

UNAUDITED

Havering Pension Fund Annual Report March 2024



Pensions Regulator Registration Number: 10027841



Table of Contents

Overall Fund Management	- 2 -
Scheme Management and Advisors.....	- 2 -
Chair's Introduction	- 4 -
Risk Management	- 5 -
Governance and Training	- 9 -
Financial Performance	- 15 -
Fund Account, Net Asset Statement and Notes	- 21 -
Investments and Funding	- 57 -
Asset Pool.....	- 68 -
Administration	- 73 -
Scheme Administration Report.....	- 78 -
Actuarial Statement	- 88 -
External Audit Opinion	- 91 -
Appendices	- 92 -
Further Reading	- 93 -
Other useful contacts:	- 93 -
Glossary.....	- 94 -

Overall Fund Management

Day to day management of the Fund is delegated to the authority's statutory section 151 officer.

The Pensions and Treasury team within Finance ensures that members of the Committee receive advice on investment strategy and monitoring of the investment managers. The team also reviews management arrangements and other issues as appropriate, as well as accounting for the activities of the Fund.

The Local Pension Partnership Administration (LPPA) are the main contact point for all member and employer scheme queries, employees who wish to join the scheme and for advice on procedures or complaints.

Scheme Management and Advisors

Senior Officers Responsible for the Fund

Andrew Blake-Herbert	Chief Executive
Kathy Freeman	Strategic Director of Resources / Section 151 Officer
Sarah Bryant	Director of Exchequer & Transactional Services
Debbie Ford	Pension Fund Manager (Finance)

Asset Pool for the Fund

Manager	Mandates	Website
London Collective Investment Vehicle (LCIV)	<ul style="list-style-type: none"> Absolute Return Fund Global Alpha Paris Aligned Fund Global Bond Fund Passive Equity Progressive Paris Aligned Fund (PEPPA) Renewable Energy Fund 	Londonciv.org.uk

Investment Managers used by the Fund

Equity		
Manager	Mandate	Website
Legal & General Investment Management (LGIM)	<ul style="list-style-type: none"> Future World Fund Emerging Markets Fund Global Equity Fund 	LGIM.com
CBRE	Global Property	CBRE.com
JP Morgan	Infrastructure	JPMorgan.com
Stafford Capital	Infrastructure	StaffordCP.com
UBS	UK Property	UBS.com
Churchill Asset Management	Private Debt	ChurchillAM.com
Permira Credit Solutions	Private Debt	Permira.com
Royal London Asset Management	Index Linked Bonds Multi Asset Credit	RLAM.com
Russell Investments	Currency Risk Management	RussellInvestments.com

Other Service Providers

Other organisations providing services to the Fund		
Service	Provider	Website
Actuary	Hymans Robertson LLP	Hymans.co.uk
AVC Providers	<ul style="list-style-type: none">PrudentialStandard Life	PrudentialPLC.com StandardLife.co.uk
Bankers	National Westminster Bank PLC	Natwest.com
Custodian and Performance Measurement	Northern Trust	NorthernTrust.com
External Auditors	Ernst and Young LLP	EY.com
Investment Advisers	Hymans Robertson LLP	Hymans.co.uk
Performance Measurement	<ul style="list-style-type: none">Pensions & Investment Research Consultants Limited (PIRC)	PIRC.co.uk
Scheme Administrator	Local Pension Partnership Administration (LPPA)	LPPApensions.co.uk

Chair's Introduction

As Chair of the Pension Committee, I am pleased to present the 2023/24 Pension Fund Annual Report, highlighting our activities and achievements over the past year.

As today's stewards the Havering Pension Fund ("the Fund"), my colleagues on the Pensions Committee, the members of our Local Pension Board and the Fund Officers take their responsibilities to all stakeholders very seriously. This includes 21,649 scheme members and 59 active employers, ensuring that the scheme is locally administered effectively and efficiently on their behalf.

The Fund's net asset value rose to £969m, an increase of 8.2% from the 2022/23. Our long-term investment strategy continues to outperform the strategic benchmark, with annual returns of 7.38%, 2.69% over three and 5.89% over five years. The interim valuation carried out in September 2023 showed an improved funding level, increasing from 80% to 106%.

We have made significant strides in addressing climate risks, adopting a net zero target by 2050 and progressing our [Climate Risk Policy and Action Plan](#). Our commitment to sustainability is reflected in the Fund [actuary's valuation](#).

The Fund continues to have a close relationship with its asset pool, the London CIV. The Fund has already pooled £572m (60%) of its assets, and the London CIV has reported that Havering achieved a net saving of £0.57m in 2023/24 from enjoying the economies of scale of pooling.

The Fund continues to fund its private market mandates in accordance with agreed commitments.

The Committee will continue to deliver the work plan as set out in the [2024/27 Business Plan](#). The Business Plan outlines the work undertaken by the Committee during 2023/24 and the plan of work for the forthcoming three years. The Business Plan is reviewed and updated annually. Any training and development undertaken is shown in the 2024/27 Business Plan. Also included within this report is an overview of the activities of the Pension Administration Team.

My committee colleagues and I remain resolute in our determination to recruit new members, especially in those groups that are under-represented, invest responsibly, and provide excellent value for council tax payers, employers, and other stakeholders of the Fund.

I trust that this report is both clear and informative to Fund members and the general public.



Cllr Mandy Anderson
Chair of the Pensions Committee

Risk Management

The Administering Authority's policy on risk is to identify and mitigate risks to the Fund both in aggregate and at an individual level. Risks are identified and assessed in line with the Authority's risk management process and are documented within Service Plans.

Longevity in Committee membership is encouraged to maintain expertise. The Authority recommends that membership remains static for the elected member's term of office to ensure they are fully trained in pension matters, unless exceptional circumstances necessitate a change. Elected members are governed by the administering authority's code of conduct, which includes a process for declaring conflicts of interest.

Risk is also identified and managed within the following regularly reviewed statutory documents:

- [Risk register](#)
- [Funding strategy statement](#)
- [Investment strategy statement](#)
- [Governance compliance statement](#), and

Risk Register

The Risk Register identifies the key risks that the Pension Fund may face and the measures in place to mitigate those risks.

Seven key risks have been identified and recorded in the Risk Register, summarised as follows:

- Inaccurate three yearly actuarial valuations, resulting in insufficient funding to meet liabilities
- Incorrect or inappropriate Investment Strategy, leading to failure to meet strategic objectives by not reducing pension deficit
- Failure of investments to perform in line with growth expectations, resulting in potential financial loss
- Failure to comply with legislative requirements, damaging the Authority's reputation and leading to potential litigation
- Inability to manage the Pension Fund and associated services, negatively impacting service provision
- Failure to on board or exit employers/members, impacting cash flow and leading to possible litigation
- Pension Fund Payment Fraud, damaging the Authority's reputation and leading to potential financial loss

It should be recognised that it may not be possible to eliminate all risks but accepting and actively managing risk is crucial to the proper governance of the Fund.

The Risk Register is a 'live' document and therefore all risks are continually reviewed to ensure they remain relevant and that controls are in place to manage risks where feasible. The Risk Register is a standing item on the Local Pensions Board (LPB) agenda for consideration and the LPB make recommendations to the Pensions Committee for inclusion updates.

This updated Risk Register was agreed by the Pensions Committee at its meeting on the 7 November 2023.

Risk can be classified as having two measurements that need to be assessed to determine the scale of the risk:

- Likelihood – the possibility that a risk will occur
- Impact – the consequences if the risk were to occur

There are several actions identified to enhance mitigations, aiming to reduce the likelihood, impact, and overall risk score.

The benefits of successful risk management include improved financial performance, better service delivery, and enhanced Fund governance and compliance.

Investment Risk

The Fund utilises the services of an external Investment Adviser (Hymans Robertson) for advice on investment matters. The adviser attends quarterly committee meetings where investment performance is reported for the Fund and each individual fund manager.

The Fund Accounts discuss several risks that can affect the value of invested assets, including:

- **Price Risk:** The risk that the value of investments will fluctuate due to changes in market prices.
- **Currency Risk:** The risk that the value of investments will be affected by changes in exchange rates.
- **Interest Rate Risk:** The risk that the value of investments will change due to variations in interest rates.

Fund Managers including the London CIV Asset Pool

As a risk management tool, assurance is sought from the fund managers regarding their internal controls by reviewing their audited assurance reports, any exceptions highlighted by the auditor are evaluated by officers.

Governance Risk

The Fund utilises the services of an external Actuary (Hymans Robertson) to provide advice on setting employer contribution rates and bond rates. This helps mitigate the risk of the Fund not receiving the appropriate income and financial protections.

Relationship with the Local Authority

The Fund recognises that certain risks arise from its relationship with the administering authority, particularly where reliance is placed on shared policies and resources. To manage these risks, the Fund:

- **Risk Assessments:** Performs risk assessments to identify potential issues arising from shared arrangements and implements mitigation strategies.
- **Training and Awareness:** Ensures that all staff are aware of the shared policies and resources and are trained to manage any associated risks effectively.
- **Contingency Planning:** Develops contingency plans to address any disruptions in shared services or resources, ensuring continuity of operations.

