

2022/23 £000	FUND ACCOUNT	Notes	2023/24 £000
	<b>Dealing with members, employers and others directly involved in the fund</b>		
53,110	Contributions receivables	<a href="#">7</a>	50,860
3,029	Transfers in from other pension funds	<a href="#">8</a>	6,321
<b>56,140</b>			<b>57,181</b>
(42,530)	Benefits	<a href="#">9</a>	(44,696)
(3,908)	Payments to and on account of leavers	<a href="#">10</a>	(4,461)
<b>(46,438)</b>			<b>(49,157)</b>
9,702	Net additions from dealings with members		8,024
(5,940)	Management expenses	<a href="#">11</a>	(6,130)
<b>3,762</b>	<b>Net additions including fund management expenses</b>		<b>1,894</b>
	<b>Returns on investments</b>		
16,484	Investment income	<a href="#">12</a>	18,327
(44,577)	Profit and losses on disposal of investments and changes in the market value of investments	<a href="#">13a</a>	53,525
<b>(28,093)</b>	<b>Net returns on investments</b>		<b>71,852</b>
<b>(24,331)</b>	<b>Net increase/(decrease) in the net assets available for benefits during the year</b>		<b>73,746</b>
920,083	Opening net assets of the Fund at start of year		895,752
<b>895,752</b>	<b>Closing net assets of the Fund at end of year</b>		<b>969,498</b>

  

2022/23 £000	NET ASSET STATEMENT	Notes	2023/24 £000
150	Long term investments - London CIV shareholding	<a href="#">13</a>	150
879,324	Investment Assets	<a href="#">13</a>	946,100
(272)	Investment Liabilities	<a href="#">13</a>	(449)
<b>879,202</b>	<b>Total net investments</b>		<b>945,801</b>
16,962	Current Assets	<a href="#">20</a>	24,706
(412)	Current Liabilities	<a href="#">21</a>	(1,010)
<b>895,752</b>	<b>Net assets of the Fund available to fund benefits at end of the reporting period</b>		<b>969,498</b>

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

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## Notes to the Pension Fund Accounts

### 1 Description of the Fund

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

#### a) General

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

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

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

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

#### b) Membership

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

Organisations participating in the Fund include:

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

There are 59 employer organisations with active members within the Havering Pension Fund including the Authority.

The membership profile is detailed below:

<b>31-Mar-23</b>		<b>31-Mar-24</b>
<b>56</b>	<b>Number of employers with active members</b>	<b>59</b>
	<b>Number of employees in scheme</b>	
4,801	London Borough of Havering	5,205
1,818	Scheduled bodies	2,523
73	Admitted bodies	112
<b>6,692</b>	<b>Total</b>	<b>7,840</b>
	<b>Number of pensioners and dependants</b>	
6,285	London Borough of Havering	6,437
454	Scheduled bodies	534
36	Admitted bodies	38
<b>6,775</b>	<b>Total</b>	<b>7,009</b>
	<b>Deferred pensioners</b>	
5,621	London Borough of Havering	5,564
1,093	Scheduled bodies	1,197
36	Admitted bodies	39
<b>6,750</b>	<b>Total</b>	<b>6,800</b>
<b>20,217</b>	<b>Total number of members in pension scheme</b>	<b>21,649</b>

#### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the year ended 31 March 2024. Employer contributions are set based on triennial actuarial funding valuations. Current employer contribution rates range from 0% to 41.0% of pensionable pay.

#### d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

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

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

## 2 Basis of Preparation

The Statement of Accounts summarise the Fund's transactions for the 2023/24 financial year and its position at year end as at 31 March 2024. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 "(the Code)" which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector, and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

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

The Administering Authority is satisfied that Havering Pension Fund is a going concern and the financial statements for 2023/24 have been prepared on a going concern basis as follows:

The investment returns for 2023/24 was +7.38% and +2.69% over the three year to 31 March 2024. Invested asset values have increased by £66.6m over the year.

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

The Fund was assessed as 80% funded as at 31 March 2022 valuation, a significant improvement on the funding level of 70% at 31 March 2019 and includes a recovery period necessary to make good any potential increases in the funding deficit. It is important to remember that that the Fund does not need to be 100% funded to be a going concern, it simply needs to be able to meet benefit obligations each month as they fall due. The Fund held cash of £47.1m at the Balance Sheet date, equivalent to 5% of the fund assets. In addition, the Fund held £670m in Level 1 and Level 2 investment assets which could be realised within 3 months if required. Based upon review of its operational cash flow projections the Fund is satisfied it has sufficient cash to meet its obligations to pay pensions, for at least 12 months from the date of authorisation of these accounts, without the need to sell any investments.

