

## Reliances and limitations

This report was commissioned by and is addressed to the London Borough of Havering in their capacity as the Administering Authority and is provided to assist in monitoring certain funding and investment metrics. It should not be used for any other purpose. It should not be released or otherwise disclosed to any third party except as required by law or with our prior written consent, in which case it should be released in its entirety. **Decisions should not be taken based on the information herein without written advice from your consultant.** Neither I nor Hymans Robertson LLP accept any liability to any other party unless we have expressly accepted such liability in writing.

The method and assumptions used to calculate the updated funding position are consistent with those disclosed in the documents associated with the last formal actuarial valuation as at 31 March 2019, although the financial assumptions have been updated to reflect known changes in market conditions. The calculations contain approximations and the accuracy of this type of funding update declines with time from the valuation; differences between the position shown in this report and the position which a new valuation would show can be significant. It is not possible to assess its accuracy without carrying out a full actuarial valuation. This update complies with Technical Actuarial Standard 100.

# London Borough of Havering Pension Fund

## September 2020 funding and risk report

### Funding Level Table

	30 September 2020	Ongoing Funding
Assets		£795.0m
Liabilities		£1,167.7m
Surplus/(deficit)		(£372.6m)
Funding level		68.1%

HEADLINE

## Summary

This funding update is provided to illustrate the estimated development of the funding position from 31 March 2019 to 30 September 2020, for the London Borough of Havering Pension Fund ("the Fund").

At the last formal valuation, the Fund assets were £733m and the liabilities were £1,054m. This represented a deficit of £320m and equated to a funding level of 70%. Since the valuation the funding level is relatively unchanged. However, this masks the volatility that occurred in the year as a result of COVID-19 and the subsequent rally in markets since. This can be seen on the charts within this document.

Should you have any queries please contact me.

  
Steven Law

# London Borough of Havering Pension Fund | Strategy and Risk Management dashboard

CURRENT POSITION

Funding Level Table

30 September 2020	Ongoing Funding
Assets	£795.0m
Liabilities	£1,167.7m
Surplus/(deficit)	(£372.6m)
Funding level	68.1%

Analysis of Surplus Table

Surplus/(deficit)	£m
Surplus/(deficit) as at 31/03/2019	(320)
Contributions (less benefits accruing)	1
Interest on surplus/(deficit)	(15)
Excess return on assets	31
Change in inflation & expected future investment return	(69)
Surplus/(deficit) as at 30/09/2020	(373)

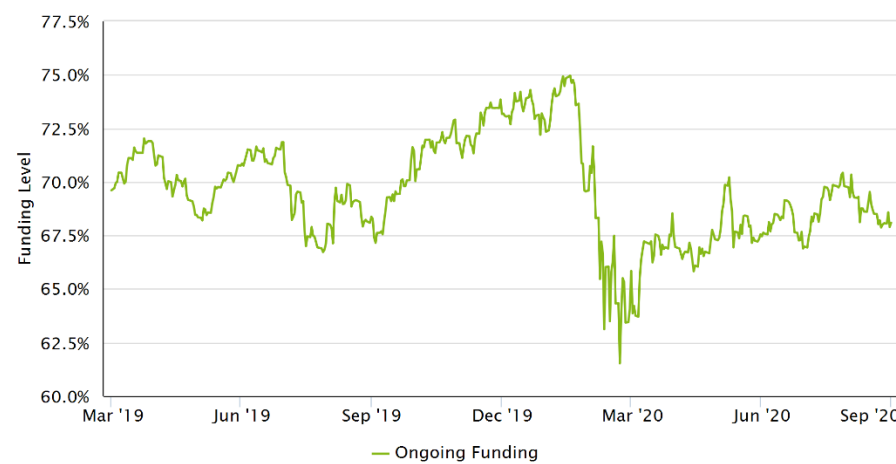
Market Indicators Table

	31 March 2019	30 September 2020
Market yields (p.a.)		
Fixed interest gilts	1.49%	0.71%
Index-linked gilts	-1.81%	-2.21%
Implied inflation	3.36%	2.98%
AA corporate bond yield	2.36%	1.54%
Price Index		
FTSE All Share	3,978	3,282
FTSE 100	7,279	5,866
Expected future investment return (p.a.)		
20yr annualised return on Fund's asset portfolio*	3.3%	2.5%

\*There is a 80%-85% likelihood of the Fund's investments achieving at least an annual return of 2.5% p.a. over the next 20 years