Cyber Risk

LPPA, as scheme administrator, takes data security very seriously and understands the need to protect members' details. LPPA holds a current Cyber Essentials Certificate and conducts regular penetration testing with a CREST-accredited company. Any identified vulnerabilities are promptly remedied.

Benefits Administration Risks

The primary risks related to benefits administration involve the obligations to:

- Maintain accurate records;
- Pay benefits accurately and on time;
- Provide accurate and timely information on pensions

Key risk areas include non-payment or late payment of members' benefits, incorrect calculation of benefits, breaches of Data Protection, and failure to comply with Disclosure of Information requirements. Fraud is another significant risk, managed in part through participation in the National Fraud Initiative (NFI).

Pension scams are an increasing concern. The Pensions Regulator has issued revised guidance encouraging all pension funds to sign the Pledge to Combat Pension Scams. LPPA has signed this pledge and sends appropriate communications to all members requesting a transfer quote.

The potential impacts of these risks include statutory fines, loss of reputation, adverse publicity, and increased audit fees.

Third Party Risk

Includes late payment of contributions and provision of data by scheme employers and overall performance by scheme employers. To mitigate the risks officers perform monthly monitoring of contributions and data provided by employers.

Internal Audit Assurances

The pension administration service has been delegated to Lancashire County Council (LCC) who have engaged the Local Pension Partnership Administration (LPPA) to manage pension administration.

The Council relies on LPPA to provide assurances that risks are being adequately managed. In October 2023, Havering received the annual internal control assurance report 2022/23 confirming that LPPA delivers services in compliance with the Pension Regulator General Code of Practice and public sector pension's legislation.

Several audits were undertaken by both LPPA's risk and compliance team and their internal auditors. Key business activities were reviewed and several exceptions were identified for which LPPA have an improvement plan in place to address. Details on risks mitigation are included in the [Risk register](#).

Business Continuity Plan

Services develop and maintain Business Continuity Plans (BCPs) to address disaster recovery and include contingency measures. The Exchequer & Transactional Services BCP, which supports pension payment services, identifies critical activities whose failure would result in an unacceptable loss of service and outlines measures to minimise risk and disruption.

LPPA provides services to multiple clients who expect well-planned and tested business continuity arrangements. All BCPs require LPPA to inform customers whenever a specific response plan is activated.

The primary aim of BCP arrangements is to minimise disruption to the Pension Service during incidents that interrupt normal service delivery. To achieve this, LPPA conducts business impact analyses, assesses the likelihood and impact of failures, and utilises specific or generic plans to manage critical failures. LPPA collaborates closely with suppliers to ensure their business continuity processes support the organisation in the event of a failure.

The Business Continuity Team comprises key staff who understand all aspects of the business, have decision-making authority, and fully grasp customers' needs and expectations.

All staff are briefed on business continuity arrangements, can be contacted at any time, and are equipped to work remotely.

Governance and Training

Governance Arrangements

The Committee is responsible for the Fund's investment strategy and performance monitoring, with advice from the Authority, oneSource officers, the investment advisor, and, when necessary, the Fund's actuary and performance measurers.

The Pensions and Treasury team within Finance advises the Committee on investment strategy and manager monitoring, reviews management arrangements, and accounts for the Fund's activities.

The Pensions Committee, reflecting the Council's political balance, has voting members structured as follows:

Labour Group



Cllr Mandy Anderson (Chair)

Conservative Group



Cllr Joshua Chapman



Cllr Dilip Patel



Cllr Viddy Persaud

Havering Residents' Group



Cllr Jacqueline Williams



Cllr Stephanie Nunn
(Vice chair)



Cllr James Glass

Other Members

Trade Union Observer (Non-voting) – Derek Scott (Unison),

Trade Union Observer (Non-voting) – (Vacant)

Admitted/Scheduled Body Representative x 1(voting) (Vacant)

Attendance at Pensions Committee meetings

All Pensions Committee agendas and public minutes can be found on the Authority's website [Havering - Pensions Committee](#)

The Committee requires 3 members in attendance to be quorate.

Table: Committee attendance 2023/24

Pension Committee	25/07/23	12/09/23	07/11/23	24/01/24	19/03/24
Councillor Mandy Anderson	✓	✓	✓	x	✓
Councillor Joshua Chapman	✓	x	✓	✓	✓
Councillor James Glass	✓	✓	✓	✓	✓
Council Stephanie Nunn*					V
Councillor Dilip Patel	✓	x	✓	✓	✓
Councillor Viddy Persaud	✓	✓	✓	✓	✓
Councillor Philip Ruck**	✓	x	✓	✓	
Councillor Jacqueline Williams***			✓	✓	✓
Trade Union Observer - Derek Scott	✓	x	✓	x	x
Trade union observer (vacant)					
Employer Representative (vacant)					

V Joined virtually

* Cllr Nunn joined the committee in March 2024

** Cllr Ruck left the committee in February 2024

*** Cllr Williams joined the committee in September 2024

The Functions delegated to the Pensions Committee

Pension fund

- To consider and agree the investment strategy and statement of investment principles for the pension fund and subsequently monitor and review performance.

Advisers and investment managers

- Authorise staff to invite tenders and to award contracts to actuaries, advisers and fund managers and in respect of other related investment matters.
- To appoint and review the performance of advisers and investment managers for pension fund investments.

Other Non-executive matters

- To take decisions on those matters not to be the responsibility of the Executive under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 relating to those matters concerning the Local Government Pension Scheme.

Summary of Work Undertaken by Pensions Committee in 2023/24

The interim valuation performed in September 2023 showed that the funding position has improved to 106%.

Portfolio rebalancing that took place in 23/24

- JP Morgan Infrastructure increase allocation of 1.5% (£13m)

- LCIV Renewable Infrastructure Fund (1%). No additional monetary amounts required as current committed capital will be sufficient to achieve the target
- 5% (£45m) allocation to investment grade credit assets via the LCIV Global Bond Fund.
- LCIV Diversified Growth Fund fully divested

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

The Fund paid £33m of committed capital for the Private Debt and Infrastructure mandates during the year to 31 March 2024. Leaving a balance of £50m still to be deployed.

Climate Considerations:

- July 23 - Pensions Committee agreed the Climate Policy and Action Plan, which includes the objectives set, targets to be assessed and actions that the Committee will take.
- March 2024 - Climate workshop held to discuss the climate journey so far and next steps on how to measure the progress against an ambition

Conflicts of Interest

The Fund has a detailed Conflict of Interest Policy that outlines how conflicts should be managed. This policy ensures that all members of the Pension Board are aware of their duty to act independently and uphold high ethical standards.

Members of the Pension Board are required to declare any personal or financial interests that could potentially conflict with their responsibilities. These declarations are reviewed regularly to ensure transparency.

Regular training sessions are conducted to ensure that all board members understand what constitutes a conflict of interest and how to manage it. This helps in maintaining a high level of awareness and compliance.

Any identified conflicts of interest are documented and monitored. The Fund maintains records of all declared interests and the actions taken to manage them. This information is included in annual reports to ensure accountability.

The Fund complies with the Local Government Pension Scheme Regulations and the Public Service Pensions Act, which set out legal requirements for managing conflicts of interest.

The Functions of the Local Pension Board

- Assist the Administering Authority as Scheme Manager; –
 - securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
 - securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;
 - such other matters as the scheme regulations may specify.

The Board consists of 3 Scheme employer representatives and 3 scheme member representatives. The role of Chair was filled by Andrew Frater, employer representative, until the recruitment Independent Chair, Jonathan Bunt in October 2023.

Employer representatives	Scheme Member representatives
Denise Broom - Life Academy Trust	Mark Holder
Andrew Frater – Empower Learning Academy Trust	Yasmin Ramjohn
Joanne Sladen -Hornchurch Academy Trust	Dionne Weekes

Independent Chair: Jonathan Bunt (from October 2023)

Attendance at Local Pension Board meetings:

All Local Pension Board agendas and public minutes can be found on the Authority's website [Havering - Local Pension Board](#)

Table: Local Pension Board attendance 2023/24

Board Member	25/04/23	11/07/23	19/09/23	10/10/23	21/11/23	27/02/24
Jonathon Bunt*				✓	✓	✓
Denise Broom	✓	x	x	✓	✓	✓
Andrew Frater	x	✓	✓	✓	✓	✓
Mark Holder	✓	✓	✓	✓	x	x
Yasmin Ramjohn	✓	✓	✓	✓	✓	✓
Joanne Sladen	✓	x	✓	✓	✓	✓
Dionne Weekes	✓	✓	✓	x	x	✓

* Jonathan Bunt joined the Board in October 2023

The Local Pension Board produces a separate annual report setting out the work undertaken [Havering LGPS Pension Administration](#)

The Fund adopts a [Business Plan/Report](#) on the work of the Pensions Committee which sets out the work undertaken by the Committee during 2023/24 and the plan of work for the following year and beyond. This also includes a Training and Development Plan which is linked to the Pension Fund coverage of meetings.

Knowledge and Skills Framework

The new single Code of Practice, replacing TPR Code No.14, came into force on 28 March 2024. It requires Pension Committee (PC) and Local Pension Board (LPB) members to demonstrate appropriate knowledge and understanding to perform their roles effectively.