## 3 Summary of Significant Accounting Policies

### Fund Account – revenue recognition

#### (a) Contribution income

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

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

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

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

**(b) Transfers to and from other schemes**

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

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

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

**(c) Investment Income**

**i) Interest Income**

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

**ii) Dividend Income**

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

**iii) Distribution from Pooled Funds**

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

**iv) Property - Related Income**

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

**v) Movement in the Net Market Value of Investments**

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

**Fund Account – Expense Items**

**(d) Benefits payable**

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

**(e) Taxation**

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

**(f) Management Expenses**

*Administrative Expenses*

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

#### *Oversight and Governance Costs*

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

#### *Investment Management Fees*

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11a and grossed up to increase the change in value of investments.

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

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

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

#### **(g) Lifetime Allowances**

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

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

#### **Net Assets Statement**

##### **(h) Financial Assets**

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund. Any amounts due or payable in respect of trades entered but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14a.

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

##### **(i) Foreign Currency Transactions**

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

**(j) Derivatives**

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

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

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

**(k) Cash and Cash Equivalents**

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

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

**(l) Financial Liabilities**

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

**(m) Actuarial Present Value of Promised Retirement Benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised benefits by way of a note to the Net Asset Statement (Note 18).

**(n) Additional Voluntary Contributions**

The fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 21.

**(o) Contingent assets and contingent liabilities**

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

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

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

#### **4 Critical Judgements in Applying Accounting Policies**

##### **Pension Fund Liability**

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

This estimate is subject to significant variances based on the changes to the underlying assumptions which are agreed with the actuary and are summarised in Note 19.

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



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

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

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

Item	Uncertainties	Effect if Actual Results differ from Assumptions	Approximate monetary amount (£m)
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, and expected returns on Fund's assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied	The effects on the present value of promised retirement benefits of changes in actuarial assumptions can be significant. Changes in assumptions could have the approximate following impacts on the Fund's employer liability as follows:	
		0.1% p.a. decrease in the Real Discount Rate could result in an increase of 2%	18
		0.1% p.a. increase in the Pension Increase Rate (CPI) could result in an increase of 2%	17
		0.1% p.a. increase in the Salary Increase Rate could result in a 0% increase	1
		1 Year increase in member life expectancy could result in a 4% increase	43
Level 3 Investments (Note 15)	Level 3 investments can be determined by Fund Managers in accordance with guidelines and principles set out in the International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Level 3 investments total £276m, which represents 28% of the total Fund value of £945.8m.	Sensitivity Analysis shows that the £276m valuation could decrease or increase within the range of £256m and £296m

## 6 Events after the Reporting Date

The Present Value of Promised Retirement Benefits (note 19) includes an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. This estimate was allowed for in the 31 March 2024 IAS26 reporting and is continued to be allowed for within the liabilities this year. There will be changes made to scheme regulations that will remove age discrimination from the LGPS and it is anticipated that these regulations will come into force in due course.

The Fund has valued its assets based on the 31 March 2024 position as reported by its investment managers. However, there is uncertainty over asset valuations, in particular for real and private market assets. The Fund believes that these valuations are the most reliable, as there are not alternative reliable estimates given the absence of trading in these asset classes.

## 7 Contributions Receivable

### By category

2022/23 £000		2023/24 £000
	<b>Employees' contributions</b>	
	<b>Normal:</b>	
7,012	London Borough of Havering	7,454
1,714	Scheduled Bodies	1,998
99	Admitted Bodies	151
	<b>Additional contributions:</b>	
6	London Borough of Havering	7
<b>8,831</b>	<b>Total Employees' Contribution</b>	<b>9,610</b>
	<b>Employers' contributions</b>	
	<b>Normal:</b>	
17,590	London Borough of Havering	21,750
5,625	Scheduled bodies	7,024
468	Admitted bodies	626
	<b>Secondary contributions:</b>	
	<b>Employer contribution to deficit</b>	
18,569	London Borough of Havering	11,159
750	Scheduled bodies	267
3	Admitted bodies	6
	<b>Employer reduction to surplus</b>	
-	Scheduled bodies	(39)
-	Admitted bodies	(31)
	<b>Augmentation</b>	
1,275	London Borough of Havering	488
<b>44,280</b>	<b>Total Employers' Contributions</b>	<b>41,250</b>
<b>53,111</b>	<b>Total Contributions Receivable</b>	<b>50,860</b>

The London Borough of Havering figure reflects additional contributions made by the Authority to the Pension Fund. These consist of £10.916m (22/23 £12.650m) secondary contributions and £0.065m (22/23 £5.920m) voluntary planned contributions.

