Staff (10589), May Harris (Sanders) (10574)
<b>Unity Schools Partnership</b>	St Edwards Academy (10524), The Compass School (10582)

- ▶ Payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within our assumptions.
- ▶ Any new employers or admission bodies joining the Fund should be referred to the Fund Actuary to assess the required level of contribution. Depending on the number of transferring members the ceding employer's rate may also need to be reviewed.
- ▶ Any employer who ceases to participate in the Fund should be referred to the Fund Actuary in accordance with Regulation 64 of the LGPS regulations.
- ▶ The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.

## Appendix 9: Gender pension gap

As required under the LGPS Regulations 2013, we have reported on the gender pension gap within the fund. The reporting approach, including derivation of statistics, is consistent with the guidance '2025 Fund Valuations: Guidance for Gender Pension Gap reporting' dated 2 February 2026.

For the purpose of this analysis, we have

- relied upon the membership data provided by the Fund for the purpose of the 2025 actuarial valuation
- used the gender information provided in the submitted membership data

The Gender Pension Gap (GPG) is calculated as:

$$GPG = \frac{\text{Mean pension value for males} - \text{Mean pension value for females}}{\text{Mean pension value for males}}$$

The GPG is expressed as a percentage. For example, a GPG of 10% indicates that, on average within the population analysed, for every £1 of pension accrued by males, females will have accrued £0.90. A negative GPG implies the mean pension value for females is greater than the mean pension value for males.

**Active members**

The results in this section set out the analysis for members who were active at 31 March 2025.

**Fund level analysis**

At overall fund level, the GPG for active members of the Fund is 45%. Further detail is set out in the table and charts below.

	Males	Females	
Number of members*	1,206	5,205	-
% of overall membership	19%	81%	-
Mean age	47.4	47.3	-
			<b>Gender pay gap</b>
Mean FTE pay	39,399	33,085	16%
Mean actual pay	35,371	23,875	33%
			<b>Gender pension gap</b>
Mean CARE pension	4,598	2,822	39%
Mean Final Salary pension**	6,733	3,039	55%
Mean total pension	6,607	3,627	45%

Table 16: Gender pension gap for active members – Fund level analysis

\* In line with the guidance, this represents the number of unique members within the Fund i.e. all multiple membership records have been summed for the purpose of the fund calculation.

\*\* In line with the guidance, this represents the mean for active members with a non-zero final salary pension.

**Employer category analysis**

In line with the Guidance, analysis at employer category level is set out below (N/A entries apply where the number of members in a group is less than 100):

Category	CARE pension GPG	Final Salary pension GPG	Total pension GPG
Local authorities and connected bodies	40%	55%	45%
Centrally funded public sector bodies excluding academies	N/A	N/A	N/A
Academies	21%	40%	21%
Other public service bodies	N/A	N/A	N/A
Private/voluntary/other bodies	45%	50%	48%

Table 17: Gender pension gap for active members – Employer category analysis

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Employer category Additional statistics	Local authorities		Central PS bodies		Academies		Other PS bodies		Private/voluntary	
	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females
Number of members*	825	3,548	-	-	313	1,673	-	-	73	64
% of overall membership	19%	81%	N/A	N/A	16%	84%	N/A	N/A	53%	47%
Mean age	47.7	47.1	N/A	N/A	45.5	47.5	N/A	N/A	54.0	53.6
Mean FTE pay	42,874	34,878	N/A	N/A	32,084	29,681	N/A	N/A	34,004	29,496
Mean actual pay	41,341	27,438	N/A	N/A	26,255	19,406	N/A	N/A	35,164	19,430
Mean CARE pension	6,860	4,116	N/A	N/A	3,272	2,589	N/A	N/A	8,612	4,745
Mean Final Salary pension	7,921	3,526	N/A	N/A	3,076	1,844	N/A	N/A	5,100	2,541
Mean total pension	9,241	5,068	N/A	N/A	3,803	3,005	N/A	N/A	12,594	6,611

Table 18: Gender pension gap for active members – Employer category analysis (additional statistics)

\* In line with the guidance, this represents the number of unique members per employer within the Fund i.e. multiple membership records across an employer category have been summed.

**Pensioner members**

The GPG for pensioner members of the Fund is 54%. Further detail is set out in the table and charts below.

	Males	Females	GPG
Number of members*	1,609	3,967	-
% of overall membership	29%	71%	-
Mean age	74.2	73.0	-
Mean pension	10,695	4,915	54%

Table 19: Gender pension gap for pensioner members – Fund level analysis

\* In line with the guidance, this represents the number of unique members within the Fund i.e. all multiple membership records have been summed for the purpose of the fund calculation.

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@Havering.gov.uk](mailto:Tara.Haroon@Havering.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](http://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*
	Local authorities	Academies	Open to new entrants	Closed to new entrants	(all)
SAB Tier	Tier 1	Tier 2	Tier 3	Tier 3	Tier 1
<b>Funding target**</b>	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Ongoing
<b>Minimum likelihood of success</b>	75%	75%	80%	80%	75%
<b>Maximum time horizon</b>	20 years	20 years	15 years or average future working lifetime, if less		Same as the letting employer
<b>Primary rate approach ***</b>	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				
<b>Secondary rate</b>	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.				
<b>Stabilised contribution rate?</b>	Yes	No	No	No	No
<b>Treatment of surplus</b>	Covered by stabilisation arrangement	Contribution rate reductions below the primary rate and current rate may be permitted at the ultimate discretion of the Administering Authority		Reduce contributions by spreading the surplus over the remaining contract term	
<b>Recognising covenant</b>	Stabilisation parameters	Adjust likelihood of success and/or time horizon			
<b>Phasing of contribution changes</b>	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](#).

### D3 Gender Pension Gap reporting

The government published its consultation "Local Government Pension Scheme in England and Wales: Access and Fairness" in May 2025. One of the proposals as part of this consultation was to include gender pension gap reporting in the 2025 valuation report. Regulation around reporting will be laid down in March 2026 and as such, the Fund has reported on the gender pension gap in the 2025 valuation report (appendix 9).

Reporting has been included for active members, pensioner members and by employer using the local government pension scheme funds account return (SF3) categorisation.

## 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
<b>Ongoing basis</b>	All employers except closed community admission bodies	85%
<b>Low-risk exit basis</b>	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 <sup>th</sup>	-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 <sup>th</sup>	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%
10 years	16 <sup>th</sup>	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%
	50 <sup>th</sup>	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%
20 years	16 <sup>th</sup>	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%
	50 <sup>th</sup>	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%
Volatility (1 yr)	16 <sup>th</sup>	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 <sup>th</sup>	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 <sup>th</sup>	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		Ill-health tier 1		Ill-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		Ill-health tier 1		Ill-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

## Appendix F - Policy on contribution reviews

Effective date of policy	1 April 2026
Date approved	
Next review	March 2029

### F1 Introduction

The purpose of this policy is to set out the administering authority's approach to reviewing contribution rates between triennial valuations.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

### Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where contribution rates may be reviewed between valuations.
- To outline specific circumstances where contribution rates will not be reviewed.

### Background

The Fund may amend contribution rates between valuations for 'significant change' to the liabilities or covenant of an employer.

Such reviews may be instigated by the fund or at the request of a participating employer.

Any review may lead to a change in the required contributions from the employer.

### Guidance and regulatory framework

Regulation 64 of the Local Government Pension Scheme Regulations 2013 (as amended) sets out the way in which LGPS funds should determine employer contributions, including the following;

- Regulation 64 (4) – allows the administering authority to review the contribution rate if it becomes likely that an employer will cease participation in the fund, with a view to ensuring that the employer is fully funded at the expected exit date.
- Regulation 64A - sets out specific circumstances where the administering authority may revise contributions between valuations (including where a review is requested by one or more employers).

This policy also reflects statutory guidance from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

### F2 Statement of principles

This statement of principles covers review of contributions between valuations. Each case will be treated on its own merits, but in general:

- The administering authority reserves the right to review contributions in line with the provisions set out in the LGPS Regulations.

- The decision to make a change to contribution rates rests with the administering authority, subject to consultation with employers during the review period.
- Full justification for any change in contribution rates will be provided to employers.
- Advice will be taken from the fund actuary in respect of any review of contribution rates.
- Any revision to contribution rates will be reflected in the Rates & Adjustment certificate.

### F3 Policy

#### Circumstances for review

The fund would consider the following circumstances as a potential trigger for review:

- in the opinion of an administering authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- an employer is approaching exit from the fund within the next two years and/or before completion of the next triennial valuation;
- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation;
- it appears likely to the administering authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the administering authority that there has been a significant change in the ability of an employer or employers to meet their obligations (e.g. a material change in employer covenant, or provision of additional security);
- it appears to the administering authority that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the administering authority.

#### Employer requests

The administering authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially, or they are going through a significant restructuring impacting their membership).

The administering authority will require additional information to support a contribution review made at the employer's request. The specific requirements will be confirmed following any request and this is likely to include the following:

- a copy of the latest accounts;
- details of any additional security being offered (which may include insurance certificates);
- budget forecasts; and/or
- information relating to sources of funding.

The costs incurred by the administering authority in carrying out a contribution review (at the employer's request) will be met by the employer. These will be confirmed upfront to the employer prior to the review taking place.

### **Other employers**

When undertaking any review of contributions, the administering authority will also consider the impact of a change to contribution rates on other fund employers. This will include the following factors:

- The existence of a guarantor.
- The amount of any other security held.
- The size of the employer's liabilities relative to the whole fund.

The administering authority will consult with other fund employers as necessary.

### **Effect of market volatility**

Except in circumstances such as an employer nearing cessation, the administering authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation.

### **Documentation**

Where revisions to contribution rates are necessary, the fund will provide the employer with a note of the information used to determine these, including:

- Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.
- A note of the new contribution rates and effective date of these.
- Date of next review.
- Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the administering authority to carry out this monitoring.

The Rates & Adjustments certificate will be updated to reflect the revised contribution rates.

### **F4 Related Policies**

The fund's approach to setting employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".

## Appendix G - Policy on cessations

Effective date of policy	1 April 2026
Date approved	
Next review	March 2029

### G1 Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with circumstances where a scheme employer leaves the fund and becomes an exiting employer (a cessation event).

It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis, however certain principles will apply as governed by the regulatory framework (see below) and the fund's discretionary policies (as described in Section G3 - Policies).

### Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- To confirm the approach for the treatment and valuation of liabilities for employers leaving the fund.
- To provide information about how the fund may apply its discretionary powers when managing employer cessations.
- To outline the responsibilities of (and flexibilities for) exiting employers, the administering authority, the actuary and, where relevant, the original ceding scheme employer (usually a letting authority).

### Background

As described in Section 7 of the Funding Strategy Statement (FSS), a scheme employer may become an exiting employer when a cessation event is triggered e.g. when the last active member stops participating in the fund. On cessation from the fund, the administering authority will instruct the fund actuary to carry out a valuation of assets and liabilities for the exiting employer to determine whether a deficit or surplus exists. The fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

### Guidance and regulatory framework

- The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the fund (Regulation 64) and include the following:
- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates & Adjustments Certificate to be amended to show the revised contributions due from the exiting employer
- Regulation 64 (2) – where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the exit date. Further, it requires the Rates & Adjustments Certificate to be amended to show the exit payment due from the exiting employer or the excess of assets over the liabilities in the fund.

Regulation 64 (2ZAB) – the administering authority must determine the amount of an exit credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:

- Notify its intention to make a determination to-
  - The exiting employer and any other body that has provided a guarantee to the Exiting Employer
  - The scheme employer, where the exiting employer is a body that participated in the Scheme as a result of an admission agreement
- Pay the amount determined to that exiting employer within six months of the exit date, or such longer time as the administering authority and the exiting employer agree.
- Regulation (2ZC) – In exercising its discretion to determine the amount of any exit credit, the administering authority must have regard to the following factors-
  - The extent to which there is an excess of assets in the fund relating to that employer in paragraph (2)(a)
  - The proportion of this excess of assets which has arisen because of the value of the employer's contributions
  - Any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and
  - Any other relevant factors
- Regulation 64 (2A) & (2B)– the administering authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more active members contributing to the fund within the period specified in the suspension notice.
- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate scheme employer or remaining fund employers may be amended.
- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the administering authority may obtain a certificate from the fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the exit payment that will be due.
- Regulation 64 (5) – following the payment of an exit payment to the Fund, no further payments are due to the fund from the exiting employer.
- Regulation 64 (7A-7G) – the administering authority may enter into a written deferred debt agreement, allowing the employer to have deferred employer status and to delay crystallisation of debt despite having no active members.
- Regulation 64B (1) – the administering authority may set out a policy on spreading exit payments.

In addition to the 2013 Regulations summarised above, Regulation 25A of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the Transitional Regulations”) give the fund the ability to levy a cessation debt on employers who have ceased participation in the fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the fund expects to deal with any such cases.

This policy also reflects statutory guidance from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the fund.

## G2 Statement of Principles

This Statement of Principles covers the fund's approach to exiting employers. Each case will be treated on its own merits but in general:

- it is the fund's policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the fund.
- the fund's preferred approach is to request the full payment of any exit debt (an exit payment), which is calculated by the actuary on the appropriate basis (as per Section 7 of the FSS and 'Approach to cessation calculations' below). This would extinguish any liability to the fund by the exiting employer.
- the fund's key objective is to protect the interests of the fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the exiting employer in determining arrangements for the recovery of the exit debt.
- employers are responsible for all costs incurred as a result of ceasing participation including actuarial and administration expenses.

## G3 Policies

On cessation, the administering authority will instruct the fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in Section 4 of the FSS.

Where there is a deficit, payment of this amount in full would normally be sought from the exiting employer. The fund's normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified.

However, the fund will consider written requests from employers to spread the payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation (see Repayment flexibility on exit payments below).

In circumstances where there is a surplus, the administering authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the exiting employer (see Exit credits below).

## Approach to cessation calculations

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the fund depending on the exiting employer's circumstances. However, in general the following broad principles and assumptions may apply, as described in Section 7.2 of the FSS and summarised below:

Type of employer	Cessation exit basis	Responsible parties for unpaid or future deficit emerging
Local Authorities	Low risk exit basis <sup>1</sup>	Shared between other fund employers

Academies	Low risk exit basis	DfE guarantee may apply, otherwise see below
Admission bodies (TABs)	Ongoing basis	Letting authority (where applicable), otherwise shared between other fund employers
Admission bodies (CABs)	Low risk exit basis	Shared between other fund employers (if no guarantor exists)

Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (e.g. machinery of Government changes), these cessation principles would apply.

### **Cessation of academies and multi-academy trusts (MATs)**

A cessation event will occur if a current academy or MAT ceases to exist as an entity or an employer in the fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers. The actuary will use their professional judgement to determine an appropriate and fair methodology for this calculation in consultation with the administering authority.
- In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

### **Repayment flexibility on exit payments**

#### **Deferred spreading arrangement (DSA)**

The fund will consider written requests from exiting employers to spread an exit payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation.

In this exceptional case, the fund's policy is:

- The agreed spread period is no more than three years, but the fund could use its discretion to extend this period in limited circumstances.
- The fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.
- The exiting employer may be asked to provide the administering authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
- Payments due under the DSA may be subject to an interest charge.
- The fund will only consider written requests within six months of the employer exiting the fund. The exiting employer would be required to provide the fund with detailed financial information to support its request.

- The fund would take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.
- The fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.
- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.

### **Deferred debt agreement (DDA)**

The fund's preferred policy is for the spreading of payments, as detailed above, to be followed in the exceptional circumstances where an exiting employer is unable to pay the required cessation payment as a lump sum in full. However, in the event that spreading of payments will create a high risk of bankruptcy for the exiting employer, the fund may exercise its discretion to set up a deferred debt agreement as described in Regulation 64 (7A)).

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the fund actuary until the termination of the DDA.

The Administering Authority may consider a DDA in the following circumstances:

- The employer requests the Fund consider a DDA.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the administering authority.

The Administering Authority will normally require:

- A legal document to be prepared, setting out the terms of the DDA and signed by all relevant parties prior to the arrangement commencing.(including details of the time period of the DDA, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.
- Regular monitoring of the contribution requirements and security requirements
- All costs of the arrangement are met by the employer, such as the cost of advice to the fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

- The employer enrolls new active fund members.
- The period specified, or as varied, under the DDA elapses.
- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.

- The administering authority serves a notice on the employer that the Administering Authority is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months.
- The fund actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. employer is now largely fully funded on their cessation exit basis).
- The fund actuary assesses that the employer's value of liabilities has fallen below an agreed *de minimis* level and the employer becomes an exiting employer on the calculation date.
- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the fund actuary on the calculation date (i.e. the employer pays their outstanding cessation debt on their cessation basis).

On the termination of a DDA, the employer will become an exiting employer and a cessation valuation will be completed in line with this policy.

### Exit credits

The administering authority's entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all employers ceasing their participation in the fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the [Local Government Pension Scheme \(Amendment\) Regulations 2020](#).

The administering authority may determine the amount of exit credit payable to be zero, however, in making a determination, the Administering Authority will take into account the following factors.