The London Borough of Havering Pension Fund supports CIPFA's Knowledge and Skills Code and adopted the updated framework as part of the training programme. According to the Council's constitution, PC members must receive training within six months of appointment. Without it, they cannot participate in decision-making. Long-term membership is encouraged to maintain expertise, and the Council recommends keeping PC membership static for the term, barring exceptional circumstances.

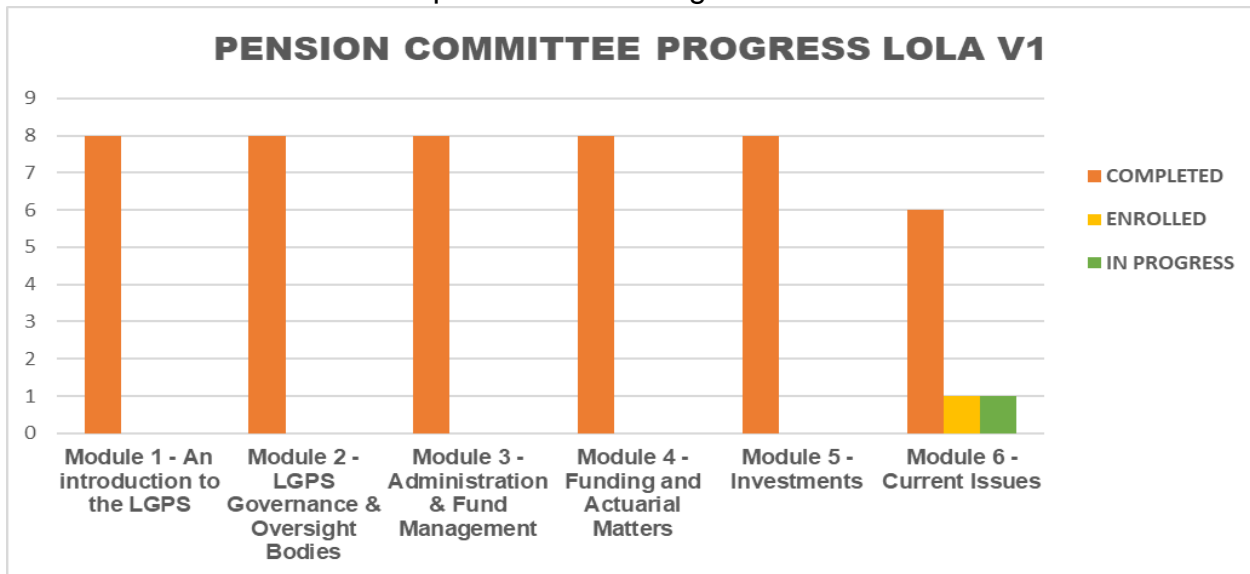
To meet MiFID II's "qualitative test," the committee must maintain expertise, experience, and knowledge. Firms assess these qualities to ensure the local authority and its pension fund committee can make informed investment decisions and understand risks before granting professional status. All election requests from existing investment service providers have been approved.

A £10,000 training budget has been agreed, subject to annual re-evaluation. Costs are met by the Pension Fund.

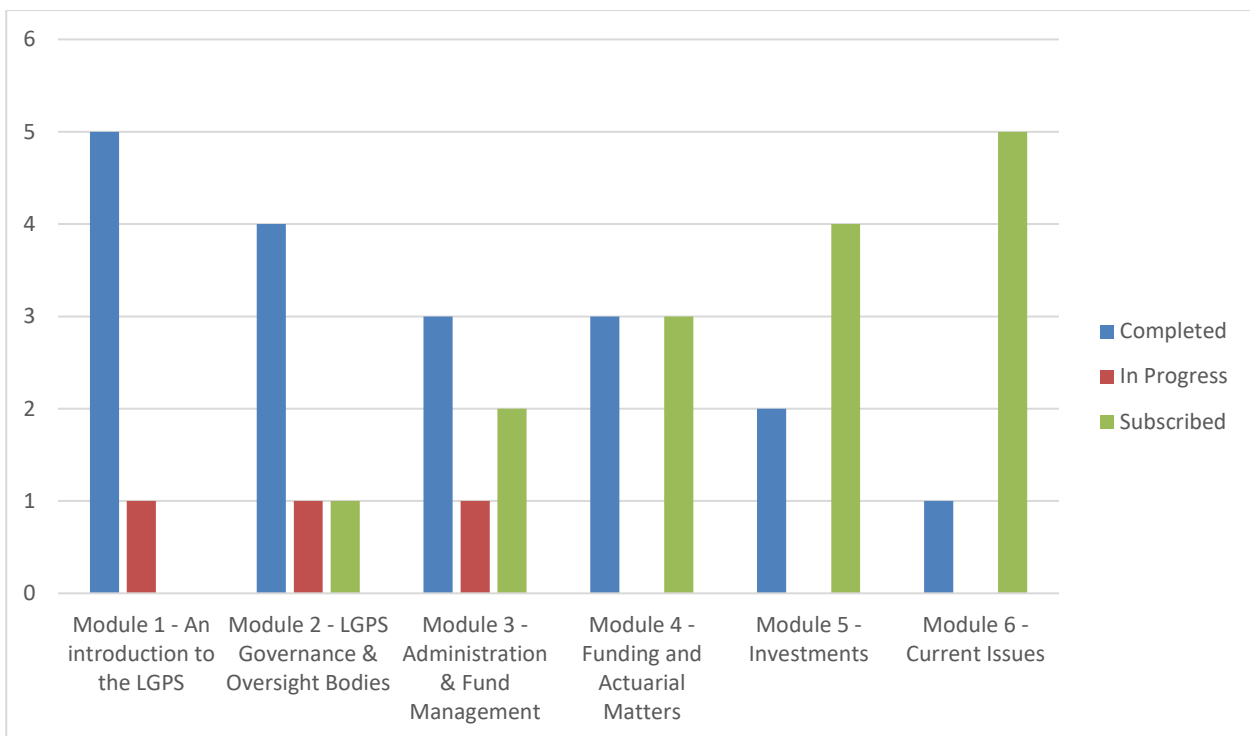
PENSION COMMITTEE TRAINING 23/24

Date	Good Governance/CIPFA Framework category		Topic	Attended By	Duration
17 Jul 2023	ALL	ALL	New member induction	Cllr Joshua Chapman	1 hour
18 Jul 2023	Governance	Investment Strategy, Pooling	LCIV AGM	Cllr Mandy Anderson Cllr Viddy Persaud	2 hours
25 Jul 2023	Governance	Management accounting	Havering Pension Fund Accounts	Cllr Mandy Anderson (Chair) Cllr Philip Ruck Cllr Viddy Persaud Cllr Dilip Patel Cllr James Glass Cllr Joshua Chapman Derek Scott (Union Rep)	30 minutes
4/5 Sep 2023	Governance / Investment	Strategy Implementation – Asset pooling	LCIV Conference	Cllr Mandy Anderson (Chair) Cllr James Glass	12 hours
12 Sep 2023	Investment	Financial markets and Products	Corporate Bonds/LCIV Global Bond Fund	Cllr Mandy Anderson (Chair) Cllr Viddy Persaud Cllr James Glass	50 minutes
17 Oct 2023	ALL	ALL	New member induction	Cllr Jacqueline Williams	1 hour
27 Mar 2024	Investment	Strategy Implementation, Risk management	Climate Policy workshop	Cllr Mandy Anderson (Chair) Cllr Jacqueline Williams	2 hours 45 minutes
Committee dates	ALL	ALL	Various – refer to published Business Plan Business Plan and Committee Report	Pensions Committee	9 hours 15 minutes

The Fund also subscribes to Hymans' LGPS Online Learning Academy. Members of the Pension Committee have completed the following modules.



Members of the Local Pension Board have completed the following modules.



NB: Module 6 – Current Issues, often returns to incomplete status due to frequent updates to 'current issues'

Financial Performance

The Pensions Committee is supported by the Administering Authority's Finance and Administration services and the associated costs are therefore reimbursed to the Administering Authority by the Fund. The costs for these services form part of the Management expenses as reported in the Pension Fund Statement of Accounts. Estimates for the medium term on Management costs, as set out in the Business Plan, follow in this report.

Pensions Administration - The Pensions Administration is provided through a delegated arrangement and is supplied by Local Pensions Partnership Administration (LPPA) which is a joint venture between Lancashire County Council and London Pensions Fund Authority.

Pensions Administration also includes a post for the Projects and Contracts Manager who monitors the pension's administration contract and ad hoc projects.

Accountancy and Investment support - The Pensions team within Finance Service supports the Pension Fund consists of an establishment of 2.4 full time equivalent posts (3 officers). They ensure that members of the committee receive advice on investment strategy and monitoring of the managers. The team also manage accounting for the activities of the Fund and other issues as appropriate.

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

Administrative Expenses

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

	2023/24 Estimate £000	2023/24 Actual £000	Variance £000	Variance %
Administration & Processing	735	806	71	10
Other Fees (Levies)	10	15	5	50
Other Costs (Interest)	30	125	95	317
TOTAL	775	946	171	22

- Administration & processing costs include the Pension Administration Contract LPPA, Project & Contract manager, payroll & legal charges and ad hoc project costs.
- Increase in interest payments due to late processing of pension payments whilst our administrator, LPPA, undertook transition of a new system and an increase in interest rates

Investment Management Expenses

Includes expenses incurred in relation to the management of Fund assets.