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

### By authority

2022/23 £000		2023/24 £000
44,452	London Borough of Havering	40,858
8,089	Scheduled bodies	9,250
570	Admitted Bodies	752
<b>53,111</b>	<b>Total Contributions Receivable</b>	<b>50,860</b>

## 8 Transfers in from Other Pension Funds

2022/23 £000		2023/24 £000
3,029	<b>Individual transfers</b>	6,321
<b>3,029</b>	<b>Total Transfers In from Other Pension Funds</b>	<b>6,321</b>

## 9 Benefits Payable

### By category

2022/23 £000		2023/24 £000
	<b>Pensions</b>	
32,674	London Borough of Havering	36,105
1,547	Scheduled Bodies	1,787
202	Admitted Bodies	229
<b>34,423</b>	<b>Pension Total</b>	<b>38,121</b>
	<b>Commutation and Lump Sum Retirements</b>	
6,205	London Borough of Havering	4,656
560	Scheduled Bodies	895
181	Admitted Bodies	10
<b>6,946</b>	<b>Commutation and Lump Sum Retirements Total</b>	<b>5,560</b>
	<b>Lump Sum Death Benefits</b>	
985	London Borough of Havering	787
176	Scheduled Bodies	227
<b>1,161</b>	<b>Lump Sum Death Benefits Total</b>	<b>1,014</b>
<b>42,530</b>	<b>Total Benefits Payable</b>	<b>44,696</b>

### By authority

2022/23 £000		2023/24 £000
39,864	London Borough of Havering	41,548
2,283	Scheduled Bodies	2,909
383	Admitted Bodies	239
<b>42,530</b>	<b>Total Benefits Payable</b>	<b>44,696</b>

## 10 Payments To and On Account of Leavers

2022/23 £000		2023/24 £000
79	Refunds to members leaving service	42
3,829	Individual transfers	4,294
-	Other	125
<b>3,908</b>	<b>Payments to and on Account of Leavers</b>	<b>4,461</b>

## 11 Management Expenses

2022/23 £000		2023/24 £000
727	Administrative Costs	821
4,628	Investment Management Expenses	4,584
595	Oversight and Governance Costs	718
4	Local Pension Board	7
<b>5,954</b>	<b>Management Expenses</b>	<b>6,130</b>

### 11a | Audit Fees

2022/23 £000		2023/24 £000
(14)	Oversight and Governance - External Audit costs	90
<b>(14)</b>	<b>External Audit Fees</b>	<b>90</b>

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

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 13).

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

### 11b Investment Management Expenses

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

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

**Investment Management Expenses continued**

2022/23	Management fees	Performance Related fees	Transaction cost	2022/23 Total
	£000	£000	£000	£000
Bonds	179	0	0	179
Fixed Interest Unit Trust	18	0	0	18
Diversified Growth Funds	286	0	210	496
Infrastructure	770	0	0	770
Global Equity	1,501	0	100	1,601
<b>Other Investments</b>				
Pooled Property	667	121	0	788
Private Debt	657	0	0	657
Derivatives - Forward Currency Contracts	31	0	0	31
	<b>4,109</b>	<b>121</b>	<b>310</b>	<b>*4,540</b>
Custody fees				27
Performance Measurement fees				42
Other Investment fees				10
<b>Investment Management Expenses</b>				<b>4,619</b>

\*Includes £1.954m charged for assets in the London CIV asset pool (£2.086m In 2020/21)

**12 Investment Income**

2022/23 £000		2023/24 £000
13,682	Pooled Investments - unit trusts and other managed funds	14,660
600	Bonds	507
-	- Fixed income	173
1,928	Pooled Property Investments	1,453
12	Income form Derivatives (Foreign Exchange Gains/(losses))	-
262	Interest on Cash Deposits	1,427
-	- Other income	107
<b>16,484</b>	<b>Investment Income</b>	<b>18,327</b>

\* Income includes index linked interest of £0 (2022/23 £0.210m), fund is now fully divested

### 13 Analysis of Investments

2022/23		2023/24
£000		£000
	<b>Investment Assets</b>	
150	LCIV Shareholding	150
<b>150</b>		<b>150</b>
	<b>Bonds</b>	
351	Fixed Interest Securities*	-
26,737	Index-Linked Securities	23,819
<b>27,088</b>		<b>23,819</b>
	<b>Pooled Investment</b>	
60,434	Fixed Interest Unit Trust	113,102
66,469	Diversified Growth Fund**	-
84,509	Infrastructure	110,253
459,769	Global Equity	509,812
<b>671,180</b>		<b>733,167</b>
	<b>Other Investments</b>	
85,821	Pooled Property	81,318
81,161	Private Debt	84,551
<b>166,982</b>		<b>165,869</b>
1,576	Derivatives - Forward Currency Contracts	334
12,066	Cash deposits Managers	22,822
362	Amounts receivable for sales	-
71	Investment income due	89
<b>14,074</b>		<b>23,245</b>
<b>879,474</b>	<b>Total Investment Assets</b>	<b>946,249</b>
	<b>Investment Liabilities</b>	
(24)	Derivatives - Forward Currency Contracts	(449)
(248)	Amounts payable for purchases	-
<b>(272)</b>	<b>Total Investment Liabilities</b>	<b>(449)</b>
<b>879,202</b>	<b>Total Net Investments</b>	<b>945,801</b>