- the extent to which there is an excess of assets in the fund relating to the employer over and above the liabilities specified.
- the proportion of the excess of assets which has arisen because of the value of the employer's contributions.
- any representations to the Administering Authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.
- any other relevant factors

### Admitted bodies

- No exit credit will normally be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph iii) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the fund.
- No exit credit will normally be payable to any admission body who participates in the fund via a pass through approach.
- The fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the fund in a clear and unambiguous document with the agreement of both the

admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the administering authority) of the admission body ceasing participation in the fund.

- In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in c), the fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the administering authority.
- Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- If the admission agreement ends early, the fund will consider the reason for the early termination, and whether that should have any relevance on the fund's determination of the value of any exit credit payment. In these cases, the fund will consider the differential between employers' contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.
- If an admitted body leaves on a low risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.
- The decision of the fund is final in interpreting how any arrangement described under iii), v), vi) and vii) applies to the value of an exit credit payment.

#### **Scheduled bodies and designating bodies**

- Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the employer during its participation in the fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- Where no formal guarantor or risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the employer during its participation in the fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- The decision of the fund is final in interpreting how any arrangement described under i) and ii) applies to the value of an exit credit payment.
- If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.
- If a scheduled body or resolution body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

#### **General**

- The fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.
- Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the fund and the respective investment returns earned on both.

- The fund will also factor in if any contributions due or monies owed to the fund remain unpaid by the employer at the cessation date. If this is the case, the fund's default position will be to deduct these from any exit credit payment.
- The final decision will be made by the pension manager, in conjunction with advice from the fund's actuary and/or legal advisors where necessary, in consideration of the points held within this policy.
- The fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the fund will discuss its approach to determining an exit credit with all affected parties. The decision of the fund in these instances is final.
- None of the above should be considered as fettering the fund's discretionary decision, instead it is an indication of how decisions are likely to be made. However it is important to bear in mind that each and every potential exit credit case will be considered by the administering authority on its own merits, and the administering authority will make its discretionary decision on that basis.

### **Disputes**

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

### **G4 Practicalities and process**

#### **Responsibilities of ceasing employers**

An employer which is aware that its participation in the fund is likely to come to an end must:

- advise the fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically a 3 month notice period is required) or otherwise as required by the Regulations for all other scheme employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).
- provide any relevant information on the reason for leaving the Fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.
- provide all other information and data requirements as requested by the Administering Authority which are relevant, including in particular any changes to the membership which could affect the liabilities (e.g. salary increases and early retirements) and an indication of what will happen to current employee members on cessation (e.g. will they transfer to another Fund employer, will they cease to accrue benefits within the Fund, etc.).

#### **Responsibilities of Administering Authority**

The administering authority will:

- gather information as required, including, but not limited to, the following:
  - details of the cessation - the reason the employer is leaving the fund (i.e. end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation.
  - complete membership data for the outgoing employer and identify changes since the previous formal valuation.
  - the likely outcome for any remaining employee members (e.g. will they be transferred to a new employer, or will they cease to accrue liabilities in the Fund).

- identify the party that will be responsible for the employer's deficit on cessation (i.e. the employer itself, an insurance company, a receiver, another Fund employer, guarantor, etc.).
- commission the fund actuary to carry out a cessation valuation under the appropriate regulation.
- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus.
- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer's membership.
- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

#### **Payment of an exit credit**

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the administering authority will act in accordance with the exit credit policy above. If payment is required, the administering authority will advise the exiting employer of the amount due to be repaid and seek to make payment within six months of the exit date. However, in order to meet the six month timeframe, the administering authority requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The administering authority is unable to make any exit credit payment until it has received all data requested.
- At the time this policy was produced, the fund has been informed by HMRC that exit credits are not subject to tax, however all exiting employers must seek their own advice on the tax and accounting treatment of any exit credit.

#### **Responsibilities of the actuary**

Following commission of a cessation valuation by the administering authority, the fund actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.
- provide actuarial advice to the administering authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.
- where appropriate, advise on the implications of the employer leaving on the remaining fund employers, including any residual effects to be considered as part of triennial valuations.

#### **G5 Related Policies**

The fund's approach to exiting employers is set out in the FSS, specifically "Section 7 – What happens when an employer leaves the fund?"

The approach taken to set the actuarial assumptions for cessation valuations is set out in Appendix E of the FSS.

## Appendix H - Policy on pass-through

Effective date of policy	1 April 2026
Date approved	
Next review	March 2029

### H1 Introduction

The purpose of this policy is to set out the administering authority's approach to admitting new contractors into the fund on a pass-through basis. In addition, and subject to review on a case-by-case basis, the fund may be willing to apply its passthrough principles to other admission bodies where liabilities are covered by a guarantor within the fund.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

### Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To set out the fund's approach to admitting new contractors, including the calculation of contribution rates and how risks are shared under the pass-through arrangement.
- To outline the process for admitting new contractors into the fund.

### Background

Employees outsourced from local authorities or from independent schools (generally academies, regulated by the Department for Education) must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the Local Government Pension Scheme (as per the Best Value Authorities Staff Transfer (Pensions) Direction 2007) or new Fair Deal (in the case of academies). This is typically achieved by employees remaining in the LGPS and the new employer becoming an admitted body to the fund and making the requisite employer contributions.

Pass-through is an arrangement whereby the letting authority (the local authority or the independent school) retains the main risks of fluctuations in the employer contribution rate during the life of the contract, and the risk that the employer's assets may be insufficient to meet the employees' pension benefits at the end of the contract.

### Guidance and regulatory framework

The [Local Government Pension Scheme Regulations 2013](#) (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Schedule 2 Part 3 sets out the entities eligible to join the fund as an admitted body, their key responsibilities as an admitted body and the requirements of the admission agreement.
- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and provides a definition of the primary rate.
- Regulation 64 - covers the requirements for a cessation valuation following the exit of a participating employer from the fund.

## H2 Statement of principles

This statement of principles covers the admission of new contractors to the fund on a pass-through basis. Each case will be treated on its own merits, but in general:

- Where an academy or a Local Education Authority school is the letting authority, the fund requires the consequent admissions to be set up with a pass-through arrangement (which is closed to new member) from the effective date of this policy.
- Where the letting authority is not an academy, pass-through is the default approach for the admission of all new contractors to the fund from the effective date of this policy.
- The contractor's pension contribution rate is set equal a fixed rate of 25.0% of pay for the duration of the contract.
- The letting authority retains responsibility for variations in funding level, for instance due to investment performance, changes in market conditions, longevity, and salary experience under its pass-through arrangement, irrespective of the size of the outsourcing.
- The contractor will meet the cost of additional liabilities arising from (non-ill health) early retirements and augmentations.
- Ill health experience will be pooled with the letting authority and no additional strain payments will be levied on the contractor in respect of ill health retirements.
- The contractor will not be required to obtain an indemnity bond unless an academy is the letting authority and is not in compliance with the [DfE Academy Trust Guarantee policy](#).
- There will be no notional transfer of assets to the contractor within the Fund. This means that all assets and liabilities relating to the contractor's staff will remain the responsibility of the letting authority during the period of participation.
- At the end of the contract (or when there are no longer any active members participating in the fund, for whatever reason), the admission agreement will cease and no further payment will be required from the contractor (or the letting authority) to the fund, save for any outstanding regular contributions and/or invoices relating to the cost of early retirement strains, augmentations and/or salary experience. Likewise, no "exit credit" payment will be required from the Fund to the contractor (or letting authority).
- The terms of the pass through agreement will be documented by way of the admission agreement between the administering authority, the letting authority (where different), and the contractor.
- All existing admission agreements are unaffected by this policy.

The principles outlined above are the default principles which will apply; however, the letting authority may request the specific details of a particular agreement to differ from the principles outlined above.

The administering authority is not obliged to agree to a departure from the principles set out in this policy but will consider such requests and engage with the letting authority to reach agreement.

## H3 Policy and process

### Compliance

Adherence to this policy is the responsibility of the relevant responsible service manager for any given outsourcing.

### Contribution rates

The contribution rate payable by the contractor over the period of participation will be set equal to 25.0% of pay for the duration of their admission to the fund.

### Risk sharing and cessation valuation

The letting authority will retain the risk of the contractor becoming insolvent during the period of admission and so no indemnity bond will be required from contractors participating in the Fund on a pass-through basis. The letting authority is effectively guaranteeing the contractor's participation in the fund.

A cessation valuation is required when a contractor no longer has any active members in the fund. This could be due to a contract coming to its natural end, insolvency of a contractor or the last active member leaving employment or opting out of the LGPS.

Where a pass-through arrangement is in place, the fund assets and liabilities associated with outsourced employees are retained by the letting authority. At the end of the admission, the cessation valuation will therefore record nil assets and liabilities for the ceasing employer and therefore that no cessation debt or exit credit is payable to or from the Fund.

The contractor will be required to pay any outstanding regular contributions and/or unpaid invoices relating to the cost of (non-ill health) early retirement strains and/or augmentations at the end of the contract.

However, in some circumstances, the winning bidder will be liable for additional pension costs that arise due to items over which it exerts control. The risk allocation is as follows:

Risks	Letting authority	Contractor/ Admitted body
Surplus/deficit prior to the transfer date	✓	
Interest on surplus/deficit	✓	
Investment performance of assets held by the Fund	✓	
Changes to the discount rate that affect past service liabilities	✓	
Changes to the discount rate that affect future service accrual *	✓	
Change in longevity assumptions that affect past service liabilities	✓	
Changes to longevity that affect future accrual *	✓	
Price inflation affects past service liabilities	✓	
Price inflation / pension increases that affect future accrual *	✓	
Exchange of pension for tax free cash	✓	
Ill health retirement experience**	✓	
Strain costs attributable to granting early retirements (not due to ill health (e.g. redundancy, efficiency, waiving actuarial reductions on voluntary early retirements))		✓
Greater/lesser level of withdrawals	✓	
Rise in average age of contractor's employee membership	✓	
Changes to LGPS benefit package *	✓	
Excess liabilities attributable to the contractor granting pay rises that exceed those assumed in the last formal actuarial valuation of the Fund		✓
Award of additional pension or augmentation		✓

\* These elements would be picked up at the next triennial valuation.

*\*\* Letting authorities retain ill health early retirement risk (i.e. any strain related to a tier 1 or tier 2 ill health will fall on the letting authority). Letting authorities may choose to insure these risks with a 3<sup>rd</sup> party.*

### Accounting valuations

Accounting for pensions costs is a responsibility for individual employers.

It is the administering authority's understanding that contractors may be able to account for such pass-through admissions on a defined contribution basis and therefore no formal FRS102 / IAS19 report may be required (contractors are effectively paying a fixed rate and are largely indemnified from the risks inherent in providing defined benefit pensions), however, this is a rule of thumb and some pass through employers may still be required to account under defined benefit basis.

As the letting authority retains most of the pension fund risk relating to contractors, it is the administering authority's understanding that these liabilities (and assets) should be included in the letting authority's FRS102 / IAS19 disclosures.

The administering authority expects employers to seek approval to the treatment of pension costs from their auditor.

### Application

Letting authorities may request terms which differ from those set out in this policy and any such request will be considered by the Administering authority.

All existing admission agreements (i.e. which commenced prior to the effective date of this policy) are unaffected by this policy.

### Process

The procurement department at each letting authority that has responsibility for staff/service outsourcing must be advised of this policy. The process detailed below must be adhered to by the letting authority and (where applicable) the winning bidder.

- **Tender Notification** - The letting authority must publicise this pass-through policy as part of its tender process to bidders. This should confirm that the winning bidder will not be responsible for ensuring that the liabilities of outsourced employees are fully funded at the end of the contract, and that the winning bidder will only be responsible for paying contributions to the fund during the period of participation and meeting the cost of (non-ill health) early retirement strains, the cost of benefit augmentations and excessive salary growth (assuming the terms of this policy are adhered to). It should also advise the employer contribution rate as detailed in paragraph 3.2.
- **Initial notification to Pension Team** – The letting authority must contact the administering authority when a tender (or re-tender) of an outsourcing contract is taking place and staff (or former staff) are impacted. The administering authority must be advised prior to the start of the tender and the letting authority must also confirm that the terms of this policy have been adhered to the [DfE Academy Trust Guarantee policy](#).
- **Confirmation of winning bidder** – The letting authority must immediately advise the administering authority of the winning bidder.
- **Request for winning bidder to become an admitted body** – The winning bidder (in combination with the letting authority), should request to the administering authority that it wishes to become an admitted body within the Fund. Where an academy is letting employer, it must confirm that the outsourcing complies with the requirements set out in the DfE Academy Trust Guarantee policy.

- **Template admission agreement** – a template pass-through admission agreement will be used for admissions under this policy. It will set out all agreed points relating to employer contribution rates, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the Administering authority, will the wording within the template agreement be changed. All admission agreements must be reviewed (including any changes) by the administering authority and possibly its legal advisors.
- **Signed admission agreement** - Signing of the admission agreement can then take place between an appropriate representative of the winning bidder, the lead finance officer of the letting authority, and the administering authority. It is at this point the fund can start to receive contributions from the contractor and its employee members (backdated if necessary).
- **Admitted body status** – The letting authority will advise the contractor of its requirements and responsibilities within the Fund.

#### Costs

Contractors being admitted to the fund under a pass-through agreement will be required to meet the cost of this, which includes (but is not limited to) the actuarial fees incurred by the administering authority.

#### H4 Related Policies

The fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".

The treatment of new employers joining the fund is set out in the in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the fund?"

The treatment of employers exiting the fund is set out in the in the Funding Strategy Statement, specifically "Section 6 – What happens when an employer leaves the fund?" and the fund's cessation policy.

## PENSIONS COMMITTEE

**17 March 2026**

<b>Subject Heading:</b>	2026 Investment Strategy Report
<b>ELT Lead:</b>	Kathy Freeman
<b>Report Author and contact details:</b>	Tara Haroon <a href="mailto:Tara.Haroon@havering.gov.uk">Tara.Haroon@havering.gov.uk</a>
<b>Policy context:</b>	Regulation 12 of the draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 requires administering authorities to periodically review their Investment Strategy Statement
<b>Financial summary:</b>	The ISS objective is to achieve long term stability for the Pension Fund

**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

The draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 require administering authorities to formulate and publish an Investment Strategy Statement within 18 months of each valuation date and to keep that strategy under regular review. Accordingly, the draft ISS has been updated in line with the draft regulations and statutory guidance.

Following advice from the Fund's investment advisor, Hymans Robertson LLP, the Fund's Investment Strategy Statement (ISS) has been updated (**Appendix A**) to reflect:

Legislative changes: arising from the draft LGPS (Pooling, Management and Investment of Funds) Regulations 2026, which includes clearer separation of strategic and operational responsibilities.

- Strategic asset allocation updates: to be approved by the Committee following the outcome of the 2025 valuation. The recommended revised allocations incorporate tolerance ranges and adjustments to several asset classes in accordance with the draft regulations.

- London CIV's expanded role from April 2026: including implementation of the investment strategy, manager selection, and rebalancing within set tolerances.
- New local investment ambition of 2.5% of total assets, focusing on opportunities within Greater London, including housing and local employment.

## **RECOMMENDATIONS**

The Committee is asked to:

1. Approve the Draft Investment Strategy Statement, to go out for consultation.
2. Note the forthcoming transition of implementation responsibilities to London CIV, including rebalancing and manager selection frameworks.
3. Delegate authority for the Chair and the Strategic Director of Resources (S151) to finalise the ISS following the consultation and publish on the Fund's website.

## **REPORT DETAIL**

### **1. Statutory Background**

- 1.1 The draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 require administering authorities to publish an ISS that sets out their investment strategy, risk management approach, and pooling arrangements within 18 months of each actuarial valuation date.
- 1.2 At the time of this Committee meeting, the 2026 Regulations remain in draft. However, they have progressed through Parliamentary scrutiny and have been read at Committee Stage in the House of Commons. They are expected to receive Royal Assent shortly and become effective from 1 April 2026. The ISS has been prepared in anticipation of these regulations coming into force in their current form.
- 1.3 The ISS must be reviewed at least every three years and consulted upon prior to publication. The Fund's existing ISS has been updated to align with the new regulatory requirements and to reflect changes arising from the 2025 valuation.

**2. 2025 Valuation Investment Objectives**

- 2.1 The primary objective of the Fund is to provide pension and lump sum benefits to scheme members on a defined benefits basis, including benefits to dependants in the event of a member’s death before or after retirement.
- 2.2 This objective is reflected in a set of high-level investment objectives that align with the Funding Strategy Statement as set out below.
- a) Return objective: Achieve returns above the 5.5% p.a. discount rate
  - b) Risk objective: Maintain a funding level of 100% with a 85% likelihood over 20 years.
  - c) Cash flow objective: Generate sufficient income to meet cash flow needs.

**3. Strategic Asset Allocation**

- 3.1 Hymans Robertson LLP have advised revision to the ISS to reflect updated modelling, the 2025 valuation outcomes, and draft regulatory requirements. (Appendix 2 of the ISS).