PROGRESS

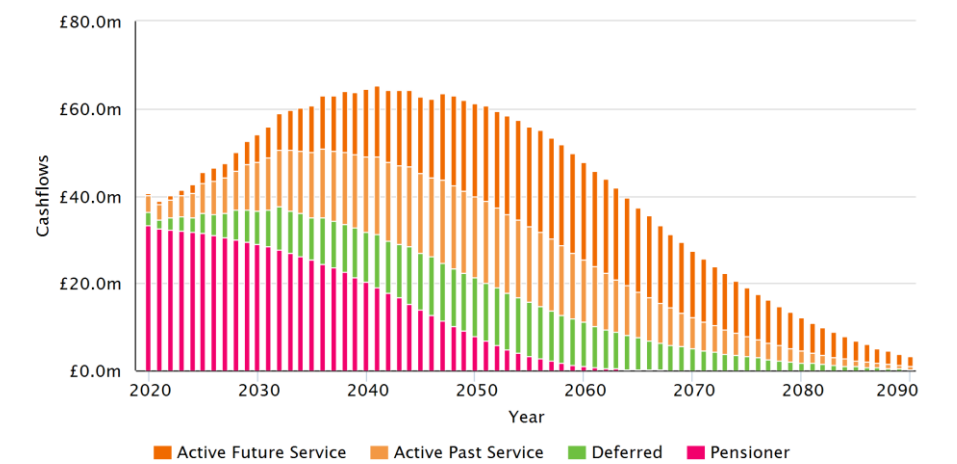
Funding Level Progression Chart



Funding Deficit Progression Chart

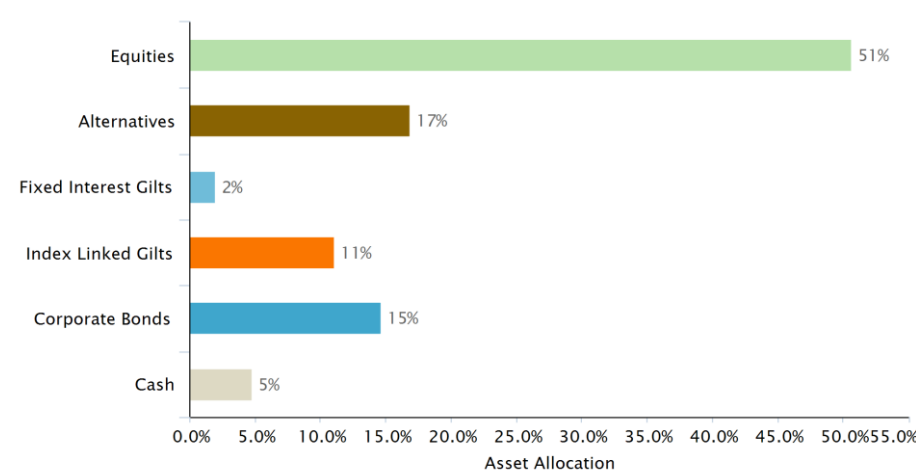


Projected Cashflows Chart

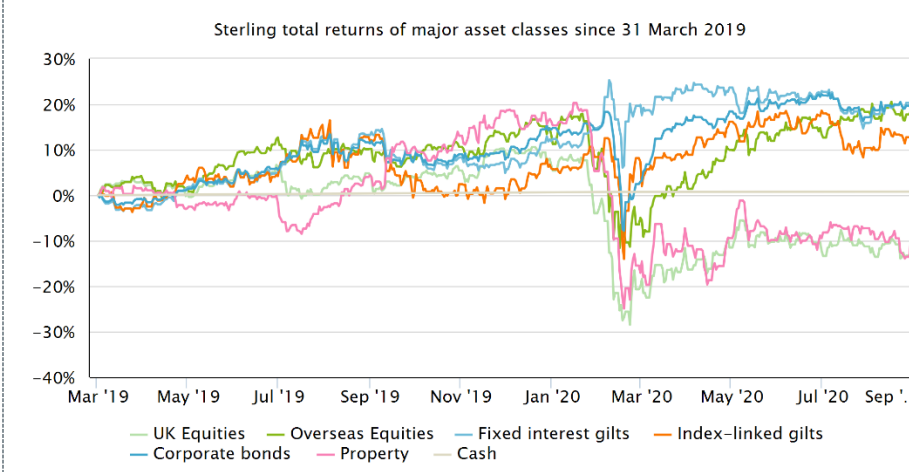


ASSETS AND RISKS

Asset Allocation Chart



Index Return Chart



Sensitivity Matrix

Sensitivity Matrix as at 30 September 2020 for Ongoing funding basis (£m)

Shift in equity level (using FTSE 100 levels as proxy)

	4,106 -30%	4,693 -20%	5,279 -10%	5,866	6,453 +10%	7,039 +20%	7,626 +30%
+0.6	(444)	(390)	(337)	(283)	(229)	(175)	(122)
+0.4	(472)	(419)	(365)	(311)	(257)	(204)	(150)
+0.2	(502)	(448)	(395)	(341)	(287)	(234)	(180)
0.0	(534)	(480)	(426)	(373)	(319)	(265)	(211)
-0.2	(567)	(514)	(460)	(406)	(352)	(299)	(245)
-0.4	(603)	(549)	(495)	(442)	(388)	(334)	(281)
-0.6	(641)	(587)	(533)	(480)	(426)	(372)	(318)

Shift in expected future investment return (% p.a.)

less than 50%   50% - 85%   85% - 95%   95% - 100%   100% - 105%   105% - 115%   greater than 115%