	2023/24 Estimate £000	2023/24 Actual £000	Variance £000	Variance %
Fund Manager Fees	4,000	3,995	-5	-0
Performance Related Fees	120	200	80	67
Transaction costs	300	361	61	20
Custodian Fees	40	28	-12	-30
Performance Measurement services	35	38	3	9
Other Investment Fees	15	0	-15	-100
TOTAL	4,520	4,622	102	2

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

Governance and Oversight

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

	2023/24 Estimate £000	2023/24 Actual £000	Variance £000	Variance %
Financial Services	220	229	9	4
Actuarial Fees	25	125	100	400
Audit Fees	60	90	30	50
Member Training (inc. LPB)	10	2	-8	-80
Advisor Fees	75	80	5	7
London CIV	120	101	-19	-16
Local Pension Board	5	7	2	40
Pensions Committee	35	38	3	9
Other Fees	5	15	10	200
TOTAL	555	687	132	24

- Actuarial Fees shown are shown gross – £65k was recharged to other scheme employer
- LCIV reflects lower fee Development Fund charges
- Audits delays have meant that some charges from earlier years were calculated and approved by the PSAA. Increases are due to increased testing to meet audit requirements

Total Management Expenses

	2023/24 Estimate £000	2023/24 Actual £000	Variance £000	Variance %
OVERALL MANAGEMENT EXPENSES TOTAL	5,850	6,255	405	7

Net inflows and outflow from dealing with members

Description	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Employee contributions	7,789	8,111	8,831	9,610
Employer contributions	39,249	40,577	43,005	40,762
Employer strain	380	424	1,275	488
Transfers in	4,896	4,204	3,029	6,321
Total Inflows	52,314	53,316	56,140	57,182
Pensions	33,371	32,880	34,423	*38,121
Commutation and Lump Sum Retirements	4,315	3,923	6,946	5,561
Lump Sum Death Benefits	1,118	748	1,161	1,014
Payments To and On Account of Leavers	**44,630	4,618	3,908	4,461
Total outflows	83,434	42,169	46,438	49,157
Net additions from dealings with members	(31,120)	11,147	9,702	8,024

* April 2024 pension increase was 10.1%

** During 2020/21 College Transfer – bulk transfer out

Per member inflow and outflow analysis

	2021/22	2022/23	2023/24
Inflows £000	53,316	56,140	57,182
Active members No #	6675	6692	7840
Inflow per active member £	7,987	8,389	7,294
Percentage change %	98%	105%	87%
	2021/22	2022/23	2023/24
Outflows £000	42,169	46,438	49,157
Pensioners and dependants No #	6548	6767	7009
Outflow per pension member £	6,440	6,862	7,013
Percentage change %	49%	107%	102%

Significant changes to non-investment assets

2022/23 £000		2023/24 £000
16,056	Cash deposit with LB Havering	24,163

The cash invested with LBH treasury increased due to a surplus generated from dealing with members.

Table: age profile of members as at 31 March 2024

Age Band	Active	Beneficiary	Deferred	Pensioner	Grand Total
6-10	-	9	-	-	9
11-15	-	8	-	-	8
16-20	75	11	4	-	90
21-25	313	3	86	-	402
26-30	430	1	264	-	695
31-35	600	-	494	-	1,094
36-40	836	5	679	-	1,520
41-45	1,153	2	787	-	1,942
46-50	1,117	9	940	7	2,073
51-55	1,247	24	1,357	31	2,659
56-60	1,137	37	1,318	326	2,818
61-65	730	55	658	956	2,399
66-70	167	74	170	1,437	1,848
71-75	33	120	39	1,251	1,443
76-80	1	146	3	1,006	1,156
81-85	1	156	1	561	719
86-90	-	133	-	341	474
91-95	-	82	-	158	240
96-100	-	21	-	33	54
101-105	-	1	-	5	6
Grand Total	7,840	897	6,800	6,112	21,649

Cash Flow Management

Effective cash flow management is crucial for administering the pension scheme, ensuring the Fund can meet its ongoing benefit payments. Working cash flows are regularly monitored and reported quarterly to the Committee.

	ACTUALS TO 31/03/2024 £000	Year to 31/03/2025 £000	Year to 31/03/2026 £000	Year to 31/03/2026 £000
Balance b/f	16,201	24,276	26,249	27,290
Benefits paid	(33,168)	(35,391)	(36,806)	(38,279)
BACS expenses*	(10,079)	(10,684)	(11,325)	(12,004)
Lump sums by faster payment	(2,659)	(2,739)	(2,821)	(2,906)
Transfers in	6,336	6,652	6,985	7,334
Contributions received**	42,018	42,858	43,715	44,590
Pension strain	858	875	893	910
Interest	989	400	400	400
Transferred LBH for treasury investment	3,781	-	-	-
Balance c/f	24,276	26,249	27,290	27,336

* BACS expenses includes grants ie lump sums made to members

** Contributions received from LBH are net of pension payroll deductions (eg HMRC)

The Fund's Actuary must report on the Fund's solvency at least every three years, assessing both the overall Fund and each employer.

Details about the financial assumptions used by the Actuary can be found within the Valuation Report 2022, which is available on the Authority's website and can be found by selecting the link to the [Havering Pension Fund](#).

Contributions to the Fund

Employees pay a tiered contribution based on actual pensionable pay between 5.5% and 12.5%, or half this rate for 50/50 section members.

Table: 2023/24 Employee contribution rates

Band	Actual Gross Pensionable Pay for an employment	Contribution Rate for that employment	
		Main Section	50/50 Section
	£	%	%
1	Up to 16,500	5.50	2.75
2	16,501 to 25,900	5.80	2.90
3	25,901 to 42,100	6.50	3.25
4	42,101 to 53,300	6.80	3.40
5	53,301 to 74,700	8.50	4.25
6	74,701 to 105,900	9.90	4.95
7	105,901 to 124,800	10.50	5.25
8	124,801 to 187,200	11.40	5.70
9	187,201 or more	12.50	6.25

Employers also pay a contribution towards the pension costs. This amount is calculated every three years following an independent actuarial evaluation by the Fund's Actuary. Employer contribution rates include payments for past service deficit.

Table: Employer contribution rates

Year	Employers Contribution Rates (% of pensionable pay)
2023/24	Range from NIL to 41%
2024/25	Range from NIL to 41%
2025/26	Range from NIL to 41%

The payment of contributions by employers with external payrolls is monitored on a monthly basis by the Havering Pensions Administration Team. The Authority receives a breakdown of individual employee and employer contributions, which is reconciled against the payments.

New employers receive instructions and written guidance for making payments and the timescales. Before joining the scheme, they are informed of the applicable employer contribution rate and the required bond level.

Employers admitted before 1 January 2024 had to purchase a bond or provide a guarantee to protect the Fund against default payments. There are currently 14 active admitted bodies in the fund. From 1 January 2024, new admissions will operate on a pass-through basis, where the letting authority retains most of the risk, eliminating the need for a bond or guarantor. Details are available in the Admissions Policy and Funding Strategy Statement on the Havering website.

Pension overpayments, recoveries, and amounts written off, including results from the biennial National Fraud Initiative, are regularly reviewed.

Table: Overpayment recovery analysis

Year debt raised	Amount of debt raised £	Debt collected £	Debt outstanding £
2017/18	11,499	7,421	4,078
2018/19	25,083	21,603	3,480
2019/20	23,608	18,125	5,474
2020/21*	26,495	9,503	16,992
2021/22**	34,915	4,237	30,678
2022/23	16,420	5,468	10,952
2023/24	23,311	12,313	10,998

* Delays in raising invoices on the new financial system, Fusion, led to a higher than expected level of outstanding debt being carried forward

** Mortality screening identified a number of pensions in payment in respect of deceased members. This led to a number of backdated overpayments where invoices have been issued to the next of kin's last known address. As these are historic cases, the contact information is sometimes out of date and recovery is proving difficult.

The [Overpayment Recovery Policy](#) allows for the automatic write-off of pension overpayments under £250 net following the death of a pensioner or dependent member, provided no ongoing dependent pension is payable.

The total debt automatically written off during 2023/24, in line with the policy, was £1,529.98 (£1,943.04 in 2023/23) covering 19 different cases (22 in 2022/23), which is an average of £80.53 per case (£88.32 in 2022/23), and falls below the expected average of £5,000 per annum.

The Authority participates in the National Fraud Initiative (NFI) to identify deceased LGPS members and unknown pension abatements. The latest NFI exercise was in September 2023. Additionally, LPPA uses the 'Tell Us Once' service, monitored daily, and conducts monthly mortality screenings.

Table: Late Contributions

Year	No of late contributions	No of employers making late contributions
2022/23	9	4
2023/24	11	6

None of the late receipts of contributions were considered to be material so no charges were applied.