Table 1: Changes to the Strategic Asset Allocation

<b>Asset Class</b>	<b>Current Strategic Asset Allocation</b>	<b>Revised Strategic Asset Allocation</b>	<b>Change</b>
Listed Equity	40.0%	40.0%	-
Private Equity	-	2.5%	+2.5%
Other Alternatives	12.5%	10.0%	-2.5%
Property / Real Estate	10.0%	12.5%	+2.5%
Infrastructure	12.5%	12.5%	-
Private Credit	7.5%	10.0%	+2.5%
Credit	12.5%	10.0%	-2.5%
UK Government Bonds	5.0%	2.5%	-2.5%
Cash	0.0%	0.0%	-

- 3.2 The ISS also now includes explicit tolerance ranges for each asset class and a defined rebalancing framework to be implemented by London CIV.
- 3.3 “Other Alternatives” includes the Royal London Multi Asset Credit (MAC) fund and “Credit” includes the London CIV Global Bond Fund.

**4. Pooling – London CIV Responsibilities**

- 4.1 From 1 April 2026 all assets must be invested through the London CIV. London CIV will be responsible for:
- a. selecting investment managers
  - b. mandate construction
  - c. portfolio rebalancing
  - d. reporting on investment, stewardship and climate metrics

**5. Local Investment**

- 5.1 The ISS introduces a local investment ambition, with opportunities expected mainly within private equity, property, and private credit. Focus areas include:
- a. local employment-generating businesses
  - b. London residential housing supply
- 5.2 London CIV will identify and assess suitable opportunities subject to fiduciary duty.

**6. Responsible Investment and Stewardship**

- 6.1 The ISS strengthens the Fund's approach to Environmental, Social and Governance integration and climate risk, reflecting the Fund's climate policy:
- a. London CIV is expected to integrate ESG and climate considerations into all implementation decisions.
  - b. Voting and engagement policies follow London CIV frameworks.
  - c. Managers must be signatories to the UK Stewardship Code and PRI where appropriate.
  - d. Active oversight and reporting will be reviewed annually by the Committee.

**7. Consultation**

- 7.1 A draft ISS will be circulated to employers and the Local Pension Board following this meeting, with comments invited before 30 April 2026.
- 7.2 Any feedback received will be presented to the Chair and Section 151 Officer for consideration and whether to update the Draft ISS.
- 7.3 The final ISS will be published on the Fund's website following the conclusion of the consultation process.

## IMPLICATIONS AND RISKS

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

The ISS objectives are to help the fund balance the key objectives of affordability and stability of employer contributions rates, whilst ensuring the solvency of the Fund over the long-term.

Advisory costs relating to implementation will be met by the Pension Fund.

### **Legal implications and risks:**

It is a principle of administrative law that when the Authority has a duty to consult it must conscientiously take into consideration the representations of consultees before making its decision. Accordingly, any comments provided under para 2.6 above should be considered conscientiously.

Otherwise there are no apparent legal implications and the applicable law is set out in the main 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.

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# Investment Strategy Statement

## 1. Introduction and background

- 1.1. This is the Investment Strategy Statement (“ISS”) of the London Borough of Havering Pension Fund (“the Fund”), which is administered by Havering Council, (“the Administering Authority”). **The ISS is made in accordance with Regulation 12 of the draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 (“the Regulations”).**
- 1.2. The ISS has been prepared by the Fund’s Pension Committee (“the Committee”) having taken advice from the Fund’s investment adviser, Hymans Robertson LLP and having regard to the **draft** guidance issued by the Ministry of Housing, Communities and Local Government (“MHCLG”). The Committee acts on the delegated authority of the Administering Authority.
- 1.3. To guide the ongoing development of its investment strategy, the Committee has considered and agreed a series of investment beliefs. These beliefs are set out in Appendix 1.
- 1.4. The ISS is subject to review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.
- 1.5. The Committee seeks to invest, in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund’s Funding Strategy Statement (dated TBC 2026).
- 1.6. In July 2023, the MHCLG launched the “Local Government Pension Scheme: Next Steps on Investments” consultation, commonly referred to as the “Fit for the Future” (FFF) proposals. The consultation set out the government’s vision for the LGPS to deliver greater value for money, improved governance, and enhanced stewardship, with a particular focus on accelerating the pooling of assets and strengthening responsible investment practices. At the time of preparing this Investment Strategy Statement (ISS), the government’s new Pensions Bill, which is expected to give statutory effect to many of the FFF proposals, has not yet been enacted.
- 1.7. The ISS has been restructured to reflect the requirements of the draft Regulations, with clear separation between the Fund’s strategic objectives and the operational responsibilities of the Pool but taking into account the current transitional arrangements whilst legislation is being finalised. The ISS also incorporates new requirements for explicit investment objectives, tolerance ranges for asset allocation, and approach to local investment.
- 1.8. The ISS was approved by the Committee on **[17 March 2026]** and is effective from 1 April 2026.

## 2. Pooling and the ISS

- 2.1. The Fund is a shareholder and a participating scheme in the London CIV Pool. The London CIV is authorised by the FCA as an Alternative Investment Fund Manager with permission to operate a UK based Authorised Contractual Scheme Fund.
- 2.2. From April 2026, all Fund assets are required to be invested and managed by the London CIV. The Administering Authority will retain responsibility for setting the high-level investment strategy and strategic asset allocation. Implementation decisions, including manager selection, mandate construction, and portfolio rebalancing, will be delegated to the London CIV.
- 2.3. The Committee considered the implications of the FFF proposals at a strategy workshop in September 2025, covering local investment and wider pooling considerations.

### 3. The suitability of particular investments and types of investments

- 3.1. The primary investment objective of the Fund is to ensure that the assets are invested to secure the benefits of the Fund's members under the Local Government Pension Scheme. Against this background, the Fund's approach to investing is to:
- Optimise the return consistent with a prudent level of risk;
  - Ensure that there are sufficient resources to meet the liabilities; and
  - Ensure the suitability of assets in relation to the needs of the Fund.
- 3.2. The Fund's funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.
- 3.3. The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.
- 3.4. The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. It plays an important role in meeting the longer-term cost of funding, and how that cost may vary over time. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities. This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).
- 3.5. It is intended that the Fund's investment strategy will be reviewed at least every three years following actuarial valuations of the Fund.
- 3.6. The Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:
- Suitability given the Fund's level of funding and liability profile;
  - The level of expected risk;
  - Outlook for asset returns.
- 3.7. The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target strategic asset allocation.

### 4. Investment Objectives

- 4.1. The Committee has set the broad goal for the asset allocation to deliver stable long-term returns in excess of the liability discount rate through a diversified strategy, supported by significant income generation
- 4.2. This broader goal has been translated into explicit high-level investment objectives which align to the Funding Strategy Statement and are designed to protect contribution rate stability while meeting pension obligations.
- **Returns objective:** The discount rate underlying 2025 valuation discount rate was 5.5% p.a. which represents the minimum required return. The objective of the strategy is to deliver returns significantly above the minimum required over the longer term.

- **Risk objective:** Maintain a funding level of 100% with at least a 75% likelihood over a 20-year horizon. The investment strategy should aim to achieve this with expected forward-looking volatility of returns of 10-12% p.a. in normal market conditions.
- **Cash flow (liquidity) objective:** Ensure level of income generated in the Fund's investments is appropriate in the context of the Fund's overall cashflow position, taking into account contributions and expected benefit payments. The level of operational cash held within the portfolio should be consistent with the Fund's Cashflow Policy.

## 5. Local Investment

- 5.1. The Committee defines local investment as investment within the London area with an aim to identify investment opportunities close to, or within, the Borough of Havering where possible. The Committee sets an ambition of 2.5% of total assets to be invested locally without formal sub-targets by asset class.
- 5.2. The Committee has noted areas of focus in relation to its local investment allocations, which are set out below:
  - **Local employment** – Opportunities to invest in innovative companies which could have a positive impact on employment prospects for local residents.
  - **Housing** – residential property investments which could contribute to the alleviation of housing shortages in the local area.

Where possible, the Committee expects investments to be allocated in a manner consistent with these focus areas.

- 5.3. London CIV are expected to identify and implement opportunities consistent with the Fund's strategic objectives and fiduciary duty. Alignment with partner funds on local priorities is encouraged to maximise impact and reduce costs.
- 5.4. Any local investment opportunities will be subject to due diligence by London CIV, or their delegated external investment managers. These opportunities are expected to reside within the private equity, property, and private credit asset classes – the target local investment allocation may be spread across these asset classes.
- 5.5. The local investments must support the Fund's overall investment return and risk profile and wider objectives and beliefs, in context of the Fund's primary objective to meet its fiduciary duty to its beneficiaries.

## 6. Strategic Asset Allocations and Rebalancing Framework

- 6.1. The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities. The Fund may also make use of contracts for differences and other derivatives for the purpose of efficient portfolio management or to hedge specific risks.
- 6.2. The Committee reviews the nature of the Fund's investments on a regular basis, with reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

6.3. The Fund's target investment strategy is set out in Table 1 below. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

**Table 1: Strategic asset allocation**

<b>Asset Class</b>	<b>Strategic Asset Allocation</b>	<b>Tolerance ranges</b>
Listed Equity	40.0%	35% - 45%
Private Equity	2.5%	0% - 5%
Other Alternatives	10.0%	7.5% - 12.5%
Property / Real Estate	12.5%	10% - 15%
Infrastructure	12.5%	10% - 15%
Private Credit	10.0%	7.5% - 12.5%
Credit	10.0%	7.5% - 12.5%
UK Government Bonds	2.5%	0% - 5%
Cash	0.0%	0% - 5%

## Rebalancing

- 6.4. London CIV, will have ultimately responsible and has discretion for determining whether and when rebalancing is taken within the strategic parameters set out in Table 1 above.
- 6.5. The Committee has established a preferred rebalancing framework, which London CIV is expected to take into account when exercising its discretion.
- 6.6. To avoid excessive rebalancing and transaction costs, the Committee's preference is that, where rebalancing is undertaken, the assets are not fully brought back to the strategic benchmark but to a position that is approximately halfway between the tolerance range and the strategic allocation. This takes into consideration the time lag between the reporting of a variance and execution of the rebalancing activity.
- 6.7. In exceptional circumstances – including periods of market volatility or when dealing costs are unusually high – London CIV may determine that rebalancing should be suspended or deferred.
- 6.8. Where rebalancing is undertaken, the Committee's preferred order for funding rebalancing is: first, the use of surplus cash, followed by dividend and/or interest income and lastly, the sale of overweight assets.
- 6.9. In implementing any rebalancing activity, London CIV is expected to have regard of the Committee's preferences.

## 7. Implementation

- 7.1. To date the Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business. A full list of which is included within the Fund's annual report.
- 7.2. It is expected that from 1 April 2026, London CIV will be responsible for all implementation decision making on behalf of the Fund, including manager selection, mandate construction and portfolio rebalancing within the strategic parameters set out in Table 1 above. The ISS does not prescribe individual investment managers, investment styles, or geographic exposures. The Committee will retain oversight of delivery and will receive quarterly reports and presentations from London CIV.
- 7.3. The London CIV's delegated authority for management and oversight of assets and implementation of strategy must provide reporting across any relevant topics in a transparent and timely manner. Standard reporting should cover core metrics, RI metrics, and local metrics. Reporting should be received in a timely fashion to support decision making and bespoke reporting should be offered to support Fund specific requirements.

## 8. Risk management

- 8.1. The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has a risk management programme in place that aims to help it identify the risks being taken and has put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken.
- 8.2. The principal risks affecting the Fund are set out below. We also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

### Funding risks

- 8.3. Asset values may not increase at the same rate as liabilities with an adverse impact on the funding position. A Funding Strategy Statement ("FSS") is prepared every three years as part of the triennial valuation and the Committee monitors the Fund's investment strategy and performance relative to the growth in the liabilities at mid-cycle to the triennial valuation. The following key risks have been identified:

- **Financial mismatch:** The Committee recognises that assets and liabilities have different sensitivities to changes in financial factors. To mitigate the risk an investment strategy is set which provides exposure to assets providing inflation protected growth as well as cash flow generating assets that match the Fund's liabilities.
  - **Changing demographics:** This relates to the uncertainty around longevity. The Council recognises there are effectively no viable options to mitigate these risks and assesses the impact of these factors through the Funding Strategy Statement and formal triennial actuarial valuations.
  - **Systemic risk:** The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities. Climate change is a particular systemic risk that has the potential to cause economic, financial and demographic impacts.
- 8.4. The Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. Management of some of the risks listed below will pass to London CIV as part of the of the responsibility to manage the operational aspects of the Fund.
- 8.5. The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to the Committee's own views and the level of risks associated with these assumptions to be assessed.
- 8.6. The Committee seeks to mitigate systemic risk through a diversified portfolio but recognises that it is not possible to make specific provision for all possible eventualities that may arise under this heading.

#### Asset risks

- 8.7. The Committee recognises that the Fund's investments are exposed to a range of asset specific risks which include:
- **Concentration risk:** This relates to the risk that the performance of a single asset class, investment or manager has a disproportionate influence on the Fund's performance. The Committee attempts to mitigate this risk by establishing a well-diversified strategic asset allocation, reviewing the investment strategy regularly and following a regular fund manager review process. The London CIV is expected to mitigate the concentration of investment risk across the full spectrum of the investment universe to which authority to invest has been delegated.
  - **Liquidity risk:** Investments are held until such time as they are required to fund payment of pensions. The liquidity risk is closely monitored as the Fund matures (i.e. as the level of benefit outgo increases relative to the contributions received by the Fund). The Council manages its cash flows and investment strategy to ensure that all future payments can be met and that sufficient assets are held in liquid investments to enable short term cash requirements to be met.
  - **Currency risk:** The strategic asset allocation adopted by the Committee provides for an element to be held overseas to provide diversification and exposure to different economies. Such investment is however subject to fluctuations in exchange rates with an associated positive or adverse impact on performance.
  - **Environmental, social and governance ("ESG") risks:** The extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations. The London CIV is expected to consider and demonstrate the consideration of such risks in its implementation decisions.
  - **Manager risk:** Investment managers could fail to achieve the investment targets specified in their mandates. The London CIV has responsibility for the selection and appointment of managers within the strategy and is expected to ensure that the managers appointed to deliver the strategy remain

appropriate. The Committee will maintain oversight of the London CIV's processes in this regard and will ensure that it receives the information necessary to exercise this oversight and challenge decisions as appropriate.

- **Climate risk:** The extent to which climate change causes a material deterioration in asset values because of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

8.8. The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, the Committee has recognised the need for access to liquidity in the short term.

8.9. The Committee has chosen to manage currency risk as follows:

- Within equity mandates, the Committee has chosen to retain currency risk unhedged.
- Within multi-asset mandates, the investment managers employed have discretion to make use of currency exposure as a source of potential return although are mandated to deliver returns relative to a sterling objective. The Committee is therefore satisfied that currency risk is managed within these mandates but monitors currency exposures.
- Within real asset and private debt mandates, where overseas currency exposure arises, the Committee has chosen to hedge 100% of such currency exposure (subject to de minimis limits) given the expectation that income is a primary driver of return.

8.10. The appointment of investment managers to implement the investment strategy is the responsibility of the London CIV. The Committee will exercise oversight of the underlying investment arrangements and processes employed and challenge decisions as necessary, with investment performance of the managers forming a key consideration.

8.11. Details of the Fund's approach to managing ESG and climate risks are set out later in this document.

#### **Other provider risks**

8.12. The Committee recognises that investment risk arises in the operational management of the Fund and have identified the following major risks:

- **Transition risk:** The risk of incurring unexpected costs in relation to the transition of assets among investment managers.
- **Custody risk:** The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- **Credit default:** This risk relates to the other party(s) in a financial transaction (the counterparty) failing to meet its obligations to the Fund.
- **Stock-lending risk:** The possibility of default and loss of economic rights to Fund assets.

- 8.13. The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations they conduct for the Fund. The Committee expects to delegate the majority of operational implementation and risk management to the London CIV.
- 8.14. A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

## **9. Responsible investment**

- 9.1. It is recognised that a range of factors, including ESG factors, can influence the return from investments. The Fund will therefore invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including ESG factors to the extent these directly or indirectly impact on financial risk and return. In making investment decisions, the Fund seeks and receives proper advice from internal officers and external advisers with the requisite knowledge and skills.
- 9.2. The Fund recognises that climate change is a systemic risk with the potential to directly impact economic, financial and social systems. The Fund has developed a climate policy which sets out its long-term ambitions in addressing climate risk and the actions that the Fund will take to align its investments with the transition to a low carbon economy.
- 9.3. The Committee expects London CIV to take account of the Fund's climate policy in the implementation of the Fund's investment strategy. The Committee also expects the London CIV to integrate all material financial factors, including corporate governance, environmental, social, climate and ethical considerations, into the decision-making process for all fund investments.
- 9.4. The Fund expects London CIV to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed. As a minimum, the Fund expects its managers to be signatories of the UN supported Principles for Responsible Investment and, where appropriate, the FRC UK Stewardship Code. The Committee will engage with the London CIV on the evolution of its approach to Responsible Investment.
- 9.5. The Fund expects London CIV to undertake appropriate monitoring of underlying investments with regard to the policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund such as corporate governance and environmental factors. The Fund will engage with London CIV to understand what actions have been taken during regular review meetings.
- 9.6. The Fund expects that responsible investment considerations will form a component of the manager selection decisions undertaken by London CIV. The Fund will also encourage the London CIV to adopt best practice standards in the evaluation and monitoring of managers employed for investment.
- 9.7. Effective monitoring and identification of ESG issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects the London CIV to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes. Where appropriate, the Fund will work with the London CIV to promote collective engagement on behalf of all investors.
- 9.8. The Fund monitors the activity of the London CIV on an ongoing basis and will review the approach taken annually.