\* Divested during 2022/23

\*\* Divested during 2023/24

13a. Reconciliation of movements in investments and derivatives

	Market Value at 31 March 2023	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value at 31 March 2024
	£000	£000	£000	£000	£000
Fixed Interest Securities	351	736	(1,097)	10	0
Index-linked Securities	26,737	8,352	(7,786)	(3,484)	23,819
Pooled Investment Vehicles	671,330	29,052	(22,998)	55,933	733,317
Other Investments	166,982	11,350	(8,509)	(3,954)	165,869
	<b>865,400</b>	<b>49,490</b>	<b>(40,390)</b>	<b>48,505</b>	<b>923,005</b>
Derivatives – forward currency contracts	1,551	6,042	(12,873)	5,165	(115)
	<b>866,951</b>	<b>55,532</b>	<b>(53,263)</b>	<b>53,670</b>	<b>922,890</b>
<b>Other Investment Balances:</b>					
Cash Deposits (fund managers)	12,066			(148)	22,822
Investment income due	185			-	89
Spot FX				3	
	<b>879,202</b>			<b>53,525</b>	<b>945,801</b>

	Market Value at 31 March 2022	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value at 31 March 2023
	£000	£000	£000	£000	£000
Fixed Interest Securities	22,977	16,151	(33,428)	(5,349)	351
Index-linked Securities	39,097	30,843	(29,914)	(13,289)	26,737
Pooled Investment Vehicles	679,059	30,076	(22,622)	(15,183)	671,330
Other Investments	148,909	27,978	(4,859)	(5,046)	166,982
	<b>890,042</b>	<b>105,048</b>	<b>(90,823)</b>	<b>(38,867)</b>	<b>865,400</b>
Derivatives – forward currency contracts	(2,168)	21,804	(12,431)	(5,654)	1,551
	<b>887,874</b>	<b>126,852</b>	<b>(103,254)</b>	<b>(44,521)</b>	<b>866,951</b>
<b>Other Investment Balances:</b>					
Cash Deposits (fund managers)	16,985			(56)	12,066
Investment income due	361				185
	<b>905,220</b>			<b>(44,577)</b>	<b>879,202</b>

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

Purchases and Sales of derivatives (forward current contracts) are recognised in Note 12a above for contracts settled during the period are reported on a gross basis as gross receipts and payments.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £0.361m (2022/23 £0.310m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.



The investments analysed by fund managers and the market value of assets under their management as at 31 March 2024 were as follows:

**13b. Investments analysed by Fund Manager**

Value 31 March 2023		Manager	Mandate	Value 31 March 2024	
£000	%			£000	%
<b>Investments managed by London CIV asset Pool:</b>					
150	0.02	London CIV	Equities Unquoted	150	0.02
66,469	7.56	Baillie Gifford	Pooled Diversified Growth Fund	-	-
115,888	13.18	Ruffer	Pooled Absolute Return Fund	108,928	11.52
11,185	1.27	Foresight, Blackrock, Quinbrook & Stonepeak	Pooled Infrastructure Renewables	14,161	1.50
135,620	15.43	Baillie Gifford	Pooled Global Alpha Growth Paris Aligned Fund	157,289	16.63
43,994	5.00	State Street Global Advisors	Pooled Passive Equity Progressive Paris Aligned (PEPPA)	55,522	5.87
0	0.00	PIMCO	Global Bonds	47,433	5.02
<b>373,306</b>	<b>42.46</b>			<b>383,482</b>	<b>40.54</b>
<b>PLUS Investments aligned with London CIV asset pool:</b>					
164,266	18.68	Legal & General Investment Management (LGIM)	Passive Global Equities/ Emerging Markets/Future World	188,073	19.89
<b>537,572</b>	<b>61.14</b>	<b>London CIV Total</b>		<b>571,556</b>	<b>60.43</b>
<b>Investments managed outside of the London CIV asset Pool:</b>					
60,434	6.87	Royal London Multi Asset Credit Pooled Fund	Fixed Interest Unit Trust	65,787	6.96
27,257	3.10	Royal London Index Linked Bonds Fund	Investment Grade Bonds	23,819	2.52
51,148	5.82	UBS Property	Pooled Property	48,866	5.17
34,673	3.94	CBRE	Global Pooled Property	32,451	3.43
19,937	2.27	Stafford Capital SISF II	Overseas Pooled Infrastructure	19,852	2.10
16,387	1.86	Stafford Capital SISF IV	Overseas Pooled Infrastructure	25,435	2.69
37,000	4.21	JP Morgan	Overseas Pooled Infrastructure	50,808	5.37
21,761	2.48	Churchill II	Overseas Pooled Private Debt	17,449	1.84
15,288	1.74	Churchill IV	Overseas Pooled Private Debt	17,123	1.81
30,961	3.52	Permira PCS4	Overseas Pooled Private Debt	30,098	3.18
13,151	1.50	Permira PCS5	Overseas Pooled Private Debt	20,434	2.16
5,905	0.67	Russell Investments	Currency Management	3,699	0.39
7,728	0.88	Other	Other	18,424	1.95
<b>341,630</b>	<b>38.86</b>			<b>374,245</b>	<b>39.57</b>
<b>879,202</b>	<b>100.00</b>	<b>Total Fund</b>		<b>945,801</b>	<b>100.00</b>