The fund has a number of Administration policies, including the Charging Policy which can be found by selecting the following link: [LGPS Pension Administration | London Borough of Havering](#)

Fund Account, Net Asset Statement and Notes

2022/23 £000	FUND ACCOUNT	notes	2023/24 £000
53,111	Dealings with members, employers and others directly involved in the fund		
3,029	Contributions receivable	7	50,860
56,140	Transfers in from other pension funds	8	6,321
			57,181
(42,530)	Benefits	9	(44,696)
(3,908)	Payments to and on account of leavers	10	(4,461)
(46,438)			(49,157)
9,702	Net additions (withdrawals) from dealings with members		8,024
(5,940)	Management expenses	11	(6,130)
3,762	Net additions including fund management expenses		1,894
16,484	Returns on investments		
	Investment income	12	18,327
(44,577)	Profit and losses on disposal of investments and changes in the market value of investments	13a	53,525
(28,093)	Net returns on investments		71,852
(24,331)	Net increase/(decrease) in the net assets available for benefits during the year		73,746
920,083	Opening net assets of the Fund at start of year		895,752
895,752	Closing net assets of the Fund at end of year		969,498

2022/23 £000	NET ASSET STATEMENT	note s	2023/24 £000
150	Long Term Investments	13	150
879,324	Investment Assets	13	946,100
(272)	Investment Liabilities	13	(449)
879,202	Total net investments		945,801
16,962	Current Assets	20	24,707
(412)	Current Liabilities	21	(1,010)
895,752	Net assets of the Fund available to fund benefits at end of the reporting period		969,498

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

Notes to the Pension Fund Accounts

1. Description of the Fund

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

a. General

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

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

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

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 the 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:

31 Mar 2023		31 Mar 2024
56	Number of employers with active members	59
	Number of employees in scheme	
4,801	London Borough of Havering	5,205
1,818	Scheduled bodies	2,523
73	Admitted bodies	112
6,692	Total active members	7,840
	Number of pensioners and dependants	
6,285	London Borough of Havering	6,437
454	Scheduled bodies	534
36	Admitted bodies	38
6,775	Total pensioners and dependant members	7,009
	Deferred pensioners	
5,621	London Borough of Havering	5,564
1,093	Scheduled bodies	1,197
36	Admitted bodies	39
6,750	Total deferred members	6,800
20,217	Total number of members in pension scheme	21,649

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 <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 2023/24 "(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 rose. 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

The Fund discloses its pension fund management in accordance with the CIPFA guidance “Accounting for Local Government Pension Scheme Management Expenses (2016)”. All items of expenditure are charged to the fund on an accruals basis as follows

i Administrative Expenses

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

ii Oversight and Governance Costs

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

iii Investment Management Expenses

- 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 and the officers time spent on finance and accounting functions is included in investment management charges.

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 members 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 13a.

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 15). 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 asset statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, 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 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 retirement benefits by way of a note to the Net Assets Statement ([Note 19](#)).

n. Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential and Standard Life as their AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors.

AVC's 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 as a note only ([Note 22](#))

o. Contingent assets and contingent liabilities

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

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

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

4. Critical Judgements in Applying Accounting Policies

Pension Fund Liability

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

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

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

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account 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 significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results differ from Assumptions	Approximate monetary amount
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, mortality rates and expected returns on Fund's assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied	<p>The effects on the present value of promised retirement benefits of changes in actuarial assumptions can be significant. Changes in assumptions could have the approximate following impacts on the Fund's employer liability as follows:</p> <ul style="list-style-type: none"> • 0.1% p.a. decrease in the Real Discount rate could result in an increase of 2% • 0.1% p.a. increase in the Pension Increase Rate could result in an increase of 2% • 0.1% p.a. increase in Salary Increase Rate (CPI) could result in an increase of 0% • 1 Year increase in member life expectancy could result in a 4% increase 	<p>+/- £18m</p> <p>+/- £17m</p> <p>+/- £1m</p> <p>+/- £43m</p>
Level 3 Investments (Note 15a)	Level 3 investments can be determined by Fund Managers in accordance with guidelines and principles set out in the International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Level 3 investments total £276m, which represents 28% of the total Fund value of £969m.	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.

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.

In June 2023, the UK High Court (*Virgin Media Limited v NTL Pension Trustees II Limited*) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment is subject to appeal, and the Court of Appeal heard the arguments on 26 and 27 June 2024.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits under IAS 26, or if it can be reliably estimated. As a result the Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

7. Contributions Receivable

By category

2022/23 £000		2023/24 £000
	Employees' contributions	
	Normal:	
7,012	London Borough of Havering	7,454
1,714	Scheduled Bodies	2,003
99	Admitted Bodies	146
	Additional contributions:	
6	London Borough of Havering	7
8,831	Total Employees' Contribution	9,610
	Employers' contributions	
	Primary contributions:	
17,590	London Borough of Havering	20,088
5,625	Scheduled bodies	7,034
468	Admitted bodies	616
	Secondary contributions:	
	<i>Employer contribution to deficit</i>	
18,569	London Borough of Havering	12,821
750	Scheduled bodies	269
3	Admitted bodies	4
	<i>Employer reduction to surplus</i>	
-	Scheduled bodies	(39)
-	Admitted bodies	(31)
	Augmentation	
1,275	London Borough of Havering	488
44,280	Total Employers' Contributions	41,250
53,111	Total Contributions Receivable	50,860

By authority

2022/23 £000		2023/24 £000
44,452	London Borough of Havering	40,858
8,089	Scheduled bodies	9,267
570	Admitted Bodies	735
53,111	Total Contributions Receivable	50,860

8. Transfers in from other Pension Funds

2022/23 £000		2023/24 £000
3,029	Individual transfers	6,321
3,029	Transfers in	6,321

9. Benefits Payable

By category

2022/23 £000		2023/24 £000
	Pensions	
32,674	London Borough of Havering	36,105
1,547	Scheduled Bodies	1,787
202	Admitted Bodies	229
34,423	Pension Total	38,121
	Commutation and Lump Sum Retirements	
6,205	London Borough of Havering	4,656
560	Scheduled Bodies	895
181	Admitted Bodies	10
6,946	Commutation and Lump Sum Retirements Total	5,561
	Lump Sum Death Benefits	
985	London Borough of Havering	787
176	Scheduled Bodies	227
1,161	Lump Sum Death Benefits Total	1,014
42,530	Total Benefits Payable	44,696

By authority

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

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
3,908	Payments to and on Account of Leavers	4,461

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
5,954	Management Expenses	6,130

12. External Audit Fees

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

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 13a](#)).

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

13. Investment Management Expenses

2023/24	Management Fees £000	Performance Related Fees £000	Transaction Cost £000	2023/24 Total £000
Bonds	191	-	1	192
Diversified Growth Funds	145	-	112	257
Infrastructure	873	72	-	945
Global Equity	1,556	-	122	1,678
Other Investments				
Pooled Property	525	128	126	779
Private Debt	670	-	-	670
Derivatives – Forward Currency Contracts	35	-	-	35
	3,995	200	361	*4,556
Custody Fees				28
Performance Measurement Fees				
Total Investment Management Expenses				4,584

*Includes £1.578m charged for assets in the London CIV asset pool (£1.954m In 2022/23)

2022/23	Management Fees £000	Performance Related Fees £000	Transaction Cost £000	2022/23 Total £000
Bonds	179	-	-	179
Fixed Interest Unit Trust	18	-	-	18
Diversified Growth Funds	286	-	210	496
Infrastructure	770	-	-	770
Global Equity	1,501	-	100	1,601
Other Investments				
Pooled Property	667	121	-	788
Private Debt	657	-	-	657
Derivatives – Forward Currency Contracts	31	-	-	31
	4,109	121	310	*4,540
Custody Fees				27
Performance Measurement Fees				42
Other Investment Fees				10
Total Investment Management Expenses				4,628

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

14. Investment Income

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

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

** Fees and charges income

15. Analysis of Investments

2022/23 £000		2023/24 £000
	Investment Assets	
150	LCIV Shareholding	150
150		150
	Bonds	
351	Fixed Interest Securities*	-
26,737	Index-Linked Securities	23,819
27,088		23,819
	Pooled Investment	
60,434	Fixed Interest Unit Trust	113,102
66,469	Diversified Growth Fund**	-
84,509	Infrastructure	110,253
459,768	Global Equity	509,812
671,180		733,167
	Other Investments	
85,821	Pooled Property	81,318
81,161	Private Debt	84,551
166,982		165,869
	Derivatives – Forward Currency Contracts	
1,575	Cash deposits Managers	334
12,066	Amounts receivable for sales	22,822
362	Investment income due	-
71		89
14,074		23,245
879,474	Total Investment Assets	946,249
	Investment Liabilities	
(24)	Forward Currency Contracts	(449)
(248)	Amounts payable for purchases	-
(272)	Total Investment Liabilities	(449)
879,202	Total Net Investments	945,801

* Divested during 2022/23

** Divested during 2023/24

16. 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
	865,400	49,490	(40,390)	48,505	923,005
Derivatives – forward currency contracts	1,551	6,042	(12,873)	5,165	(115)
	866,951	55,532	(53,263)	53,670	922,890
Other Investment Balances:					
Cash Deposits (fund managers)	12,066			(148)	22,822
Investment income due	185			-	89
Spot FX	-			3	-
	879,202			53,525	945,801

	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
	890,042	105,048	(90,823)	(38,867)	865,400
Derivatives – forward currency contracts	(2,168)	21,804	(12,431)	(5,654)	1,551
	887,874	126,852	(103,254)	(44,521)	866,951
Other Investment Balances:					
Cash Deposits (fund managers)	16,985			(56)	12,066
Investment income due	361				185
	905,220			(44,577)	879,202

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 13a](#) 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:

17. Investments analysed by Fund Manager

Value 31 March 2023		Manager	Mandate	Value 31 March 2024	
£000	%			£000	%
Investments managed by London CIV asset Pool:					
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
373,306	42.46			383,482	40.54
PLUS Investments aligned with London CIV asset pool:					
164,266	18.68	Legal & General Investment Management (LGIM)	Passive Global Equities/ Emerging Markets/Future World	188,073	19.89
537,572	61.14	London CIV Total		571,556	60.43
Investments managed outside of the London CIV asset Pool:					
60,434	6.87	Royal London Multi Asset Credit Pooled Fund	Fixed Interest Unit Trust	65,787	6.96

Value 31 March 2023		Manager	Mandate	Value 31 March 2024	
£000	%			£000	%
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
341,630	38.86			374,245	39.57
879,202	100.00	Total Fund		945,801	100.00

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
603,956	68.69	Total Fund	594,840	62.89

18. Stock Lending

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

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

All income arising from stock lending less the custodian/administrator's costs are credited to the funds lending the stocks. LGIM does not receive any revenue from the stock lending. As at 31 March 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.