**10. Stewardship of assets**

- 10.1. The Committee recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Committee recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Committee has a commitment to actively exercising the ownership rights attached to its investments reflecting the Committee's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.
- 10.2. The Committee recognises that as its equity assets are invested in pooled vehicles, it remains subject to the voting policies of the investment managers of these vehicles:
- Investments through the London CIV are covered by the voting policy of the London CIV which has been agreed by the Pensions Sectoral Joint Committee.
  - In respect of Fund investments outside the London CIV, the Committee expects the investment managers to use voting power with the objective of preserving and enhancing long term shareholder value.
- 10.3. The Committee expects the London CIV to consult on any change in policy on an annual basis. The Committee will review any proposed changes and, where necessary, will challenge the London CIV to explain the reasoning for any change.
- 10.4. The Committee reviews voting activity by the London CIV on an annual basis. The Committee will challenge the London CIV to explain voting decisions on certain issues, particularly with regard to climate risk disclosure. The Fund will also incorporate a report of voting activity as part of its Pension Fund Annual report which is published on the Council website.
- 10.5. At the time of production of the ISS the Fund has not reported in line with the principles of the Stewardship Code, but fully endorses the principles embedded in the Code.
- 10.6. The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to promote best practice by the London CIV and enhance the level of engagement both with external investment managers and the underlying companies in which invests.

## Appendix 1: Investment beliefs

- 1 Clear and well-defined objectives are essential to reflect the Funds long-term strategic direction of travel and to help build a plan for achieving these objectives.
- 2 The Fund and its liabilities are long-term in nature and the Committee supports long term investing as a means of enhancing returns, reducing transaction costs, encouraging improved governance and delivering stable contribution rates.
- 3 Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager or stock selection.
- 4 Diversification between asset classes and regions is expected to provide greater stability to investment returns whilst diversification over many different managers needs to be balanced against the Committee's governance budget.
- 5 Returns net of fees and costs are more important than the absolute level of fees although investment managers' fees should be transparent and reviewed regularly.
- 6 Active management can add value although the performance of active managers should be measured over a sufficiently long investment horizon.
- 7 Benchmarks matter, particularly where they dictate the manner in which assets are invested.
- 8 Environmental, Social and Governance factors can pose financially material risks and it is incumbent on investment managers, where they have the discretion to do so, to ensure that such risks are reflected in decision making
- 9 Effective stewardship through informed voting and engagement can positively influence corporate behaviours although success is most likely to be achieved through greater collaboration. Working with the Pool is expected to have the most meaningful impact.
- 10 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.
- 11 Decision making can be improved through the greater disclosure of information and the Fund should both support and demonstrate high standards of disclosure.
- 12 Excluding assets from portfolios for non-financial reasons is unlikely to be appropriate in the majority of circumstances.

## Appendix 2: Strategic Asset Allocation Modelling Benchmarks

Asset Class	Strategic Asset Allocation	Modelling Benchmark
Listed Equity	40.0%	35.0% Global Equities
		5.0% Emerging Market Equities
Private Equity	2.5%	2.5% Private Equity
Other Alternatives	10.0%	10.0% Diversified Growth Fund Low Beta
Property / Real Estate	12.5%	12.5% Property
Infrastructure	12.5%	12.5% Infrastructure Equity
Private Credit	10.0%	10.0% Private Lending
Credit	10.0%	2.5% A-Rated Credit
		7.5% Multi Asset Credit
UK Government Bonds	2.5%	2.5% Index Linked Gilts
Cash	0.0%	-

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## PENSIONS COMMITTEE

**17 March 2026**

**Subject Heading:**

Pension fund performance monitor for the quarter ended 31 December 2025

**ELT Lead:**

Kathy Freeman

**Report Author and contact details:**

Tara Haroon  
[Tara.Haroon@havering.gov.uk](mailto: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 31 December 2025

**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

<b>SUMMARY</b>
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**LOLA Module 6 – Investment Performance and Risk Management  
 LOLA Module 7 – Financial Markets and products.**

This report summarises the Fund’s investment performance and outlines key Local Government Pension Scheme (LGPS) updates for the quarter ending **31 December 2025**.

The total value of the Fund’s invested assets increased by **c.£22.5m** over the quarter to £1,118.9m as at 31 December 2025. The overall fund performance over the quarter was 2%, behind both the tactical benchmark by -0.7% and the strategic benchmark by -1.6%.

The general position of the Fund is considered alongside other matters including any current issues as advised by Hymans (investment consultants).

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

## **RECOMMENDATIONS**

That the Committee:

- 1) Consider Hyman's 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.

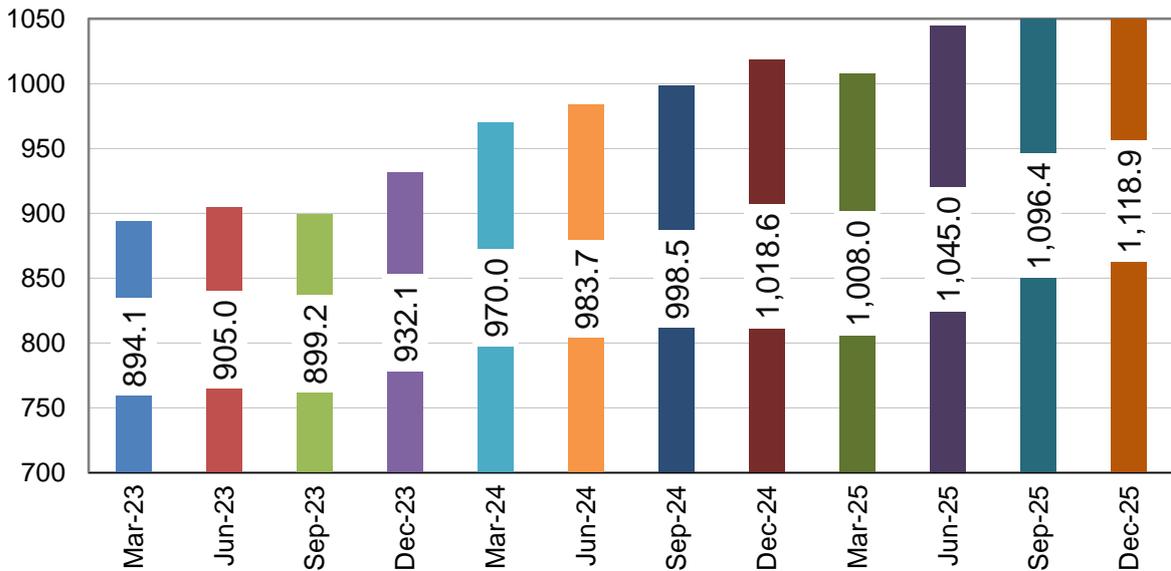
### **3. BACKGROUND**

- a. The Committee approved 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**

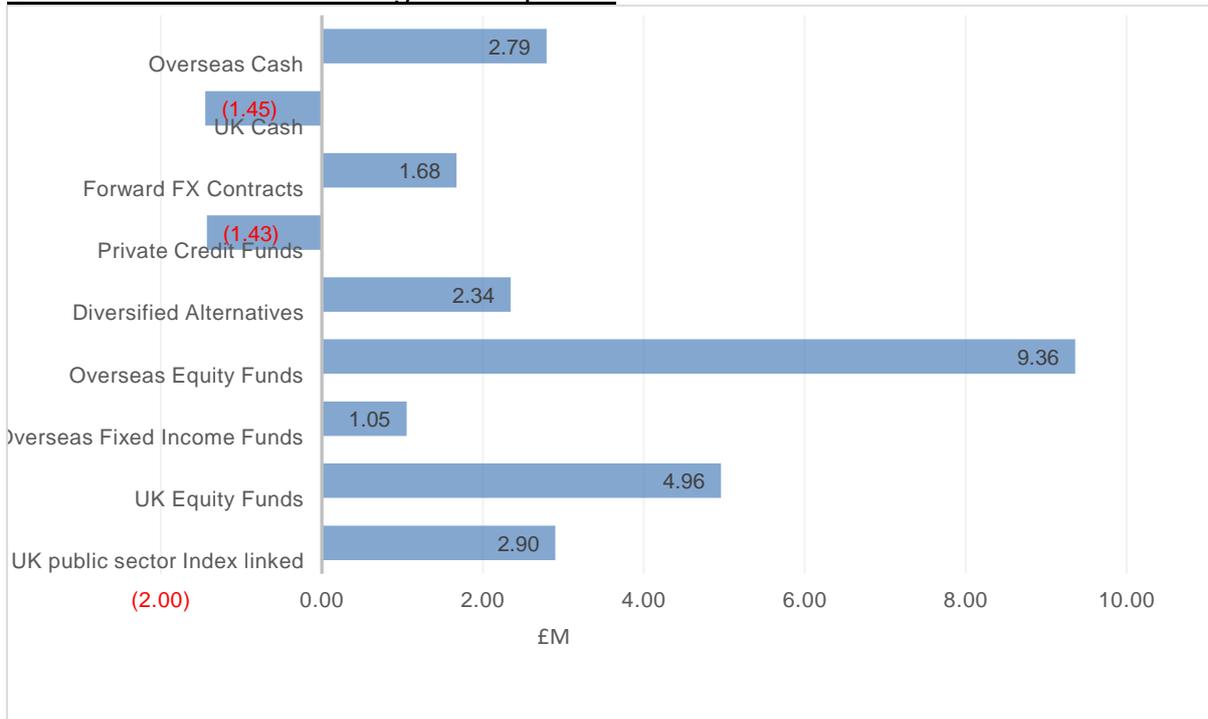
- a. Over the quarter to 31 December 2025, the Fund’s asset value increased by £22.5m to £1.118.9m largely driven by an increase in the fund’s global equities allocation.

**Chart 1 – Pension Fund Asset Value**



Source: Northern Trust Performance Report

**Chart 2 – Asset value changes this quarter**



- b. The reduction in the Private Credit allocation this quarter is mainly because the investment manager returned capital to the Fund. Some of this capital can be ‘recalled’ by the manager in future (if they identify new investment opportunities), while the rest is permanently returned to the Fund and will not be called again.
- c. 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

	<b>Quarter to 31/12/2025</b> %	<b>12 Months to 31/12/2025</b> %	<b>3 Years to 31/12/2025</b> %	<b>5 years to 31/12/2025</b> %
Fund	2.04	9.45	8.20	4.94
Benchmark	2.76	10.30	10.58	7.76
*Difference in return	<b>-0.72</b>	<b>-0.86</b>	<b>-2.38</b>	<b>-2.81</b>

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

	<b>Quarter to 31/12/2025</b> %	<b>12 Months to 31/12/2025</b> %	<b>3 Years to 31/12/2025</b> %	<b>5 years to 31/12/2025</b> %
Fund	2.04	9.45	8.20	4.94
Benchmark	3.68	3.04	<b>-0.40</b>	<b>-6.53</b>
*Difference in return	<b>-1.64</b>	6.40	6.60	11.47

Source: Northern Trust Performance Report

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

- d. Over the 3-month period to 31 December 2025, the Fund delivered a positive return of 2.0% p.a. which is behind both the tactical and strategic benchmarks. Over the 12-month and 3-year periods, the Fund has continued to experience positive asset growth, with investment returns of 9.5% p.a. and 8.2% p.a., respectively, outperforming the strategic benchmark, albeit lagging the tactical benchmark.
- e. Measured against the strategic benchmark which is an approximation for the changing value of the liabilities, relative performance is

susceptible to short term movements in real yields. Falling real yields over the quarter resulted in the Fund falling short of the strategic benchmark performance. However, over the longer of 12-month and 3-year periods, the Fund has significantly outperformed the strategic benchmark.

- f. The tactical benchmark represents the composite of the specific investment managers benchmarks and target returns which, in some cases (particularly where CPI+ targets are used) reflect more stretching return goals rather than benchmarks to be beaten. Over the quarter, the primary drag on performance against the tactical has been the LCIV Global Alpha Growth Paris Aligned Fund which underperformed its benchmark by 4.8%, this contributing approximately 0.6% to relative underperformance. Most other mandates delivered performance in line with expectations.
- 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 December 2025, the cash balance stood at £17.8m, which is invested with London Borough of Havering Treasury and available for operational cash requirements as needed.

Table 3: Cash Flow Forecast

	<b>6 months to 31 Dec 2025</b>	<b>3 Months to 31 March 2026</b>	<b>Year to 31/03/2027</b>	<b>Year to 31/03/2028</b>	<b>Year to 31/03/2029</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance b/f</b>	16,468	17,793	16,987	10,410	3,992
<b>Benefits paid</b>	(26,384)	(8,850)	(35,939)	(36,658)	(37,391)
<b>BACS expenses*</b>	(10,909)	(3,651)	(14,871)	(15,168)	(15,472)
<b>Lump sums by faster payment</b>	(2,954)	(1,281)	(4,319)	(4,319)	(4,319)
<b>Transfers in</b>	5,843	1,965	9,421	9,421	9,421
<b>Contributions received**</b>	35,520	11,010	39,132	40,306	41,515
<b>Pension strain</b>	216	0	0	0	0
<b>Sweep</b>	(6)	0	0	0	0
<b>Balance c/f</b>	17,793	16,987	10,410	3,992	(2,254)

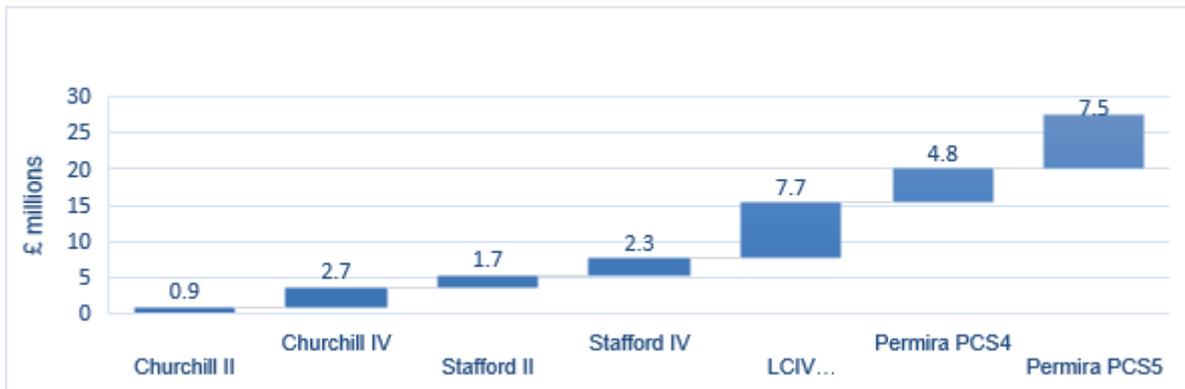
\* BACS expenses also includes some grants i.e. lump sums made to members via payments team

\*\* Contributions received from LBH are net of pension payroll deductions (e.g. HMRC)

- b. Members updated the cash management policy at the committee meeting held 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 £20.9 million as at 31 December 2025.
- f. In the quarter ending 2025, the Fund completed £2.9m of capital draw down requests, funded from investment income received and held with the Custodian.
- g. At 31 December 2025 there was £27.6m of outstanding capital commitments as follows:

**Chart 3 – Outstanding capital commitments at 31 December 2025**



## **6. REPORTING ARRANGEMENTS**

- a. Summary fund manager reviews are included within Hymans' performance report at **Appendix A (Exempt)**.
- b. All fund managers' 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 managers' quarterly report.
- c. **Hymans' independent review of the pool Q3 2025**
  - i. Hymans produce a quarterly oversight report of LCIV. The report reviews key developments and an overview of leadership,

operations and relationships using a traffic light system. Hymans' approach is to consider a combination of objective and subjective factors. Each category starts with a score of 5 and points are deducted where they are unable to evidence best practice.

- ii. Leadership scored below 1.4 and receiving a red traffic light for the 3<sup>rd</sup> consecutive quarter, 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. LCIV 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.
- iii. Implementing ESG – LCIV confirmed that partner funds lead their own ESG strategies. LCIV are implementing 3 Responsible Investment Pillars, Fund's will be able to identify the pillar level of restrictions that they feel best reflects their investment appetite and performance expectations.
- iv. Capacity of LCIV teams is a concern as they scale up the business to fully deliver the investment strategy and implementation. New roles have been created and LCIV are working with Partner Funds to slowly roll out implementation.
- v. Monitoring and reporting on the New Strategic Advice Framework – LCIV have appointed Mercers as their strategic partner to provide Strategic Asset Allocation modelling and advice, using Mercers established capital market tools. LCIV will be providing partner funds with quarterly monitoring and annual in-depth reviews.

## **7. FUND UPDATES**

### **7.1 Market Update**

- a. Hymans Actuary has updated the way it derives CPI inflation projections from market data following recent movements in government bond yields, which indicate markets are beginning to price in the 2030 RPI reform. As at 31 December 2025, this technical change increases CPI inflation projections by around 0.20% p.a., which in turn increases estimated liabilities by roughly 4% at whole-fund level (with employer-level impacts typically between 3–10%).