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

Market Value 31 March 2023 £000	% of Total Fund	Security	Market Value 31 March 2024 £000	% of Total Fund
135,620	15.43	London CIV Baillie Gifford Global Alpha Paris Aligned Fund	157,289	16.63
115,888	13.18	London CIV Ruffer Absolute Return Fund	108,928	11.52
93,404	10.62	LGIM Future World Fund	107,757	11.39
66,469	7.56	London CIV Diversified Growth Fund	0	0.00
60,434	6.87	Royal London Multi Asset Credit Pooled Fund	65,670	6.94
43,994	5.00	London CIV Pooled Passive Equity Progressive Paris Aligned (PEPPA)	55,522	5.87
51,148	5.82	UBS Property	48,866	5.17
36,999	4.21	JP Morgan infrastructure	50,808	5.37
<b>603,956</b>	<b>68.69</b>	<b>Total Fund</b>	<b>594,840</b>	<b>62.89</b>

#### 13d. Stock Lending

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

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

All income arising from stock lending less the custodian/administrator's costs are credited to the funds lending the stocks. LGIM does not receive any revenue from the stock lending. As at 31 March 2024, the value of quoted equities on loan was £163.4m (31 March 2023 £37.9m) These equities continue to be recognised in the fund's financial statements.

## 14 Analysis of derivatives

### Objectives and policies for holding derivatives

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

### Forward foreign currency

The Fund currently has exposure to forward currency contracts and the purpose of this is to reduce the Fund's exposure to fluctuations in exchange rates. The Fund managers who use forward currency contracts are Royal London and Russell. A breakdown of forward contracts held by the Fund as at 31 March 2024 and prior year is shown below:

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value (Unrealised Gain)	Liability Value (Unrealised Loss)
		000		000	£000	£000
Up to one month	GBP	26,986	EUR	(31,367)	143	(0)
Up to one month	GBP	1,959	AUD	(3,772)	9	0
Up to one month	GBP	36,930	USD	(46,795)	0	(107)
One to six months	GBP	56,348	EUR	(65,669)	74	(9)
One to six months	GBP	5,742	AUD	(11,098)	10	(9)
One to six months	GBP	67,533	USD	(85,637)	91	(322)
One to six months	USD	7,144	GBP	(5,649)	5	(0)
One to six months	EUR	1,775	GBP	(1,521)	0	(1)
One to six months	AUD	384	GBP	(198)	0	0
Up to one month	USD	233	GBP	(183)	2	0
Up to one month	EUR	417	GBP	(357)	0	(0)
<b>Open forward currency contracts at 31 March 2024</b>					<b>334</b>	<b>(449)</b>
<b>Net forward currency contracts at 31 March 2024</b>						<b>(115)</b>
<b>Open forward currency contracts at 31 March 2023</b>					<b>1,575</b>	<b>(24)</b>
<b>Net forward currency contracts at 31 March 2023</b>						<b>1,551</b>

## 15 Fair Value Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, where possible using market based information. There has been no change in the valuation techniques used during the year.

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

### Level 1

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

### Level 2

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

### Level 3

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

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

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled quoted investments	Level 2	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled unquoted investments	Level 2	Developed using market data	No material difference between the value of assets & liabilities and their fair value	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
UK Pooled instruments property funds	Level 3	Valuations carried out by the property funds external valuers, Knight Frank LLP	Market value in accordance with the "RICS" Appraisal and Valuation standards	Valuations could be affected by significant differences in rental value and rental growth