19. 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)
Open forward currency contracts at 31 March 2024					334	(449)
Net forward currency contracts at 31 March 2024						(115)
Open forward currency contracts at 31 March 2023					1,575	(24)
Net forward currency contracts at 31 March 2023						1,551

20. 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	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

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
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 rent growth
Overseas Pooled instruments property funds (CBRE)	Level 3	The valuation function is performed by the Alternative Investment Fund Manager (AIFM) in accordance with the AIFMD	A Pricing Committee, composed of senior members of the AIFM, is in place, who meet quarterly and is responsible for overseeing proposed adjustments to the value of investments	Valuations could be affected by significant differences in rental value and rental growth. There may be a timing difference between the date of the last reported underlying property valuation and the date of the Funds financial statements, during which the underlying property valuation may have increased or decreased by a significant amount
Overseas Pooled instruments Infrastructure Funds (JP Morgan)	Level 3	Estimated fair values are determined by the Advisor at valuation date and independently appraised on a quarterly basis.	Three valuation techniques can be used, the market, income or cost approach. For this fund, Income approach was used based on Unobservable input of Discount/WAAC rate and Exit EBITDA Multiples.	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 Funds (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 Funds (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 on the valuations. 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 Renewable Infrastructure (LCIV)	Level 3	Fair Values are calculated in whole or in part using techniques based in assumptions using IA SORP	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant on the valuations. 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.

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 £000	Value on increase £000	Value on decrease £000
Private Debt	6.99	84,551	90,461	78,641
Pooled Property	7.19	81,318	87,164	75,471
Infrastructure	5.71	110,252	116,548	103,957

	Assessed valuation range (+/-) %	Value at 31 March 2023 £000	Value on increase £000	Value on decrease £000
Pooled Property Funds	7.00	85,821	91,828	79,814
Pooled unit Trusts	7.30	165,670	177,764	153,576

21. 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.

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

Values at 31 March 2023	Quoted Market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	192,162	435,821	251,491	879,474
Financial liabilities at amortised cost	-	(272)	-	(272)
Net Financial Assets	192,162	435,549	251,491	879,202

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

22. Reconciliation of Fair Value Measurement within Level 3

	Market Value 31 March 2023	Purchases	Sales	Unrealised gains / losses	Realised gains / losses	Market Value 31 March 2024
	£000	£000	£000	£000	£000	£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
Total	251,491	37,272	(11,090)	647	(2,198)	276,122

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.

23. Financial Instruments

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 Mar 2023				31 Mar 2024		
Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
			Financial Assets			
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	-
866,975	28,800	-	Financial Assets Total	923,339	47,287	0
			Financial Liabilities			
-	-	(248)	Other Investment Balances	-	-	-
(24)	-	-	Derivative contracts	(449)	-	-
-	-	(411)	Creditors	-	-	(1,008)
(24)	-	(411)	Financial Liabilities Total	(449)	0	(1,008)
866,951	28,552	(658)	Grand total	922,890	47,287	(1,008)
920,083				969,169		

Net Gains and Losses on Financial Instruments

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

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

24. 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 Authority 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 investing return.

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

b) Other Price Risk

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

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

c) 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 the 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
Total	945,801		1,044,624	846,977

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
Total	879,202		978,037	780,366

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.

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.

Interest Rate Risk Sensitivity Analysis

Assets exposed to interest rate risk	Asset Values as at 31 March 2024 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on Decrease £000
Bond Securities	23,819	238	24,057	23,581
Cash and Cash Equivalents	22,822	228	23,050	22,594
Cash Balances	24,276	243	24,519	24,034
Total Change in Asset Value	70,917	709	71,626	70,208

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
Total Change in Asset Value	57,090	571	57,661	56,519

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	162,561	9,022	171,583	153,539
Overseas Cash	13,333	740	14,073	12,593
Total change in assets available to pay benefits	175,894	9,762	185,656	166,132

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
Total change in assets available to pay benefits	150,412	9,476	159,888	140,936

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.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension 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).

Refinancing Risk

The key risk is that the Authority 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.

25. 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:

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

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

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

* Aged 45 at the 2022 Valuation

Copies of the 2022 valuation report and Funding Strategy Statement 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.

26. 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 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 £m	Year Ended	31 March 2024 £m
1,053	Present Value of Promised Retirement Benefits	1,074
896	Fair Value of Scheme assets (bid value)	969
157	Net Liability	105

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

Demographic assumptions

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

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.2 years	23.9 years
Future Pensioners	22.1 years	25.3 years

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions at 31 March 2024	Approximate increase to promised retirement benefits %	Approximate monetary amount £m
0.1% p.a. decrease in the Real Discount Rate	2	18
1 year increase in member life expectancy	4	43
0.1% p.a. increase in the Salary Increase Rate	0	1
0.1% p.a. increase in the Pension Increase Rate (CPI)	2	17

Professional notes

These notes accompany the covering report titled 'Actuarial Valuation as at 31 March 2024, which identifies the appropriate reliance and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

27. Current Assets

2022/23 £000		2023/24 £000
57	Contributions due from employers	70
218	Contributions due from employees	261
145	Pension Fund Bank Account Balances	113
386	Sundry Debtors	0
16,056	Cash deposit with LB Havering	24,163
100	Holding Accounts	99
16,962	Current Assets	24,707

28. Current Liabilities

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

29. 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

30. Agency Services

The Fund pays discretionary awards to the former employees of Havering. The amounts paid are fully reclaimed from the employer bodies.

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

31. 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 £33.396m (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 £24.163m (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 Pension Fund 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 Pension 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 11](#).

32. 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 member's 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.

33. 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.

Following the Freedom and Choice provisions announced in the 2014 Budget, the Pension Fund has seen some enquiries from members about transferring benefits out of the LGPS. There are potential liabilities of £0.003m (2022/23 £0.003m) in respect of individuals transferring out of the Pension Fund upon whom the Fund is awaiting final decisions. Information is not available which shows how much of this is attributable to Freedom and Choice provisions.

Three admitted bodies in the Pension Fund hold insurance bonds or guarantees in place to guard against the possibility of being unable to meet their pension obligations. These bonds total £2.757m and are drawn down in favour of the Pension Fund. Payment will only be triggered in the event of employer default.

Three admitted bodies, which are subject to pending legal agreements, will hold bonds or guarantees totalling £1.066m.

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.

Investments and Funding

Investment Policy

The Pensions Committee directs the Fund's Investment Strategy and oversees investment arrangements, publishing policies on various investment matters.

The Investment Strategy Statement (ISS) outlines the London Borough of Havering's investment policies for the Fund. The primary objective is to invest assets to secure member benefits under the Local Government Pension Scheme. The Fund's investment approach aims to:

- Optimise returns with prudent risk levels;
- Ensure sufficient resources to meet liabilities;
- Ensure asset suitability for the Fund's needs.

The Committee has established a strategic asset allocation benchmark to balance long-term returns with market volatility and risk, considering the Fund's liabilities and maturity profile. This strategy aligns with the Fund Actuary's view that the current funding policy is consistent with the investment strategy, incorporating prudent assumptions for future returns.

The Fund's funding position and investment strategy are reviewed triennially or as needed, following actuarial valuations. The Committee's Statement of Investment Beliefs, integrated into the ISS, enhances governance by providing a framework for investment decisions and guiding the ISS.

Responsible Investment

Investment Beliefs:

The Fund's investment beliefs emphasise sustainable and responsible investment practices. These beliefs guide the selection and monitoring of investment managers and strategies, ensuring alignment with long-term goals and ESG principles.

The Fund has integrated responsible investing into its strategy, focusing on Environmental, Social, and Governance (ESG) considerations. Here are the key elements and policies:

[Investment Strategy Statement \(ISS\)](#): This document details the Fund's commitment to integrating environmental, social, and governance (ESG) factors into its investment decisions. The ISS emphasizes the importance of responsible investment to manage risks and generate sustainable, long-term returns.