There is no change to long-term inflation assumptions and no impact on the 2025 valuation, agreed contribution rates, or upcoming accounting work. This update simply reflects current market conditions rather than a shift in underlying funding strategy.

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

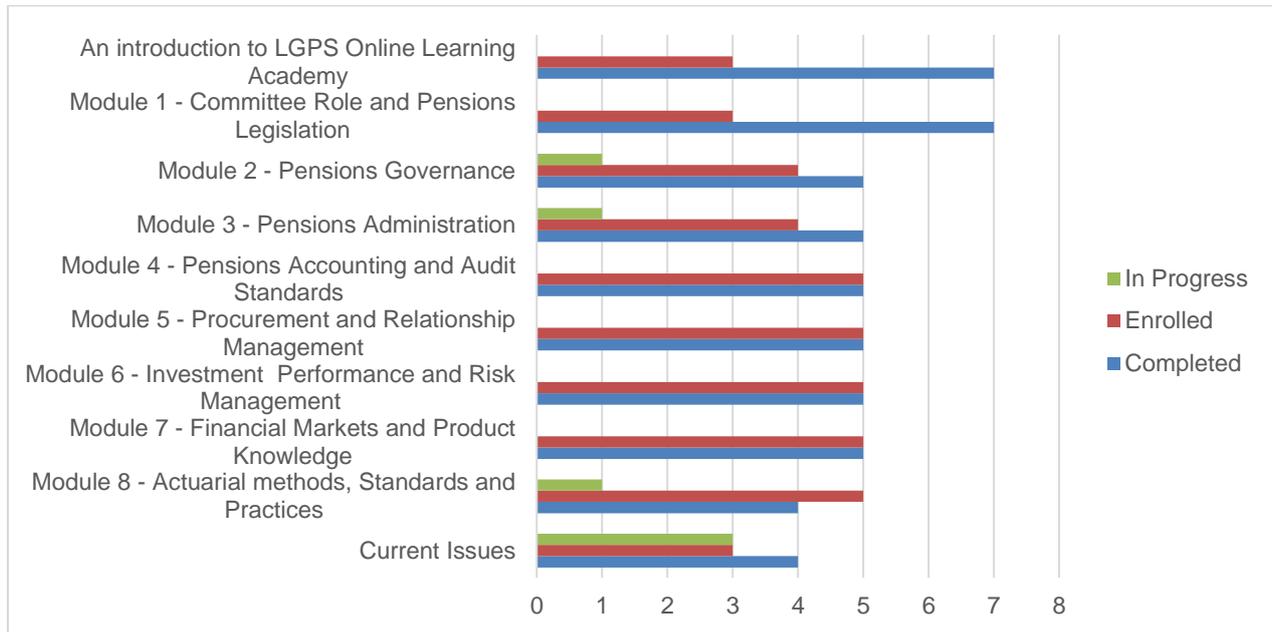
**7.2.1 LCIV meetings (since last report)**

- a. **Sustainable Working Group** 02 December 2025: LCIV officers presented the Responsible Investment Pillars and explained the way exclusions could apply for each of the pillars.
- b. **PEPPA divestment framework** 28 January 2026: LCIV officers explained the option to reduce ESG exposure with an alternative PEPPA offering. Benchmarks to follow.
- c. **Q4 Investment Webinar – Equities Q4 Investment Webinar** 04 February 2026 LCIV officers walked attendees through the performance of the Equities Funds.
- d. **Q4 Investment Webinar - Multi Asset & Fixed Income Funds** 05 February 2026: LCIV officers walked attendees through the performance of the Multi Asset and Fixed Income Funds.

**7.3 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: 31 December 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 Q3 2025 pool monitor

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# London Borough of Havering Pension Fund

Q4 2025 Investment Monitoring Report

Shaun Nicol – Senior Investment Consultant

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

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**Fund Value**  
**£1,118.9m**

Over the quarter, the Fund's assets increased by c.£22.5m

**Total Return**  
**2.0%**

Over the quarter the Fund returned 2.0%, behind the tactical benchmark by c.0.8%

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**Fund performance**

	Last 3 months (%)	Last 12 months (%)	Last 3 years (%)	Last 5 years (%)
<b>Total Fund Performance</b>	<b>2.0</b>	<b>9.5</b>	<b>8.2</b>	<b>4.9</b>
Tactical Benchmark	2.8	10.3	10.6	7.8
Strategic Benchmark	3.7	3.0	-0.4	-6.5

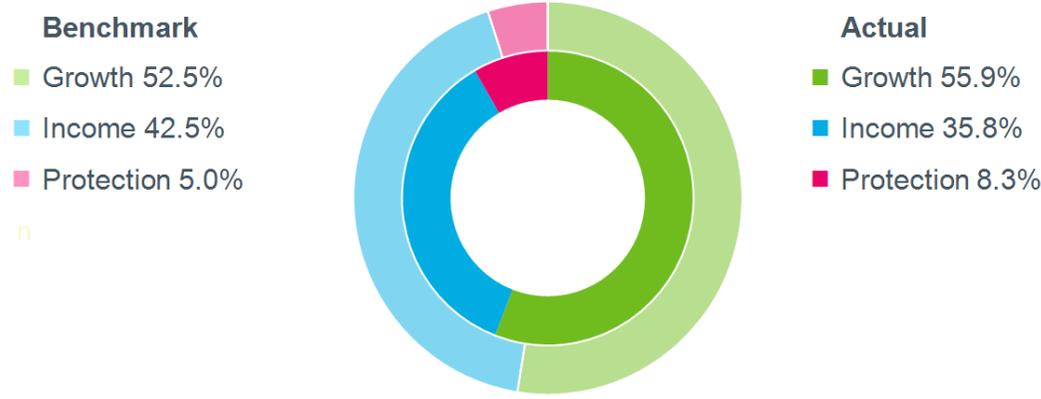
*Tactical benchmark – Represents the aggregate performance target of the Fund's assets and is a measure of relative outperformance/underperformance from the asset managers.*

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

**Key takeaways**

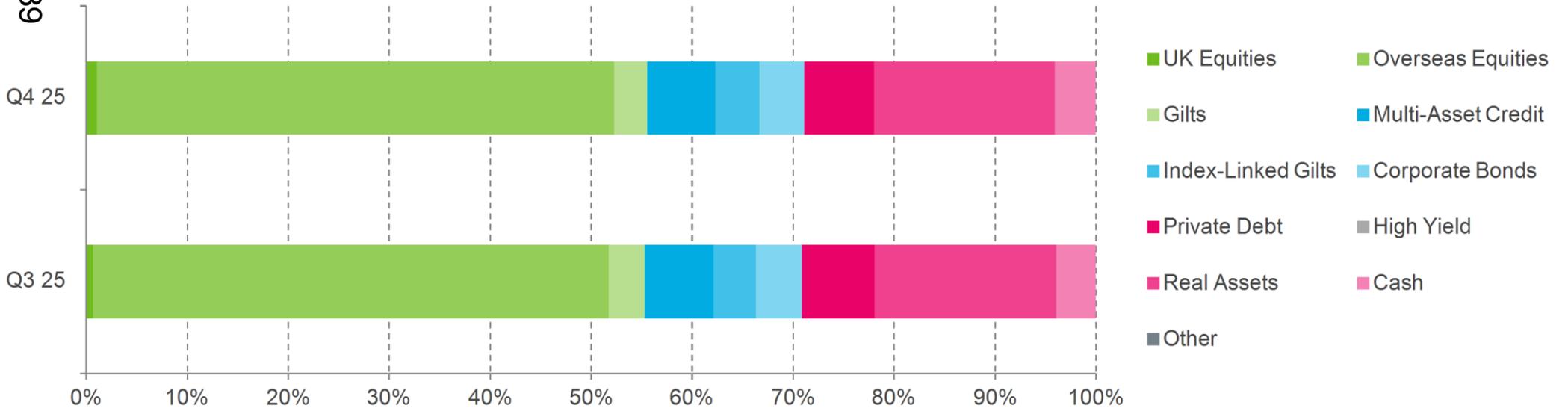
- Global equities continued to perform positively over the quarter, supported by strong earnings, easing inflation, and expectations of interest rate cuts. The majority of the Fund's equity allocations performed in line with their respective benchmarks.
- The LCIV Global Alpha Growth Paris Aligned Fund underperformed - primarily as a result of the portfolio's style bias towards 'growth' stocks which underperformed lower-valuation peers.
- The LCIV Absolute Return Fund outperformed its benchmark – driven by equity selection and strong returns from precious metals exposure.
- The LCIV Global Bond and RLAM Multi Asset Credit mandates returned positively over the quarter and outperformed their respective benchmarks.
- The RLAM Index Linked Gilts Fund returned positively as real gilt yields fell over the quarter.
- The value of the Fund's liabilities is expected to have increased over the same period as nominal yields fell (as proxied by the Fund's strategic benchmark).
- Due to limited reporting available for the Fund's private market funds as at quarter-end, performance figures predominantly account for cashflows/currency movements only over the period.
- Sterling performance was broadly flat against the US dollar and Euro over the quarter. The Russell currency overlay strategy continues to mitigate currency volatility.

Asset allocation



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Underlying exposures



## Asset allocation

		Valuation (£m)		Actual	Benchmark	Relative
		Q3 25	Q4 25	Proportion		
<b>Total Growth</b>		<b>611.1</b>	<b>625.4</b>	<b>55.9%</b>	<b>52.5%</b>	<b>3.4%</b>
L&G Global Equity	LCIV Aligned	50.6	52.4	4.7%	5.0%	-0.3%
L&G Emerging Markets	LCIV Aligned	48.3	49.3	4.4%	5.0%	-0.6%
L&G Future World Fund	LCIV Aligned	153.1	162.8	14.5%	12.5%	2.0%
LCIV Global Alpha Growth Paris Aligned Fund	LCIV	159.9	156.8	14.0%	12.5%	1.5%
LCIV PEPPA Passive Equity	LCIV	67.4	69.6	6.2%	5.0%	1.2%
LCIV Absolute Return Fund	LCIV	131.8	134.5	12.0%	12.5%	-0.5%
<b>Total Income</b>		<b>397.9</b>	<b>400.2</b>	<b>35.8%</b>	<b>42.5%</b>	<b>-6.7%</b>
LCIV Global Bond Fund	LCIV	48.7	48.8	4.4%	5.0%	-0.6%
GIS Property	Retained	51.3	51.4	4.6%	6.0%	-1.4%
CBRE Property	LCIV Aligned	31.4	31.7	2.8%	4.0%	-1.2%
JP Morgan Infrastructure Fund	Retained	51.3	51.6	4.6%	5.5%	-0.9%
Stafford Capital Global Infrastructure SISF	Retained	45.1	45.9	4.1%	3.5%	0.6%
LCIV Renewable Energy Infrastructure Fund	LCIV	17.2	18.5	1.7%	3.5%	-1.8%
RLAM Multi-Asset Credit	Retained	74.1	75.2	6.7%	7.5%	-0.8%
Churchill Senior Loan Funds	Retained	26.3	25.0	2.2%	3.0%	-0.8%
Permira Credit	Retained	52.4	52.2	4.7%	4.5%	0.2%
<b>Total Protection</b>		<b>87.4</b>	<b>93.3</b>	<b>8.3%</b>	<b>5.0%</b>	<b>3.3%</b>
RLAM Index-Linked Gilts	Retained	45.8	48.6	4.3%	5.0%	-0.7%
Cash at Bank	Retained	36.0	39.3	3.5%	-	-
Currency Hedging P/L	Retained	5.7	5.3	0.5%	-	-
<b>Total Fund</b>		<b>1,096.4</b>	<b>1,118.9</b>	<b>100.0%</b>	<b>100.0%</b>	

4 Source: Northern Trust. Note: The target allocations were agreed in August 2023 as part of the last investment strategy review. Please note that figures may not sum due to rounding.

## Asset allocation commentary

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- The total value of the Fund's assets increased by c.£22.5m over the quarter to £1,118.9m as at 31 December 2025.
- The increase in valuation is primarily due to the Fund's allocation to 'Growth' assets as equities continued to perform positively over the quarter, driven by corporate earnings momentum, AI-driven investment, resilient investor sentiment and expectations of interest rate cuts.
- The Fund's allocation to 'Income' assets increased in value over the quarter but remained c.6.7% below the Fund's target allocation as result of the larger increases in the value of the Growth and Protection allocations.
- The Fund's allocation to 'Protection' assets increased over the quarter, primarily due to the value of the index-linked gilt holding increasing as real yields fell.
- The Fund paid the following capital calls during the quarter:
  - c.£952k (in total) to the LCIV Renewable Energy Infrastructure Fund
- The Fund's investment strategy is implemented through the London Collective Investment Vehicle ("LCIV") and retained assets including life funds (with fee structures aligned with LCIV).
- The target allocation to LCIV and life funds totals 61.0% of Fund assets. From 1 April 2026 LCIV will assume responsibility for implementation of the entirety of the Fund's investment strategy.

## Manager performance

	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
<b>Growth</b>												
L&G Global Equity	3.5	3.5	0.0	14.5	14.6	-0.1	16.4	16.7	-0.2	11.5	11.5	-0.1
L&G Emerging Markets	2.1	1.9	0.1	16.0	17.7	-1.5	11.0	11.6	-0.5	7.0	7.4	-0.4
L&G Future World Fund	6.3	6.3	0.0	17.3	17.1	0.1	14.3	14.4	-0.1	9.0	9.1	-0.1
LCIV Global Alpha Growth Paris Aligned Fund	-1.5	3.4	-4.8	9.5	13.0	-3.0	12.2	16.8	-3.9	12.2	12.8	-0.5
LCIV PEPPA Passive Equity	3.3	3.2	0.1	12.5	12.1	0.3	19.1	18.6	0.4	10.8	10.3	0.4
LCIV Absolute Return Fund	2.1	1.9	0.1	10.8	8.1	2.5	0.9	8.7	-7.2	4.7	5.6	-0.9
<b>Income</b>												
LCIV Global Bond Fund	1.2	0.9	0.3	7.6	6.7	0.8	-	-	-	8.2	8.4	-0.2
UBS Property	0.9	0.8	0.1	4.6	5.1	-0.5	2.7	3.0	-0.3	3.3	4.3	-1.0
CPRE Property	0.7	1.8	-1.0	-4.5	8.3	-11.9	-3.6	8.3	-10.9	2.7	8.8	-5.7
JP Morgan Infrastructure Fund	2.5	1.8	0.7	4.3	8.3	-3.7	9.0	8.3	0.7	8.4	8.8	-0.4
Stafford Capital Global Infrastructure SISF II	1.8	1.8	0.0	10.1	8.3	1.6	2.9	8.3	-5.0	6.1	9.1	-2.8
Stafford Capital Global Infrastructure SISF IV	2.0	1.8	0.3	10.7	8.3	2.2	5.0	8.3	-3.0	10.1	10.3	-0.2
LCIV Renewable Energy Infrastructure Fund	1.9	1.8	0.1	-1.1	8.3	-8.7	-0.2	8.3	-7.8	5.8	10.3	-4.1
RLAM Multi-Asset Credit	1.4	1.3	0.1	7.2	7.2	0.0	8.5	9.1	-0.6	4.1	4.5	-0.4
Churchill Senior Loan Fund II	2.0	1.9	0.0	-0.7	8.4	-8.4	5.5	8.8	-3.0	6.0	6.5	-0.4
Churchill Senior Loan Fund IV	2.3	1.9	0.4	1.4	8.4	-6.4	5.9	8.8	-2.7	8.4	7.9	0.5
Permira IV	0.9	1.9	-1.0	3.7	8.4	-4.3	7.4	8.8	-1.3	5.3	6.7	-1.3
Permira V	2.2	1.9	0.2	8.7	8.4	0.3	9.5	8.8	0.6	10.3	8.7	1.4
<b>Protection*</b>												
RLAM Index-Linked Gilts	3.5	3.3	0.2	1.5	1.3	0.1	-5.0	-2.8	-2.3	3.8	3.4	0.3
<b>Total Fund</b>	<b>2.0</b>	<b>2.8</b>	<b>-0.7</b>	<b>9.5</b>	<b>10.3</b>	<b>-0.8</b>	<b>8.2</b>	<b>10.6</b>	<b>-2.2</b>	<b>2.3</b>	<b>-</b>	<b>-</b>

\*Includes cash at bank and currency hedging. Benchmark performance provided by Northern Trust and Investment Managers.