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Overseas Pooled instruments property funds (CBRE)	Level 3	The valuation function is performed by the Alternative Investment Fund Manager (AIFM) in accordance with the AIFMD	A Pricing Committee, composed of senior members of the AIFM, is in place, who meet quarterly and is responsible for overseeing proposed adjustments to the value of investments	Valuations could be affected by significant differences in rental value and rental growth. There may be a timing difference between the date of the last reported underlying property valuation and the date of the Funds financial statements, during which the underlying property valuation may have increased or decreased by a significant amount
Overseas Pooled instruments Infrastructure Funds (JP Morgan)	Level 3	Estimated fair values are determined by the Advisor at valuation date and independently appraised and adjusted on a quarterly basis.	Three valuation techniques can be used, the market, income or cost approach. The appropriateness of each approach depends on the type of asset or business being valued.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount
Overseas Pooled instruments Infrastructure Funds (Stafford Capital)	Level 3	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Overseas Pooled instruments Private Debt (Churchill)	Level 3	Valuations undertaken quarterly and determined by the Investment Manager. To determine the value the manager relies on guidance by various regulatory and industry organisations and authorised to use independent third party pricing services and valuation firms.	Unobservable inputs are determined by the Investment Manager and shall take into account items that it reasonably believes would impact the valuation (such as expenses and reserves).	Significant increases (decreases) in discount yields could result in lower (higher) fair value measurement. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Private Debt (Permira)	Level 3	Fair Value is determined by the AIFM based on advice from Portfolio Manager and based on the International Private Equity and Venture Capital guidelines or other standards agreed by the Senior Fund Advisory Committee.	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant impact on the valuations. Timing difference between the date of the last reported valuation and the date of the Fund's financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Renewable Infrastructure	Level 3	Fair Values are calculated in whole or in part using techniques based on assumptions using Investment Association Statement of Recommended Practice (IA SORP)	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant impact on the valuations. Timing difference between the date of the last reported valuation and the date of the Fund's financial statements means that valuation may have increased or decreased by a significant amount.

### Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent performance measurement service, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024.

	Assessed valuation range (+/-)	Value at 31 March 2024	Value on increase	Value on decrease
	%	£000	£000	£000
Private Debt	7.19	84,551	90,470	78,633
Pooled Property	5.65	81,318	87,010	75,625
Infrastructure	5.71	110,252	118,301	102,204

	Assessed valuation range (+/-)	Value at 31 March 2023	Value on increase	Value on decrease
	%	£000	£000	£000
Pooled Property funds	7.00	85,821	91,828	79,813
Pooled Unit Trusts	7.30	165,670	177,764	153,576

### 15a Fair Value Hierarchy

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

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial Assets</b>				
Financial assets at fair value through profit and loss	259,541	410,254	276,121	945,916
<b>Total Financial Assets</b>	<b>259,541</b>	<b>410,254</b>	<b>276,121</b>	<b>945,916</b>
<b>Financial Liabilities</b>				
Financial liabilities at fair value through profit and loss	0	(115)	0	(115)
<b>Total Financial Liabilities</b>	<b>0</b>	<b>(115)</b>	<b>0</b>	<b>(115)</b>
<b>Net Financial Assets</b>	<b>259,541</b>	<b>410,139</b>	<b>276,121</b>	<b>945,801</b>

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial Assets</b>				
Financial assets at fair value through profit	192,162	435,821	251,491	879,474
<b>Total Financial Assets</b>	<b>192,162</b>	<b>435,821</b>	<b>251,491</b>	<b>879,474</b>
<b>Financial Liabilities</b>				
Financial liabilities at fair value through	0	(272)	0	(272)
<b>Total Financial Liabilities</b>	<b>0</b>	<b>(272)</b>	<b>0</b>	<b>(272)</b>
<b>Net Financial Assets</b>	<b>192,162</b>	<b>435,550</b>	<b>251,491</b>	<b>879,202</b>

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

#### 15b Reconciliation of Fair Value Measurement within Level 3

	Market Value 31 March 2023 £000	Purchases £000	Sales £000	Unrealised gains / losses £000	Realised gains / losses £000	Market Value 31 March 2024 £000
Infrastructure	84,509	25,922	(2,581)	554	1,849	110,253
Pooled Property	85,821	-	(437)	0	(4,066)	81,318
Private Debt	81,161	11,350	(8,072)	93	19	84,551
<b>Total</b>	<b>251,491</b>	<b>37,272</b>	<b>(11,090)</b>	<b>647</b>	<b>(2,198)</b>	<b>276,122</b>

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

There were no transfers between levels



## 16 Financial Instruments

### (a) Classification of financial instruments

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

31 March 2023				31 March 2024		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost		Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£000	£000	£000		£000	£000	£000
			<b>Financial Assets</b>			
150	-	-	Long Term Investments	150	-	-
351	-	-	Bonds -Fixed Interest Securities	-	-	-
26,737	-	-	Bonds - Index linked securities	23,819	-	-
1,575	-	-	Derivative contracts	334	-	-
671,180	-	-	Pooled investment Vehicles	733,167	-	-
81,161	-	-	Private Debt	84,551	-	-
85,821	-	-	Property	81,318	-	-
	12,211	-	Cash	-	47,099	-
-	433	-	Other Investment Balances	-	89	-
-	16,156	-	Debtors	-	99	-
<b>866,975</b>	<b>28,800</b>	<b>0</b>	<b>Financial Assets Total</b>	<b>923,339</b>	<b>47,287</b>	<b>0</b>
			<b>Financial Liabilities</b>			
-	-	(248)	Other Investment Balances	-	-	-
(24)	-	-	Derivative contracts	(449)	-	-
-	-	(410)	Creditors	-	-	(1,008)
<b>(24)</b>	<b>0</b>	<b>(658)</b>	<b>Financial Liabilities Total</b>	<b>(449)</b>	<b>0</b>	<b>(1,008)</b>
<b>866,951</b>	<b>28,800</b>	<b>(658)</b>	<b>Grand total</b>	<b>922,890</b>	<b>47,287</b>	<b>(1,008)</b>
	<b>895,093</b>				<b>969,169</b>	