[Funding Strategy Statement \(FSS\)](#): The FSS aligns with the investment strategy, ensuring that future investment returns are set with a margin for prudence. This approach supports the regulatory requirement for funds to take a prudent, long-term view of funding liabilities.

[Climate Risk Policy and Action Plan](#): This document explains the Fund's commitment to achieving net-zero carbon emission by 2050.

[Taskforce for Climate-Related Financial Disclosures \(TCFD\)](#): The Fund has adopted the TCFD framework to enhance transparency by not only addressing climate-related financial

risks but also supports broader ESG goals, contributing to sustainable and responsible investment practices

Compliance with Investment Principles and Codes of Practice

The Committee has taken several actions to ensure compliance with established investment principles and relevant codes of practice:

[Investment Strategy Statement \(ISS\)](#): The Committee has developed and regularly updates its ISS, which outlines the investment strategy, objectives, and policies. This document serves as a cornerstone for the Fund's governance and investment decisions.

[Climate Risk Policy and Action Plan](#): Climate risks are systematically integrated into the investment strategy. This includes assessing potential impacts and adjusting the portfolio to mitigate these risks.

Stewardship and Engagement: The Fund actively engages with investment managers and companies to promote responsible business practices. Although not a signatory of the UK Stewardship Code, the Fund monitors signatories and collaborates with industry initiatives to enhance stewardship efforts.

Collaborations: The Fund collaborates with various partners and industry leaders, such as the London Collective Investment Vehicle (LCIV) and Pensions for Purpose, to achieve common ESG goals and promote best practices in responsible investing.

Regular Monitoring and Reporting: The Fund conducts regular reviews of its investment performance. This ensures that the investment strategy remains aligned with the Fund's objectives.

Training and Development: Committee and Local Pension Board members receive ongoing training to stay informed about best practices and regulatory changes. This helps ensure that the Fund's governance and investment practices are up-to-date and effective.

Asset Allocation

The Committee adopted an updated Investment Strategy Statement (ISS) on 12 September 2023. You can access the agenda and meeting pack [here](#).

The table below shows the planned asset allocation and any changes in asset allocations:

Table: Strategic Asset Allocation

Asset class	Benchmark Proportion %	Maximum %	Actual Allocation at 31/03/2024
Global Equity	40.0	50.0	41.4
Multi Asset	12.5	17.5	15.6
Property	10.0	15.0	8.8
Infrastructure	12.5	17.5	11.4
Bonds & Cash	25.0	30.0	22.8
Total	100.0		100.0

Short-term performance variations in asset classes and managers may cause deviations from benchmarks.

Per the ISS, if the Fund allocation deviates by 5% or more from the strategic allocation, assets will be rebalanced to within 2.5% of the strategic allocation. In exceptional circumstances, such as market volatility or high dealing costs, the Committee may temporarily suspend rebalancing.

The underweight position in Infrastructure is due to uncalled commitments.

Investment Administration and Custody

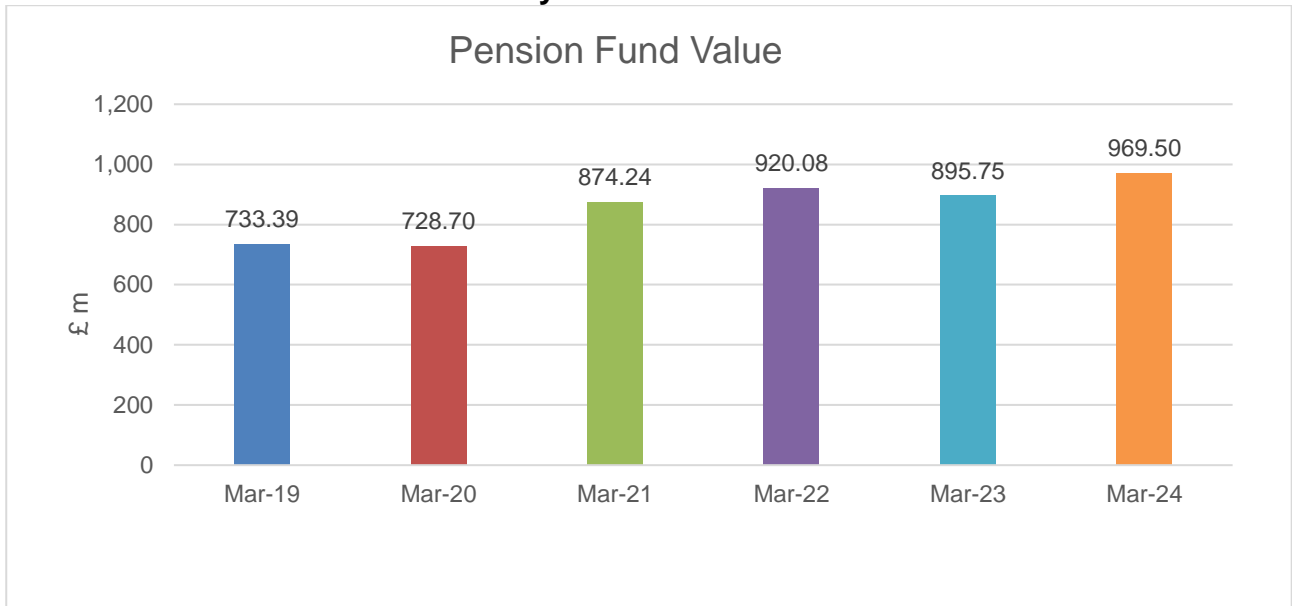
Northern Trust, the appointed custodian, is responsible for the safekeeping and custody of the Fund's assets. They provide investment accounting and reporting services, maintain accurate records and certificates of stock ownership, ensure receipt of dividend income and other distributions, and keep records of book costs and market valuations.

Fund Manager Performance is reported to the Committee quarterly. Each fund manager attends a meeting approximately every two years, based on the current number of managers and the quarterly meeting cycle. Additional meetings can be arranged if there are specific performance concerns.

Investment advisors attend Committee meetings and provide an Investment Performance Report, including market commentary.

The Fund's net assets increased to £970m in 2023/24 from £896m in 2022/23, a rise of £74m.

Chart: Fund value over the last six years:



Performance Measurement

Northern Trust provides comparative performance statistics for the Fund, measuring it against both tactical and strategic benchmarks.

Table: 2023/24 Fund Manager performance against benchmark

Fund Manager	Return (Performance) %	Benchmark %	Performance vs benchmark %
Havering Pension Fund	7.38	11.69	-4.31
Equities Passive: Passive equities BM	16.97	16.66	0.31
LGIM Emerging Markets	6.10	6.20	-0.10
LGIM Future World Fund	15.37	15.48	-0.11
LCIV Passive Equity Progressive Paris Aligned Fund	26.20	25.70	0.50
LGIM Global Equity	20.92	20.98	-0.06
Equities Active MSCI All Country World	15.98	22.45	-6.48
LCIV Global Alpha Paris Aligned Fund	15.98	22.45	-6.48
Multi Asset: SONIA Index +4%	-6.01	9.18	-15.18
LCIV Absolute Return Fund	-6.01	9.18	-15.18
Property: UK CPI +5%	-3.99	2.77	-6.75
CBRE	-6.41	8.15	-14.56
UBS	-2.34	-0.70	-1.65
Infrastructure: UK CPI +5%	3.86	8.15	-4.29
JP Morgan	8.60	8.15	0.45
LCIV Renewable Infrastructure	-3.35	8.15	-11.50
Stafford SISF II	2.40	8.15	-5.75
Stafford SISF IV	8.71	8.15	0.55
Bonds & Cash: SONIA Index +4%	5.84	6.05	-0.21
Churchill II	9.23	9.18	0.05
Churchill IV	9.05	9.18	-0.13
LCIV Global Bond Fund	0.53	-0.01	0.55
Permira IV	9.01	9.18	-0.17
Permira V*	9.77	9.18	0.60
Royal London Index Linked/MAC	2.18	3.68	-1.50
Cash: SONIA Index	1.09	5.17	-4.08
Cash	1.09	5.17	-4.08

Pensions & Investment Research Consultants Ltd

The Fund also uses the services of Pensions & Investment Research Consultants Ltd (PIRC) to provide LGPS universe comparisons against other LGPS funds. The Fund does not measure performance using the PIRC universe benchmarks it is shown as a comparison tool and information.

The PIRC league tables focus solely on return and make no allowance for risk / risk adjusted returns. Although helpful to get a general insight, this makes it difficult to get a true like-for-like comparison where different funds will have different investment strategies and levels of risk. This should be noted if comparing relative ranking in the PIRC tables.

The PIRC Local Authority Universe comprised of 63 funds as at the end of March 2024 with a value of £266 billion.