## Manager performance commentary

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- The Fund's assets returned 2.0% over the quarter, underperforming the tactical benchmark of 2.8%.
- Global equities continued to deliver positive performance, buoyed by solid corporate earnings growth momentum and interest rate cuts. As a result, the majority of the Fund's equity allocations posted positive absolute returns.
- The LCIV Global Alpha Growth Paris Aligned Fund underperformed. This was primarily as a result of the portfolio's style bias towards 'growth' stocks which underperformed lower-valuation peers, as well as stock-specific factors.
- The LCIV Absolute Return Fund contributed positively to the Fund's overall performance, driven by gains from specific investments in individual companies and a broader basket of equities, including pharmaceutical positions that benefited from a recovery in sector valuations, alongside strong returns from precious metals exposure, particularly gold mining companies.
- The LCIV Global Bond Fund outperformed its respective benchmark, supported by positive security selection within corporate credit, notably technology, and securitised assets, along with beneficial interest rate (duration) positioning across US, UK and European yield curves.
- The RLAM MAC Fund delivered positive performance over the quarter, supported by its exposure to high yield bonds, particularly single-B holdings, and by loans, which performed well amid strong demand.
- Real gilt yields fell over the quarter, driven by increased fiscal clarity following the Autumn Budget, which improved confidence in UK government debt. As a result, the RLAM ILG Portfolio delivered positive returns.
- Due to Q4 2025 investment manager valuation/performance reporting not being available for private market funds at time of writing, the performance figures shown are sourced from Northern Trust which allow for cashflows/currency movements only over Q4 2025.

*L&G Global Equity mandate was managed by SSGA prior to November 2017, and we have retained the performance history for these allocations.*

*Longer term performance for the LCIV Global Alpha Growth Paris Aligned Fund is inclusive of performance of the LCIV Global Alpha Growth Fund.*

*Longer term performance for the Baillie Gifford Global Equity Fund and Ruffer Absolute Return Fund is inclusive of performance prior to their transfer into the LCIV. Since inception performance for some of the funds is reported from manager reports rather than Northern Trust due to differences in inception dates.*

*All asset performance is in GBP terms and does not make an allowance for currency hedging. The total Fund performance includes the impact of the Russell currency overlay mandate. Please see separate slide for further detail on the Russell mandate, along with asset performance excluding the impact of currency fluctuations.*

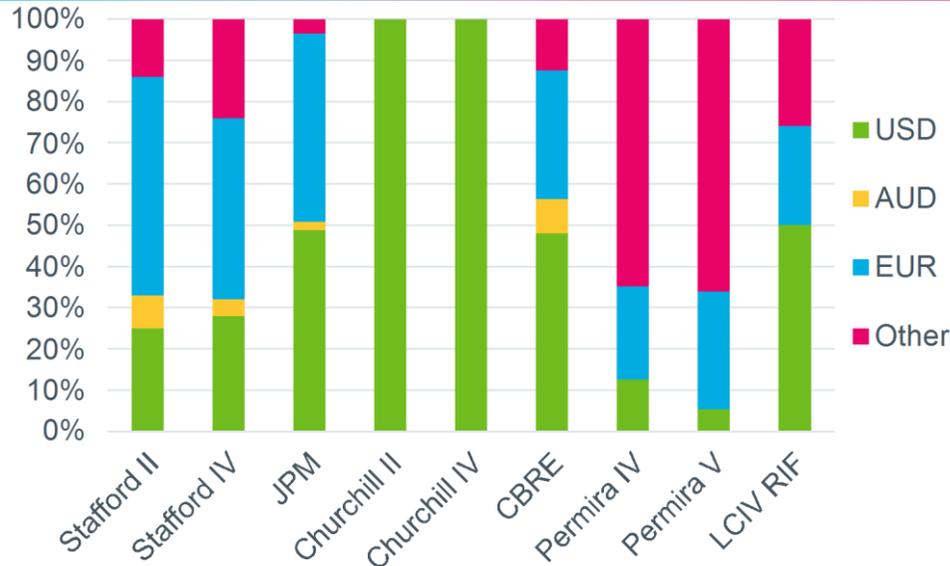
## Manager analysis

### Q4 2025 performance

	Asset return (inc. FX impact)	Currency return (via Russell mandate)	Asset return (ex. FX impact)	BM return	Relative return (ex. FX impact)
Stafford II	1.8	0.2	1.9	1.8	0.2
Stafford IV	2.0	0.1	2.2	1.8	0.4
JPM	2.5	0.1	2.6	1.8	0.9
Churchill II	2.0	-0.1	1.8	1.9	-0.1
Churchill IV	2.3	-0.2	2.2	1.9	0.2
LCIV RIF	0.7	0.1	0.8	1.8	-0.9
LCIV RIF	1.9	-0.1	1.8	1.8	0.1

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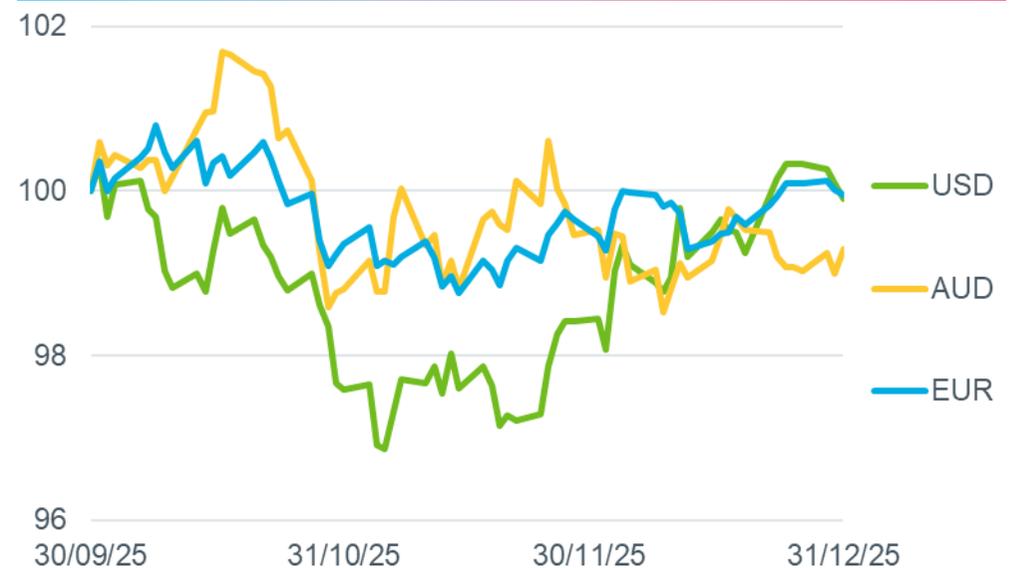
### Hedged currency exposure\*\*



### Performance since mandate inception\*

	Asset return (inc. FX impact)	Currency return (via Russell mandate)	Asset return (ex. FX impact)	BM return	Relative return (ex. FX impact)
Stafford II	6.8	0.2	7.1	9.1	-1.9
Stafford IV	12.3	-0.2	12.2	10.3	1.7
JPM	9.2	0.2	9.4	8.8	0.5
Churchill II	6.9	-0.4	6.5	6.5	-0.0
Churchill IV	8.3	-0.7	7.6	7.9	-0.3
CBRE	3.3	0.3	3.6	8.8	-4.8
LCIV RIF	5.7	0.0	5.7	10.3	-4.2

### Sterling performance vs. foreign currencies (rebased to 100 at 30 September 2025)



8 Source: Northern Trust and Investment Managers. \*Since inception performance is since individual fund inception or inception of the currency hedging mandate, whichever is more recent. \*\*As at 30 September 2025 (latest available).

## Manager analysis commentary

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- Russell Investments have been appointed to manage the Fund's currency overlay mandate.
- The current policy is to hedge non-sterling exposures in the Fund's private markets mandates.
- Currency exposure in equity mandates is retained.
- At present, 100% of the exposure to USD, EUR and AUD from the private market investments is hedged with any residual currency exposure retained on a de-minimis basis.
- The volatility of returns (measured as the standard deviation of quarterly returns since inception) is c.5.3% to date when the impact of currency fluctuations is included and c.4.0% when currency movements are stripped out by the Russell currency overlay mandate.

## Private Market Investments

Vehicle	Infrastructure			Private Debt		
	Stafford Infrastructure Secondaries Fund II	Stafford Infrastructure Secondaries Fund IV	LCIV Renewable Energy Infrastructure Fund	Churchill Middle Market Senior Loan Fund IV	Permira Credit Solutions IV Senior Fund	Permira Credit Solutions V Senior Fund
<b>Commitment Date</b>	25/04/2018	18/12/2020	30/06/2021	29/09/2021	01/12/2018	07/11/2022
<b>Fund Currency</b>	EUR	EUR	GBP	USD	EUR	EUR
<b>Gross Commitment</b>	€28.5m	€30.0m	£25.0m	\$26.5m	£36.0m	£43.0m
<b>Gross Commitment (GBP estimate)</b>	£24.9m	£26.2m	-	£19.7m	-	-
<b>Capital Called During Quarter (Payments Less Returned Capital)</b>	-	-	£1.0m	-	-	-
<b>Capital Drawn To Date</b>	£26.3m <sup>1</sup>	£19.9m	£16.6m	£20.6m	£31.2m	£25.1m
<b>Distributions/Returned Capital To Date (Includes Income and Other Gains)</b>	£15.7m	£3.2m	-	£8.4m	£20.4m	£3.3m
<b>NAV at Quarter End</b>	£19.3m	£26.2m	£18.5m	£16.1m	£17.6m	£34.6m
<b>Net IRR Since Inception*</b>	7.0% p.a.	8.0% p.a.	7-10% p.a. (Target)	9.1% p.a.**	7.5% p.a.	11.2% p.a.
<b>Net Cash Yield Since Inception*</b>	6.1% p.a.	3.7% p.a.	3-5% p.a. (Target)	-	-	-
<b>Number of Holdings*</b>	24 positions	23 positions	9 investments	163 investments	46 investments	45 investments

<sup>1</sup> We are currently in the process of reviewing this amount with Stafford Capital.

## Market Background

### Market update

Global growth signalled resilience in the third quarter (Q3) as earlier tariff impacts faded. The US grew at a strong pace while China increased its goods trade surplus to record levels. The eurozone's growth improved but remained uneven. UK growth slowed, staying below its potential, and Japan marked its first quarterly contraction.

US tariff-related inflation is proving milder than feared; US annual CPI fell to 2.7% in November and remained there in December. UK inflation rose to 3.4% in December, up from November's eight-month low of 3.2%, with core inflation unchanged at 3.2%. The eurozone's inflation returned to its 2% target in December.

Despite above-target inflation, the US Federal Reserve (Fed) and Bank of England (BoE) cut rates in the fourth quarter (Q4) on weakening labour market conditions. The Fed lowered rates by 0.5% pa, to 3.50–3.75% pa, while the BoE cut its base rate by 0.25% pa, to 3.75% pa. Conversely, the Bank of Japan raised rates to 0.75% pa (the highest in 30 years), to address rising inflation and wages.

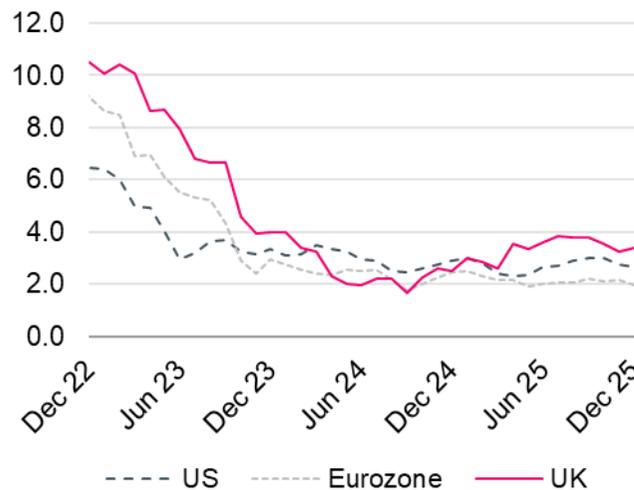
UK 10-year gilt yields dropped 0.2% pa, to 4.5% pa, as implied inflation fell and the Autumn Budget boosted fiscal headroom. Equivalent US Treasury yields rose (4.2% pa), while German (2.9% pa) and Japanese (2.1% pa) yields increased on expectations of higher issuance to fund government spending.

The trade-weighted US dollar eased 0.4% in Q4, ending the year down 7.0%. Foreign investors increased hedging in 2025 amid US economic policy concerns. The equivalent yen measure fell 6.0%, reversing prior gains and ending the year down 4.8%. The euro was little changed in Q4 but ended the year up 6.2%. Trade-weighted sterling ended the year flat, with strength versus the dollar offset by weakness against the euro.

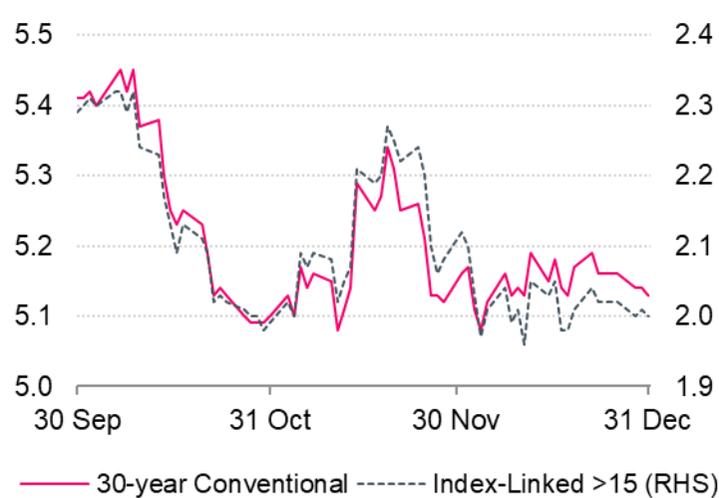
Gold prices rose 12.8% in Q4, supported by central-bank buying, strong retail demand, lingering concerns over Fed independence and geopolitical risks. Oil prices fell 9.3%, as rising supply and weaker demand signalled a growing surplus.

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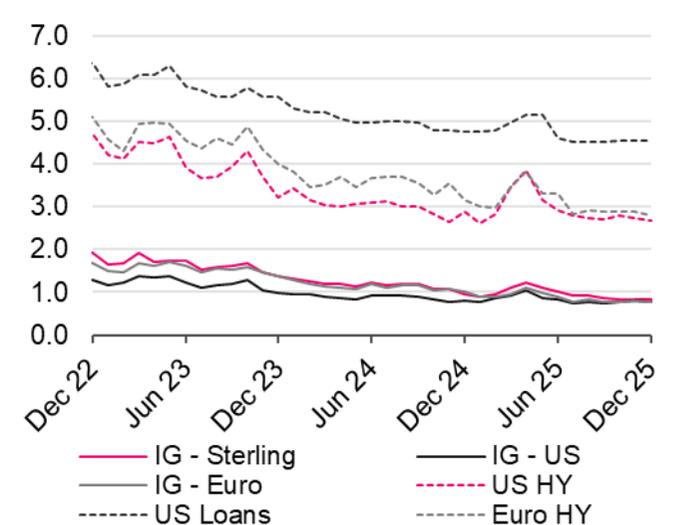
Annual CPI Inflation (% year on year)



Gilt yields chart (% p.a.)

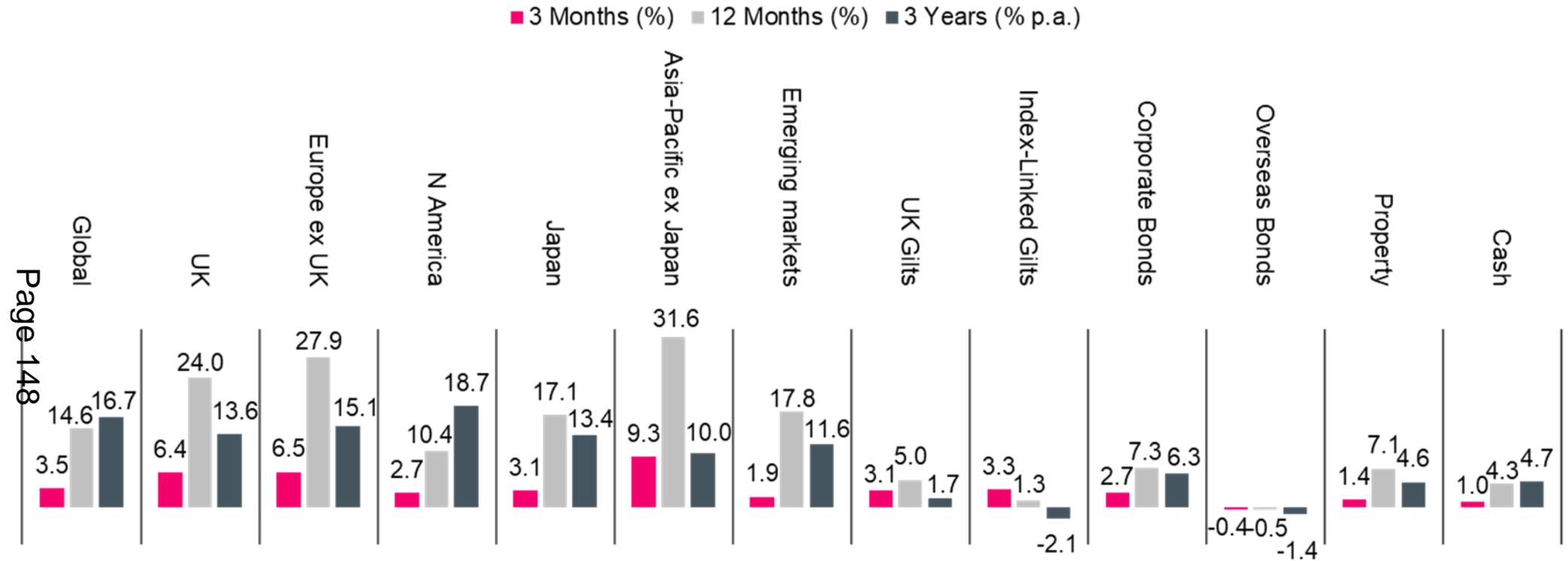


Investment and speculative grade credit spreads (% p.a.)