### (b) Net Gains and Losses on Financial Instruments

2022/23 £000		2023/24 £000
	<b>Financial assets</b>	
(44,577)	Fair value through profit and loss	53,525
<b>(44,577)</b>	<b>Total</b>	<b>53,525</b>

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

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## 17 Nature and Extent of Risks Arising from Financial Instruments

### **Risk and Risk Management**

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

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

### **(a) Market Risk**

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

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

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

### **Other Price Risk**

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

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

### **Other Price Risk – Sensitivity Analysis**

Following analysis of historical data and expected investment return movements during the financial year, in consultation with Pensions & Investments Research Consultants (PIRC), it has been determined that the following movements in market price risk are reasonably possible for 2023/24, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	Value as at 31 March 2024 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Pooled Equities	623,064	12.49	700,885	545,244
Total Bonds	23,819	5.65	25,164	22,473
Pooled Overseas Unit Trusts	194,804	6.99	208,421	181,187
Pooled Property	81,318	7.19	87,164	75,471
Cash	22,796	0.85	22,990	22,602
<b>Total</b>	<b>945,800</b>		<b>1,044,624</b>	<b>846,977</b>

Asset Type	Value as at 31 March 2023 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Pooled Equities	520,353	14.40	595,284	445,422
Total Bonds	27,087	6.20	28,767	25,408
Pooled Overseas Unit Trusts	165,670	7.30	177,764	153,576
Global Pooled inc.UK	66,469	6.10	70,523	62,414
Pooled Property	85,821	7.00	91,828	79,813
Cash	13,802	0.50	13,871	13,733
<b>Total</b>	<b>879,202</b>		<b>978</b>	<b>780</b>

#### Interest Rate Risk

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

#### Interest Rate Risk Sensitivity Analysis

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

#### Assets exposed to Interest Rate Risk

Assets exposed to interest rate risk	Asset Values as at 31 March 2023 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on Decrease £000
Bond Securities	23,819	238	24,057	23,581
Cash and Cash Equivalents	22,822	228	23,050	22,594
Cash Balances	24,276	243	24,519	24,034
<b>Total Change in Asset Value</b>	<b>70,917</b>	<b>709</b>	<b>71,626</b>	<b>70,208</b>

Assets exposed to interest rate risk	Asset Values as at 31 March 2023 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on Decrease £000
Bond Securities	27,087	271	27,358	26,816
Cash and Cash Equivalents	13,802	138	13,940	13,664
Cash Balances	16,201	162	16,363	16,039
<b>Total Change in Asset Value</b>	<b>57,090</b>	<b>571</b>	<b>57,661</b>	<b>56,519</b>

### Currency Risk

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

Following analysis of historical data in consultation with PIRC, it has been determined that a likely volatility associated with foreign exchange rate movements is 6.90% over a rolling 36 month period.

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

A 5.55% strengthening and weakening of the pound against the various currencies in which the Fund holds investments would increase or decrease the net assets available to pay benefits as follows:

### Currency Risk – Sensitivity Analysis

Assets exposed to currency risk	Asset Values as at 31 March 2024 £000	Potential Market movement 5.55%	Value on increase £000	Value on Decrease £000
Overseas Pooled	45,283	2,491	47,774	42,793
Overseas Cash	519	29	547	490
<b>Total change in assets available to pay</b>	<b>45,802</b>	<b>2,519</b>	<b>48,321</b>	<b>43,283</b>

Assets exposed to currency risk	Asset Values as at 31 March 2023 £000	Potential Market movement 6.30%	Value on increase £000	Value on Decrease £000
Overseas Pooled	145,046	9,138	154,184	135,908
Overseas Cash	5,366	338	5,704	5,028
<b>Total change in assets available to pay</b>	<b>150,412</b>	<b>9,476</b>	<b>159,888</b>	<b>140,936</b>

### (b) Credit Risk

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

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

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

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

#### **(c) Liquidity Risk**

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

The Fund's cash holding under its treasury management arrangements as at 31 March 2024 was £24.163m (31 March 2023 £16.056m). The Fund has immediate access to its cash holdings that are invested by the Authority and periodic cash flow forecasts are prepared to manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund's cash management policy and in line with the Fund's investment strategy holds assets that are considered readily realised.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2024 the value of liquid assets was £670m, which represented 69% of the total Fund (31 March 2023 £644m, which represented 72% of the total fund assets).