## Market Background

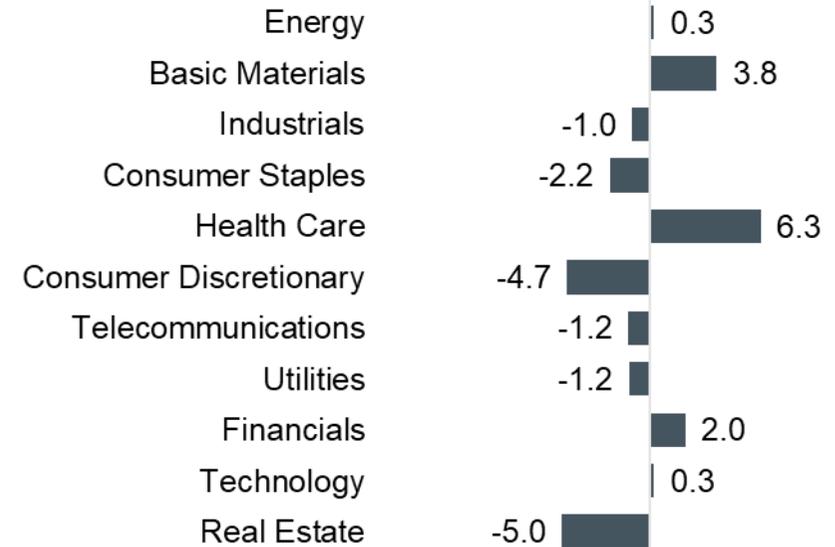
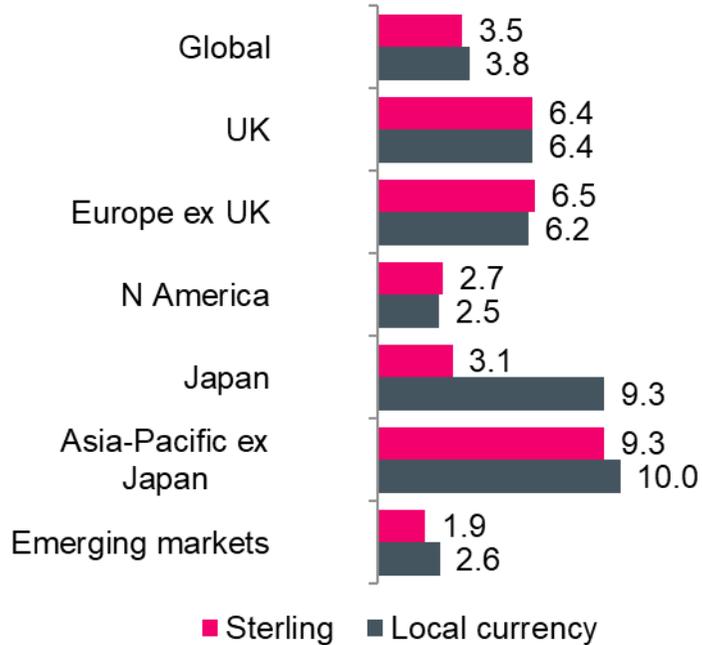
### Historical returns for world markets



Data source: LSEG DataStream. Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, Bloomberg Global Aggregate Treasuries Index, MSCI UK Monthly Property; UK SONIA.

## Market Background

### Regional equity returns <sup>[1]</sup>



### Market commentary

Global equities rose 3.8% in Q4, capping another strong year of returns (20.5%). Developed Asia led performance, driven by its role in the semiconductor supply chain and expectations of Japan's fiscal stimulus, alongside a weaker yen. European markets outperformed due to their value tilt and exposure to healthcare (the best-performing sector in Q4) and financials.

US stocks lagged in Q4. Although technology stocks outperformed globally, US tech underperformed amid concerns over lofty valuations and debt-funded AI capex. Emerging markets also underperformed in Q4 but outperformed in 2025.

Amid positive risk sentiment, credit spreads remained near historic lows despite a modest uptick in Q4, due to notable US and European defaults, and heavy AI-related issuance.

The MSCI UK Property Total Return Index rose 1.4% in Q4, supported by steady income. Capital growth was marginally positive at an aggregate level: industrial (0.5%) and retail (0.4%) growth slowed from Q3, while offices (-1.2%) fell at a faster pace.

13 Data source: LSEG DataStream. <sup>[1]</sup> FTSE All World Indices. Commentary compares regional equity returns in local currency. Returns shown in Sterling terms and relative to FTSE All World. Consumer Staples sector relates to companies providing essential goods and services (such as food producers). Consumer Discretionary relates to companies providing non-essential goods and services (such as car manufacturers).

## Capital Markets Outlook

Asset Class	Market Summary
Equities	Near-term global equity fundamentals look supportive, with double-digit real earnings growth expected this year and next. However, elevated valuations suggest medium-term equity returns will likely be below historical norms. Furthermore, given the rise in real yields since 2022, the excess earnings yield, which can be interpreted as an implied “equity risk premium” (ERP), looks low relative to history. As a result, equity risk does not look particularly well rewarded at the current time.
Investment Grade Credit	Strong earnings continue to underpin corporate fundamentals, but leverage is higher than when yields were last at these levels. Rising effective rates have pushed interest coverage to its lowest since the Global Financial Crisis. Investment-grade credit spreads at current levels are cause for caution for investors with short time horizons, as even a modest widening could lead to underperformance versus gilts in the near term. However, they do still provide a premium over long-term average expected default and loss, albeit a historically thin one. Given elevated underlying sovereign bond yields, investment-grade bonds offer reasonable medium-term total return potential, despite tight spreads.
Emerging Market Debt	The fundamental backdrop for local currency emerging market debt is supportive. With real policy rates at 20-year highs, disinflation in major EMs - partly driven by China exporting deflation through overproduction - should enable rate cuts, creating potential for strong capital gains in EM local currency bonds, even if income yields are modest by historical standards.
Liquid Sub-Investment Grade Debt	We are more cautious on speculative-grade credit. Credit spreads, while still providing some compensation against longer-term expected loss, are very low and more volatile than their investment-grade counterparts. Furthermore, being shorter maturity, speculative-grade bonds derive less benefit from attractive long-term sovereign bond yields.
Private Lending	Loan spreads are ostensibly less stretched versus their own history and offer a reasonable premium over high-yield bond spreads. However, fundamentals are weaker with lower interest coverage and higher defaults than in speculative-grade bonds and, with loan markets trading close to par, there is limited scope for spread tightening.
Core UK Property	Gross reversionary yields (based on future estimated rent when leases expire or are renegotiated) remain wide to net initial yields (which are based on current rents). However, a portion of commercial properties are expected to be structural and require significant asset management to unlock reversionary potential. Looking ahead, industry surveys point to weakening sentiment: occupational demand is falling, rental growth expectations are softening, and availability and incentives are rising.
Conventional Gilts	Despite above-target near-term inflation, slightly weaker-than-potential real GDP growth means average forecast for nominal GDP growth remains within our neutral band. Interest rate cuts have anchored short-term yields, but longer-dated yields have fallen less amid heavy issuance and waning institutional demand. Ten-year yields remain “very attractive” relative to long-term growth and inflation forecasts – even allowing for some persistence in a positive “term premium”.
Index-Linked Gilts	Real yields have risen more than nominal yields across most maturities, pushing implied inflation sharply lower in 2025 except at the longest terms. Inflation expectations now look fair at the short end but slightly rich at the long end. However, if CPIH – due to replace RPI for index-linked gilts in 2030 – averages above CPI (OBR projects a 0.4% annual gap), long-term inflation pricing may seem less stretched. We continue to see gilts as attractive, maintaining a balanced stance between nominal and index-linked gilts. While nominal gilts offer stronger valuation appeal, the fundamental backdrop of below-trend real growth and persistent above-target inflation arguably favours index-linked gilts.

## Risk warning

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This report is provided to the Pensions Committee ('the Committee') and Officers of the London Borough of Havering Pension Fund ('the Fund') in our capacity as your investment adviser. Its purpose is to assist the Committee with their monitoring of the Fund's investments. The report shows how the assets have performed over various time periods, on an absolute basis and relative to the agreed benchmarks, in the context of general market movements. It also shows how the asset allocation compares with the Fund's strategic target allocation. The report may contain fund and fund manager specific research ratings and comments based on the views of our investment research team. Please speak to your investment adviser before taking any investment decisions or actions. They will advise whether formal investment advice is necessary, including a risk assessment and investment suitability information where appropriate. No investment decisions should be taken based solely on the contents of this report.

The report should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation or without our prior written consent. We accept no liability where the report is used by, or released or otherwise disclosed to, a third party unless we have expressly accepted such liability in writing. Where this is permitted, the report may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

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

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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

**17 March 2026**

<b>Subject Heading:</b>	2025 Review of Voting and Engagement Activity
<b>ELT Lead:</b>	Kathy Freeman
<b>Report Author and contact details:</b>	Tara Haroon <a href="mailto:Tara.Haroon@havering.gov.uk">Tara.Haroon@havering.gov.uk</a>
<b>Policy context:</b>	To meet objectives set out in the Investment Strategy Statement
<b>Financial summary:</b>	No direct financial implications

### 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** – Responsible Investments - provides background on what Environmental, Social & Governance factors influence voting & engagement issues.

**LOLA Climate workshop** slides - outlines engagement vs divestment

The attached report at **Appendix A**, produced by the Fund's investment adviser (Hymans Robertson LLP), provides an overview of the Fund's investment managers' voting and engagement activity over the 12-month period to 30 June 2025. It highlights trends in voting behaviour, key thematic engagement areas (including environmental and social issues), and stewardship considerations for the Committee.

## RECOMMENDATIONS

That the committee:

1. Note Hymans Robertson review of Fund Manager Voting and Engagement activity attached as **Appendix A**.
2. Consider the recommendations set out in **Appendix A (page 2)**, particularly in relation to the Committee's ongoing stewardship oversight and expectations of LCIV.
3. Consider the next steps set out in **Appendix A (page 10)**, including the need for continued scrutiny of stewardship and engagement reporting following LCIV's assumption of delegated implementation responsibility from 1 April 2026

## REPORT DETAIL

1. **Investment Strategy Statement (ISS) Context**
  - 1.1 The attached report at **Appendix A**, prepared by the Fund's investment advisor (Hymans Robertson LLP), provides an overview of the Fund's investment managers' voting and engagement activity over the 12-month period to 30 June 2025
  - 1.2 This review supports the Committee's annual monitoring responsibilities under the Investment Strategy Statement (ISS). These responsibilities include monitoring voting decisions made by the Fund's investment managers, reviewing any changes to their voting or engagement policies (which managers are required to report annually), and challenging managers where necessary to explain the rationale behind their approach.
  - 1.3 In line with the ISS, the Fund does not operate a separate voting policy. Voting and engagement activity is delegated to investment managers, with the Committee undertaking an annual review of their approach. The Hymans report at Appendix A provides this annual assessment for the Committee's consideration.
  - 1.4 The Committee may also periodically examine managers' wider voting patterns and challenge managers on specific issues where appropriate, including matters relating to climate-risk disclosure.
  - 1.5 Appendix A also includes information on the Fund's equity managers that are signatories to the Principles for Responsible Investment (PRI). The PRI is a voluntary framework demonstrating commitment to responsible investment through the integration of Environment, Social and

Governance factors into investment and ownership practices. Signatories report annually against six principles.

## **IMPLICATIONS AND RISKS**

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

There are no direct financial implications arising from this report. The Committee's objective is to ensure that voting policies and engagement activity are regularly reviewed so that changing practices and regulatory developments continue to be reflected where necessary.

Ongoing scrutiny of stewardship activity will remain important as LCIV assumes delegated responsibility for implementation of the Fund's investment strategy from 1 April 2026.

The cost of producing the report is included within the core contract costs as set out in the National LGPS Framework for Investment Management Consultancy Services agreed with Hymans Robertson LLP.

All costs are met by the Pension Fund

### **Legal implications and risks:**

There are no apparent legal implications in noting the content of the Report and making the requested decisions.

### **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.

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# London Borough of Havering Pension Fund

## Review of Voting & Engagement Activity

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Simon Jones, Partner

February 2026



# Executive Summary

## Introduction

- This paper is addressed to the Pensions Committee (“the Committee”) of the London Borough of Havering Pension Fund (“the Fund”).

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The purpose of this paper is to summarise the Fund’s investment managers’ voting and engagement activities over the 12-month period to 30 June 2025.

This paper should not be disclosed to any third party except as required by law or regulatory obligation or with our prior written consent. We accept no liability where the paper is used by or disclosed to a third party unless we have expressly accepted such liability in writing. Where this is permitted, the paper may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given. Where the subject of this note refers to legal or tax matters, please note that Hymans Robertson LLP is not qualified to give such advice therefore we recommend that you seek independent advice on these matters.

## Summary and Recommendations

- During the year, the Fund had equity exposure across six mandates, with two managers (L&G and LCIV). LCIV’s policy is currently to delegate voting implementation to EOS at Federated Hermes (“EOS”) for global equity funds and to the underlying manager (Ruffer) for the multi-asset fund, with the latter in line with LCIV policy.
- As expected, the proportion of votes exercised by these managers was high. Exercise rates for LCIV were above 99.8%, and L&G above 99.9%.
- The proportion of votes cast against management has remained broadly aligned with previous years for both L&G mandates and LCIV mandates.
- The proportion of abstentions/withheld votes increased from the previous year, particularly in relation to the LCIV mandates.
- The majority of engagements undertaken by each of the managers continue to be in relation to ‘environment’ themes (over ‘social’ or ‘governance’).
- From 1 April 2026, LCIV will assume delegated responsibility of the implementation of the investment strategy. The Committee should engage with LCIV on the stewardship and engagement reporting to be provided and ensure this reporting allows for the Committee to provide effective oversight of the LCIV’s engagement with underlying managers.

# Background – Voting and Engagement

## Delegation of Voting

- The Fund has voting rights through its equity investment with L&G and with LCIV (both directly via L&G and indirectly via the LCIV).
- The Fund has delegated its voting responsibility to its investment managers.
- The LCIV currently delegates voting to EOS, a stewardship services provider, to conduct proxy voting activities for all LCIV's global equity funds. The LCIV has also taken action to evolve its approach to stewardship with EOS as a voting and engagement partner, examples of which are outlined within this paper.
- The LCIV also currently delegates voting to the respective investment managers appointed for all LCIV's multi-asset funds.
- The Fund has also delegated engagement with underlying companies, within the Fund's mandates, to its underlying investment managers. Therefore, the Fund's engagement in this respect is carried out in line with the house engagement policy of L&G, Baillie Gifford, State Street ("SSGA") and Ruffer for the respective investments.

## Key Topics

- This paper specifically focusses on the voting and engagement activity of the Fund's equity investment managers (L&G and LCIV).
- We note that 'climate change' and 'diversity and inclusion' have been identified as areas of interest for Committee in the past. Therefore, where possible, we have highlighted examples of these in our review of key votes and engagement themes to aid in further discussions with investment managers.

# Voting Activity

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Year to 30 June 2025	L&G			LCIV (Baillie Gifford)	LCIV (SSGA)	LCIV (Ruffer)
	Global	Emerging Markets	Future World	GAGPA	PEPPA	Absolute Return
# eligible resolution votes	62,938	34,724	21,134	1,269	10,185	1,738
% votes exercised	99.9	99.9	99.9	100.0	99.8	100.0
% against management	17.8	14.8	19.8	16.0	12.0	10.0
% abstained / withheld	1.8	3.1	0.3	16.0	13.0	10.0
% meetings with at least one vote against management	56.8	47.6	68.8	74.0	69.0	65.0

- The Fund has direct exposure to equities via L&G and LCIV (SSGA and Baillie Gifford) mandates, with additional exposure obtained through the multi-asset mandate managed by Ruffer.
- The table above provides a summary of voting over the respective 12-month period to 30 June 2025. We can observe the following from this data:
  - The exercise of voting rights remains high across both L&G and SSGA mandates. Baillie Gifford and Ruffer voted on all eligible resolutions.
  - The percentage of abstentions/withheld votes has increased from the previous year, particularly in relation to the LCIV mandates.
  - LCIV (Baillie Gifford) was the most active manager in terms of having at least one vote against management (74%). This has increased significantly relative to last year's analysis (38% previously), along with the number of eligible votes increasing from 860 to 1,269.
  - The index-tracking L&G funds have a significantly larger stock listing than Baillie Gifford and Ruffer, hence the L&G funds are eligible for a larger number of votes.