#### **(d) Refinancing Risk**

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

## 18 Funding Arrangements

### Actuarial Statement for 2023/24

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

### Description of Funding Policy

The Funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS) dated April 2023. In summary, the key funding principles are as follows:

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

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

### Funding Position as at the last formal funding valuation

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

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

### Principal Actuarial Assumptions and Method used to value the liabilities

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

#### Method

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

#### Assumptions

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

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

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

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

	<b>Males</b>	<b>Females</b>
Current Pensioners	21.7 years	24.3 years
Future Pensioners*	22.6 years	25.8 years

\* Aged 45 at the 2022 Valuation

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

#### **Experience over the period since 31 March 2022**

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position as at 31 March 2024 is stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025.

## 19 Actuarial Present Value of Promised Retirements

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

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

31 March 2023	Year Ended	31 March 2024
£m		£m
1,053	Present Value of Promised Retirement Benefits	1,074
896	Fair Value of Scheme assets (bid Value)	969
<b>157</b>	<b>Net Liability</b>	<b>105</b>

The promised retirement's benefits at 31 March 2024 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the classes of members may not be reliable. However the actuary is satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

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

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

### Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2024 and 31 March 2023. It is estimated that the impact of the change in financial assumptions to 31 March 2024 is to decrease the actuarial present value by £46m. It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £7m.

### Financial assumptions

The actuary's recommended financial assumptions are summarised below:

31 March 2023	Year Ended (% p.a)	31 March 2024
% p.a.		% p.a.
3.00	Pension Increase Rate (CPI)	2.80
3.70	Salary Increase Rate	3.50
4.75	Discount Rate	4.80



## 20 Current Assets

2022/23 £000		2023/24 £000
57	Contributions due - employers	70
218	Contributions due - employees	261
145	Pension Fund Bank Account Balances	113
386	Sundry Debtors	0
16,056	Cash deposit with LB Havering	24,163
100	Receivables control account	99
<b>16,962</b>	<b>Current Assets</b>	<b>24,706</b>

## 21 Current Liabilities

2022/23 £000		2023/24 £000
(33)	Benefits Payable	(447)
(224)	Sundry Creditors	(270)
(155)	Holding Accounts	(293)
<b>(412)</b>	<b>Current Liabilities</b>	<b>(1,010)</b>

## 22 Additional Voluntary Contributions

Contributions Paid 2022/23 £000	Market Value 2022/23 £000	AVC Provider	Market Value 2023/24 £000	Contributions Paid 2023/24 £000
30	749	Prudential	807	47
0	88	Standard Life	97	0

### 23 Agency Services

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

2022/23 £000		2023/24 £000
1,260	Payments on behalf of Havering Council	1,330

### 24 Related Party Transactions

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

The Fund is administered by the London Borough of Havering. During the reporting period, the council incurred costs of £1.077m (2022/23 £0.946m) in relation to the administration and management of the fund and was reimbursed by the Fund for these expenses.

As the largest employer in the Fund, the Authority contributed in 2023/24 £33.396 (2022/23 £37.434m) to the Pension Fund in respect of employer's contributions. All monies owing to the Fund were paid in year.

Part of the Pension Fund internal cash holdings are invested on the money markets by the treasury management operations of London Borough of Havering, through a service level agreement. As at 31 March 2024 cash holdings totalled £24,163 (2022/23 £16,056m), earning interest over the year of £0.989m (2022/23 £0.226m).

The Fund is a minority shareholder in the London CIV Pool limited, and shares valued at £0.150m at 31 March 2024 (2022/23 £0.150m) are included as long term investments in the net asset statement. A mixed portfolio of pension fund investments is managed by the London CIV as shown in Note 13b. During 2023/24 a total of £1.578m was charged to the Fund by the London CIV in respect of investment management services (2022/23 £1.954m).

#### Governance

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

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

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

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

The members of the Pensions Committee do not receive fees in relation to their specific responsibilities as members of the Pensions Committee.

The members of the Local Pension Board receive an attendance allowance for each meeting and these costs are included within Note 12.

## 24a Key Management Personnel

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

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

## 25 Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2024 were £50.24m. (31 March 2023 £75.50m). These commitments relate to outstanding capital call payments due on unquoted limited partnership funds held in Private Debt and Infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing.

Four admitted bodies in the Pension Fund hold insurance bonds or guarantees in place to guard against the possibility of being unable to meet their pension obligations. These bonds total £1.4m and are drawn down in favour of the Pension Fund. Payment will only be triggered in the event of employer default.

Seven admitted bodies, which are subject to pending legal agreements, will hold bonds or guarantees totalling £1.75m.

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