# Significant Votes

Mandate	Date	Company	Subject Summary	Manager's Vote and Rationale
<b>L&amp;G Global Equity</b> PRI rating for equity: 5 out of 5	10/12/24	Microsoft Corporation	Report on Artificial Intelligence Data Sourcing Accountability.	L&G voted <b>for</b> this resolution – which requested that Microsoft Corporation report on its AI data-sourcing.  L&G acknowledges that Microsoft Corporation is facing increasing legal and reputational risks related to potential copyright infringement arising from its data-sourcing practices. While L&G recognises Microsoft Corporation's strong disclosures on responsible AI and associated risks, L&G also believe shareholders would benefit from greater focus on the risks linked to the company's use of third-party information to train its large language models.
<b>L&amp;G Emerging Markets</b> PRI rating for equity: 5 out of 5	08/07/24	Nestle India Ltd.	Accept Financial Statements and Statutory Reports.	L&G voted <b>against</b> this shareholder resolution – which requested approval on the financial statements and statutory reports of Nestle India Ltd.  L&G believe that Nestle India Ltd did not meet minimum standards with regards to L&G's deforestation policy and notes that Nestle India Ltd operates within a high-risk sector.
<b>L&amp;G Future World</b> PRI rating for equity: 5 out of 5	07/05/25	PepsiCo, Inc.	Report on Third-Party Racial Equity Audit.	L&G voted <b>for</b> this shareholder resolution – which requests that PepsiCo, Inc. report on a third-party racial equity audit.  L&G supports proposals related to diversity and inclusion, as L&G consider these issues to be a financially material risk to companies, with implications for long-term performance.

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# Significant Votes Cont.

Manager	Date	Company	Subject Summary	Manager's Vote and Rationale
<b>LCIV GAGPA (Baillie Gifford)</b> PRI rating for equity: 4 out of 5	28/05/25	Meta Platforms	Emissions Reduction Actions	EOS recommended a vote <b>for</b> this shareholder proposal – which requested that Meta Platforms provide greater reporting on its emissions reduction actions.  EOS notes that while Meta Platforms provides some disclosure on the energy impacts of its data centres, additional reporting would help address concerns related to emerging technology and its associated environmental footprint.
<b>LCIV PEPPA (SSGA)</b> PRI rating for equity: 3 out of 5	06/06/25	Alphabet Inc	Disclosure Around 2030 Climate Goals	EOS recommended a vote <b>for</b> this proposal – which requested greater disclosure on Alphabet Inc's 2030 climate goals.  EOS believe that enhanced disclosure would provide meaningful information to support the investment decision making processes of investors globally. EOS also notes that the well-worded proposal gives Alphabet Inc sufficient flexibility to respond to this precatory request, particularly in relation to ensuring best practice low methane intensity in fossil-fuel powered data centres.
<b>LCIV Absolute Return (Ruffer)</b> PRI rating for equity: 4 out of 5	21/05/25	Amazon Inc	Report on Warehouse Working Conditions	EOS recommended a vote <b>for</b> this proposal – which requested a report on warehouse safety conditions.  EOS acknowledges the progress made by Amazon Inc, demonstrated by improvements in safety performance, including lower recordable incident and lost time incident rates. However, EOS concluded that enhanced third-party review of workplace safety practices could help further demonstrate strengthened management attention on these issues, in support of long-term shareholder value.

# Engagements

Manager	Company	Subject	Engagement Detail	Summary Fund Engagement
L&G Global Equity	Nippon Steel Corporation	Environmental – Climate action	<p><b>Background:</b> Nippon Steel, Japan’s largest steelmaker, operates in a highly carbon-intensive sector and was assessed as lagging peers on climate-policy engagement. Under L&amp;G’s Climate Impact Pledge, companies are expected to disclose climate-related lobbying, which Nippon Steel has not met.</p> <p><b>Action:</b> Since 2022, L&amp;G engaged the Nippon Steel on improving its lobbying disclosures – escalating after limited progress. L&amp;G also co-filed a shareholder proposal with the Australasian Centre for Corporate Responsibility (‘ACCR’) requesting annual disclosure of climate-policy positions, lobbying activities, and alignment with its 2050 net-zero goal. Engagement increased through meetings, a site visit, and collaborative dialogues via CA100+ and ACCR/Corporate Action Japan.</p> <p><b>Outcome and next steps:</b> L&amp;G’s proposal received 27.98% support, among the highest for climate resolutions in Japan. Ahead of its 2025 AGM, Nippon Steel published its first Industry Association Review and climate-policy positions – a step toward Paris-aligned advocacy. As Japan updates climate and energy policies in 2024-25, L&amp;G will continue engagement expecting further improvements in accountability and disclosure.</p>	<ul style="list-style-type: none"> <li>• Environment, 68%</li> <li>• Social, 22%</li> <li>• Governance, 7%</li> <li>• Other, 2%</li> </ul>
L&G Emerging Markets	Volkswagen AG	Social – Human Rights	<p><b>Background:</b> Volkswagen’s presence in Xinjiang, China attracted scrutiny from media and third-party assessors, leading MSCI to flag the issue as a controversy in late 2022. Although a 2023 audit removed the flag, concerns remained over the audit’s limitations and the company’s ongoing exposure to human-rights risks.</p> <p><b>Action:</b> L&amp;G began engaging with Volkswagen in late 2022, highlighting the importance of the issue for its bond-market access. After the audit, engagement shifted toward encouraging a lasting resolution. Regular engagement took place through 2023-24, from investor relations to the CFO, led by L&amp;G’s automotive credit analyst.</p> <p><b>Outcome and next steps:</b> In November 2024, Volkswagen sold its stake in its Xinjiang plant to its joint-venture partner, removing its operational responsibility and reducing future risk exposure. The divestment is not expected to affect its strategic direction. Volkswagen acknowledged that investor dialogue – including with L&amp;G – helped highlight the urgency of resolving the issue. With the divestment completed, further engagement on this topic is unlikely to be needed.</p>	<ul style="list-style-type: none"> <li>• Environment, 79%</li> <li>• Social, 20%</li> <li>• Governance, 1%</li> <li>• Other, 0%</li> </ul>

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# Engagements Cont.

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Manager	Company	Subject	Engagement Detail	Summary Fund Engagement
L&G Future World	Walmart Inc	Social – Income Inequality	<p><b>Background:</b> As the largest US employer, Walmart has significant influence over labour standards. L&amp;G expects companies to pay a living wage across their operations and, where possible, supply chains. Although Walmart has raised wages and expanded benefits, many workers still earn below a living wage, and its policies remain rated ‘embryonic’.</p> <p><b>Action:</b> L&amp;G has engaged Walmart through direct meetings and coalitions such as ShareAction, Platform for Living Wage Financials and ICCR Living wage for US workers. L&amp;G also supported social-related shareholder proposals at the 2022 and 2023 AGMs and, as part of their food-retailer living-wage campaign, co-filed a 2024 resolution requesting adoption of a formal living-wage policy.</p> <p><b>Outcome and next steps:</b> Walmart has made some progress but remains below L&amp;G’s minimum expectations. Companies continuing to lag may face votes against the Chair at the 2025 AGM. L&amp;G will maintain engagement and encourage Walmart to adopt a clear, time-bound living-wage commitment across operations and supply chains</p>	<ul style="list-style-type: none"> <li>• Environment, 62%</li> <li>• Social, 26%</li> <li>• Governance, 10%</li> <li>• Other, 2%</li> </ul>
LCIV GAGPA (Baillie Gifford)	CRH plc	Environmental – GHG Emissions Reduction Targets	<p><b>Background:</b> EOS has engaged with CRH since 2016, with climate ambition as a central focus. EOS has urged the CRH to increase its medium-term GHG-reduction targets from a 2°C pathway to a well-below-2°C or 1.5°C trajectory, verified by SBTi, covering both cement and non-cement emissions.</p> <p><b>Action:</b> EOS first raised this ask in 2021, acting as co-lead under the CA100+ initiative. CRH initially awaited sector-specific 1.5°C guidance but later committed to resubmitting its targets to SBTi, reflecting this in its 2021 Annual Report. EOS continued to push for further ambition through further engagements between 2021 and 2024.</p> <p><b>Outcome and next steps:</b> In April 2024, CRH confirmed its near-term Scope 1 and 2 targets for cement and non-cement operations were aligned with a 1.5°C scenario and adopted SBTi-verified Scope 3 targets for purchased clinker and cement. While progress has been strong, EOS recognise further work is needed to deliver on these targets and strengthen longer-term ambition. EOS will continue to monitor and encourage more ambitious medium- and long-term emissions-reduction plans.</p>	<ul style="list-style-type: none"> <li>• Environment, 18%</li> <li>• Social, 40%</li> <li>• Governance, 31%</li> <li>• Other, 10%</li> </ul>

# Engagements Cont.

Manager	Company	Subject	Engagement Detail	Summary Fund Engagement
LCIV PEPPA (SSGA)	McDonald's Corporation	Environmental – use of antibiotics across the supply chain	<p><b>Background:</b> EOS has engaged with McDonald's on antimicrobial resistance (AMR) since 2017, encouraging reduced use of medically important antibiotics across its protein supply chains – especially pork – and the establishment of clear policies, targets, and timelines.</p> <p><b>Action:</b> EOS co-signed a 2018 FAIRR letter calling for comprehensive antibiotic-reduction targets, welcomed McDonald's 2020 poultry commitments, and urged similar progress in beef and pork despite data challenges. From 2020-23, EOS continued dialogue, including a FAIRR-led investor letter. In early 2024, EOS acknowledged progress on McDonald's pork policy and discussed its intention to support an AMR-related shareholder proposal.</p> <p><b>Outcome and next steps:</b> McDonald's has strengthened responsible-use practices but still lacks clear antibiotic-reduction targets for pork. It has formed a cross-functional working group, incorporated supplier input, and committed to rolling out its pork policy. By 2024, it eliminated HPCIA's from chicken in major markets and set beef targets covering over 80% of its supply chain. EOS will continue engaging on AMR within broader animal- and human-welfare discussions.</p>	<ul style="list-style-type: none"> <li>• Environment, 34%</li> <li>• Social, 31%</li> <li>• Governance, 26%</li> <li>• Other, 8%</li> </ul>
LCIV Absolute Return (Ruffer)	Bayer	Social – female representation in senior management	<p><b>Background:</b> EOS began engaging with Bayer on gender diversity in 2019, encouraging the company to achieve over 30% female representation on both the Management Board and Group Leadership Circle, and to articulate a broader ambition for gender parity to strengthen the future leadership pipeline.</p> <p><b>Action:</b> EOS wrote to the Chair of the Supervisory Board outlining these expectations and continued engagement after Bayer appointed a woman to its Management Board in 2019. Between 2019-22, EOS pressed for stronger commitments, and Bayer introduced new gender targets – 33% women in top management by 2025 and 50% across all management levels by 2030. EOS reiterated its expectations in a 2022 meeting with the ESG team.</p> <p><b>Outcome and next steps:</b> Bayer's 2023 annual report showed clear progress, with women representing 32% of top management and 44% of all management roles, moving toward its 2025 and 2030 targets. EOS will continue to engage, with the expectation that DAX40 companies maintain at least 20% female representation on their boards.</p>	<ul style="list-style-type: none"> <li>• Environment, 36%</li> <li>• Social, 30%</li> <li>• Governance, 23%</li> <li>• Other, 11%</li> </ul>

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# Next Steps

- Ensuring stewardship is undertaken in line with the Committee's expectations is a core part of the Climate Action Plan/Risk Policy and Investment Strategy Statement.
  - From 1 April 2026, LCIV will assume delegated responsibility for implementation of the Fund's investment strategy. Decisions around selection of managers will therefore be delegated to LCIV.
  - It is important that the Committee continues to scrutinise stewardship activities – whether undertaken directly by LCIV or by underlying managers such as L&G – at quarterly Committee meetings.
- We recommend that the Committee engage with LCIV on the stewardship and engagement reporting to be provided and ensure this reporting allows for the Committee to provide effective oversight of the LCIV's engagement with underlying managers
- We continue to recommend that, when LCIV or any managers appointed through the pool present at Committee meetings, focus should be given to voting practices and progress against climate ambitions – including reviewing appropriate case studies and reviewing short-listing companies where the Committee wishes LCIV to challenge managers more strongly.
  - As stewardship expectations evolve, the Committee may consider additional exercises to deepen oversight of LCIV's and managers' engagement activities. This could include:
    - Analysis of how voting practices have aligned with Local Authority Pension Fund Forum voting recommendations
    - Independent assessment of voting practices relative to individual managers states policies and ambitions.

# Appendix



# Principles for Responsible Investment

- The six Principles for Responsible Investment are a voluntary set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice.
- The principles were established in 2006 and are now supported by over 5,000 signatories from over 60 countries.
- Signatories are subject to annual reporting and assessment to demonstrate their compliance with the principles, with signatories being assigned a numerical rating between 1 and 5 (with 5 being the highest rating).

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

# Risk Warning

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

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# Thank you



**Important Information**

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**PENSIONS COMMITTEE**

**17 March 2026**

**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
- Place - A great place to live, work and enjoy
- Resources - Enabling a resident-focused and resilient Council

**SUMMARY**

This report provides the Pensions Committee with a summary of the key legislative and regulatory changes to the Local Government Pension Scheme (LGPS) effective from 1 April 2026, subject to the passage of the Pension Schemes Bill through Parliament.

As of 31 December 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, which seeks to transfer the management of the remaining 60% of assets, thereby ensuring compliance with the upcoming regulatory requirements.

## RECOMMENDATIONS

That the Committee:

1. Note the contents of the report regarding the proposed legislative and regulatory changes to the Local Government Pension Scheme, subject to the passage of the Pension Schemes Bill, and the associated progress in transitioning assets to the London CIV, in line with the Fund's asset transition plan.
2. Note that a further report will be brought to the Pensions Committee when the new legislation has been finalised.

## 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. On 5 June 2025, the government formally introduced the Pension Schemes Bill in the House of Commons. It progressed to the House of Lords in December 2025, with Royal Assent expected in early 2026.
- 1.3. On 20 November 2025, the Government published the *LGPS: Fit for the Future – technical consultation*. This consultation, which concluded on 2 January 2026, sought views on two 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. The Committee received an update on the legal implications of the proposed draft legislation at its meeting held on 9 December 2025.
- 1.5. A response to the consultation was submitted in December 2025 by the Strategic Director of Resources on behalf of the London Borough of Havering, in its role as the Administering Authority of the Havering Pension Fund.

- 1.6. On 8 December 2025, the Scheme Advisory Board (SAB) released three draft guidance documents for closed consultation, seeking feedback from administering authorities by 12 January 2026. The draft guidance covers asset pooling, preparing and maintaining an Investment Strategy Statement (ISS) and fund governance.
- 1.7. As at the time of writing, the Government had not yet issued a response to either consultation, nor provided an update on the anticipated timescales for the Pension Schemes Bill to receive Royal Assent.

## **2. Transition Plan Update**

- 2.1. As of 31 December 2025, approximately 40% of the Pension Fund's assets were directly invested through London CIV. Approximately, 26.5% of assets which include listed equity investments with LGIM and CBRE were considered under pooled management. The remaining 33.5% of assets are currently invested in off-pool assets.
- 2.2. Officers have engaged with London CIV over recent months to agree a high-level asset transition plan to ensure that all assets are pooled in accordance with the Government's timelines. These discussions have largely concluded, with focus now turning to the finalisation and execution of the Investment Management Agreement between London CIV and Havering Pension Fund.
- 2.3. Furthermore, officer have considered the decision to replace the existing Royal London Asset Management (RLAM) Index-Linked Gilts (ILG) segregated mandate, representing a 5% allocation of the Fund, with the L&G All Stocks Index-Linked Gilts Index Fund. Subject to implementation, the transition is expected to complete by the end of March and is anticipated to significantly reduce management fees, resulting in estimated annual savings of around £95k.

## **3. Investment Management Agreement**

- 3.1. 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.
- 3.2. In accordance with the draft regulations, all off-pool and deemed pooled holdings will need to be transferred to London CIV in line with the Government's deadline. 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 transfer investment management responsibility of all assets to London CIV or meet regulatory requirements.

#### **4. Prospective Timeline**

- 4.1. In conjunction with the jointly procured legal review of the core IMA document by London CIV partner funds which was finalised in February 2026, officers are also seeking legal advice on the IMA wording to ensure compliance with the new regulations.

#### **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 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. Fit for the Future: Fund Governance Requirements**

- 6.1. As part of the triennial actuarial review, the Pension Fund has undertaken a review of its Investment Strategy Statement (ISS), which is being presented to this meeting for consideration. Once approved, the updated ISS will meet the requirement in the draft regulations and guidance to publish an ISS within 18 months of the valuation date.
- 6.2. Subject to the passage of the Pension Schemes Bill through Parliament, the Fund will need to undertake a review of its governance processes to ensure compliance with the forthcoming regulatory requirements. This will include:
  - the appointment of the LGPS Senior Officer by 30 September 2026
  - the appointment of the Independent Person by 30 September 2026
  - a review of the Fund's governance and training strategies.
- 6.3. While officers have started to develop initial thinking on how the various governance workstreams will be taken forward, it is anticipated that this work will be formally undertaken once the final regulations have been published and the Pension Schemes Bill has received Royal Assent.

## IMPLICATIONS AND RISKS

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

There are no direct financial implications and risk arising from this report.

### **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.

## BACKGROUND PAPERS

9 December 2025 Pensions Committee Report - [Fit for the Future – Update](#)

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