Table: Universe Fund Performance

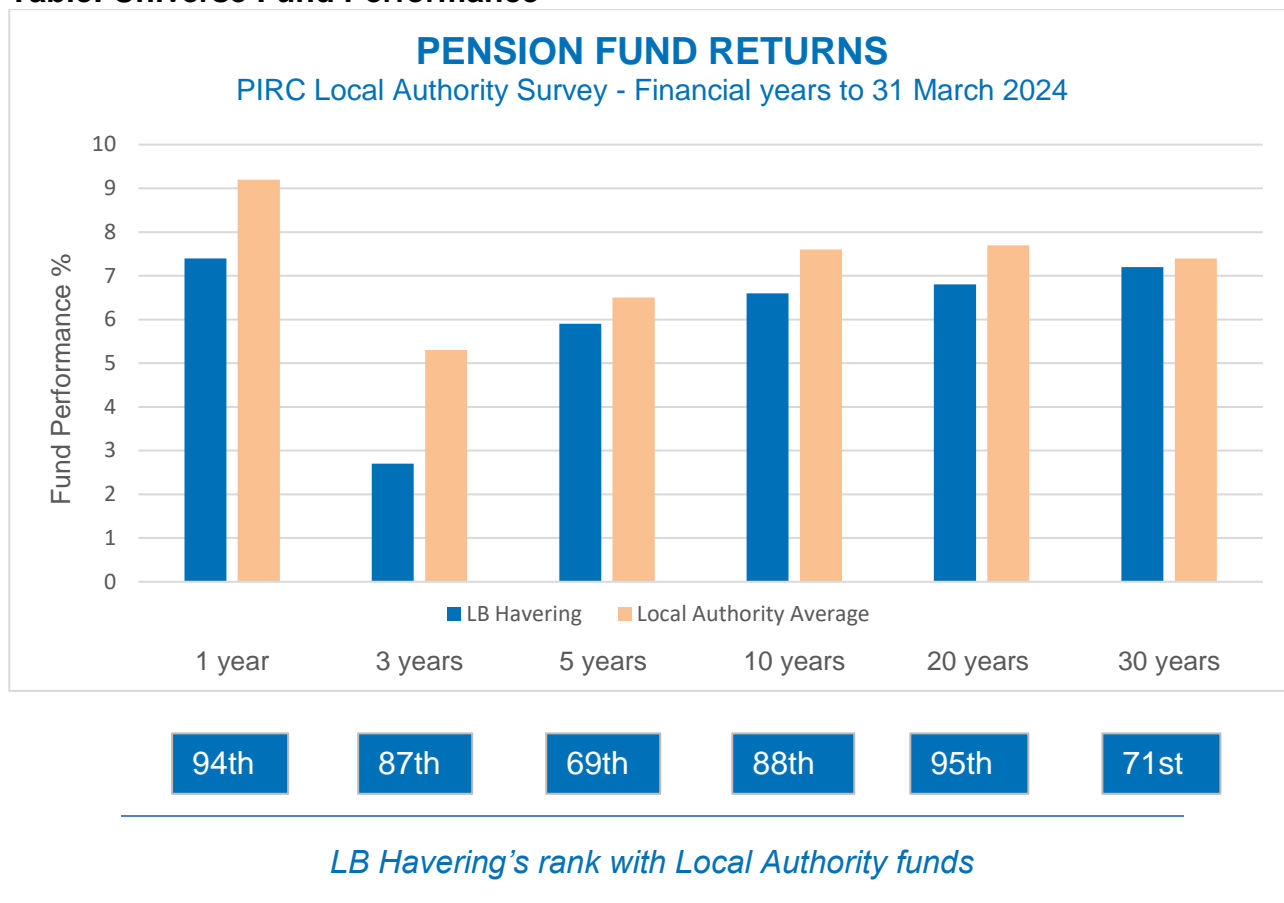


Table: Universe asset allocations as at March 2024

Universe Data	Average Allocation %	Havering Allocation %	Average Return %	Havering Return %	Havering Percentile Ranking
Equities	51	41	16.3	16.6	64
Bonds/Credit	17	14	4.4	1.8	81
Infrastructure	7	11	2.7	5.2	22
Diversified Growth	1	11	3.2	-4.4	79
Private debt	4	9	8.2	9.2	51
Property	8	8	-3.2	-4.0	76
Cash	3	5	n/a	n/a	n/a

PIRC Universe Summary

Last 12 months:

- The average fund delivered a return of 9.2% in the latest year.
- Equities delivered over 16% for the year while most other asset classes produced low single digit returns.
- Asset allocation was, therefore, a key driver of relative performance. Funds with a high equity allocation outperformed their more risk averse peers
- For the third year in succession, most active equity managers failed to add value.
- Bond performance was mixed. with diversified strategies comfortably outperforming government issue.
- Returns from illiquid assets were relatively flat with private debt performing relatively strongly.

- Property saw a further strong decline in values over the year.

Asset Allocation

- Whilst significantly reduced over the last decade, equities remain by far the largest component of almost every fund.
- The move into alternative assets continues with infrastructure and private equity now at broadly the same weighting as property in the average fund.
- Private credit continues to grow as a preferred area for investment whilst diversified growth funds have lost favour after largely failing to meet performance expectations.

PIRC Havering Summary

- The Fund, with a return of 7.4% was well below the average of 9.2% and ranked in the 96th percentile
- Returns were dominated by the strong equity result so in the latest year risk was rewarded. More risk averse funds tend to be towards the bottom of the rankings.
- The diversified growth assets of the Fund underperformed substantially in the latest year, ranking in the lower quartile of results.
- The high commitment to diversified growth and lower commitment to equities was detrimental in the latest year.

Comments on Fund performance from the Fund's Investment Advisors

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

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

Over the 12-month period to 31 March 2024, the Fund delivered a positive return of 7.4% which was ahead of the strategic benchmark, albeit behind the Fund's tactical benchmark. Over periods of 3 years and 5 years to 31 March 2024, the Fund experienced positive asset growth, with investment returns of 2.7% p.a. and 5.9% p.a. respectively. These returns remain ahead of the Fund's strategic benchmark with the Fund therefore demonstrating long-term performance which remain sufficient to support affordable and stable levels of contributions.

The positive investment performance (in absolute terms) over the 12-month period was primarily driven by the Fund's equity allocation, particularly the Fund's active equity allocation. Improved economic activity, declining inflation and AI enthusiasm positively impacted these allocations, leading them to perform strongly. The primary contributor to the Fund's underperformance relative to the tactical benchmark over the 12-month period was its 'absolute return' multi-asset allocation. The allocation is defensively positioned, with a large exposure to government bonds, and over a period of strong equity and credit performance and rising government bond yields, this led the allocation to underperform.

Implementation of previously agreed changes in the investment strategy continued over the year. To improve the efficiency of the strategy and capture investment opportunities, the Fund's allocation to the LCIV Diversified Growth Fund was redeemed in full and, as an interim step, 2.5% of the proceeds were invested in infrastructure and the remaining 5.0% invested in a new investment grade credit allocation, managed by the LCIV. As a further evolution of strategy, Committee has agreed that this 5.0% credit allocation be transferred to the multi-asset credit and private debt allocations over the longer-term.

Finally, during the year, the Committee took further steps to develop the Fund's Climate Risk Policy and Action Plan. This included setting a target Net Zero date of 2050, setting targets for specific climate metrics and associated actions to take over time to achieve these and framing how the Fund wishes to approach its journey towards Net Zero. As part of this work, the Committee completed a baseline assessment of climate metrics for the Fund's existing investments, received training on Task Force on Climate-related Financial Disclosures, and completed a Climate Workshop to discuss and decide actions to be taken over 2024 and beyond.

Voting and Engagement Activity

The Fund's Investment Belief emphasizes that effective stewardship through informed voting and engagement can positively influence corporate behaviours, with greater success likely through collaboration.

The Fund does not have its own voting and engagement policy. Instead, it delegates these activities to its investment managers, reviewing their approach annually.

Shareholder rights are available only to investment managers with segregated equity holdings. Currently, all equity holdings are managed on a pooled basis, so the Fund has no direct shareholder voting rights.

41% of equity funds are managed via the London Collective Investment Vehicle (LCIV), which engages directly with investment managers. 20% of pooled passive equities are managed by LGIM.

LCIV delegates voting to appointed managers, aligning with their house voting policies.

LCIV has a [Voting Guideline Policy](#) which lays out their principles and expectations. They appointed EOS at Federated Hermes to consolidate voting activities and provide engagement services.

The Fund also subscribes to LAPFF in recognition of the need to collaborate with other investors to promote best practice on responsible investment and effectively engage with companies.

The Fund's Investment Advisor (Hymans) presents an annual summary of voting and engagement activities, including compliance with governance and stewardship standards. The review of the year ending June 2023 was presented to the Pensions Committee on 19 March 2024 and in summary:

Exercise of votes 12m to 30 June 2023:

	LGIM			LCIV		
	Global	Emerging Markets	Future World	PEPPA	Global alpha	Absolute Return
# Eligible votes	62,920	32,588	22,400	10,941	1,309	1,106
% Votes exercised	99.9	99.9	99.9	97.0	95.0	100.0
% against management	19.6	18.1	19.8	11.0	11.0	1.0
% abstained / withheld	0.6	1.2	0.2	1.0	2.0	1.0
% meetings with at least 1 vote against management	62.1	52.5	70.2	72.0	73.0	13.0

The Fund Managers exercised voting policies and undertaken engagement activity in line with expectations and have no significant concerns with the extent to which stewardship activity has been exercised.

While the Fund is not a signatory of the UK Stewardship Code, it actively monitors the following signatories to the UK 2020 Stewardship Code (last updated 21/02/2024):

- Investment Advisor: Hyman's Robertson
- Custodian: Northern Trust
- Asset pool: London CIV
- Equities: LGIM, LCIV PEPPA, LCIV Global Alpha
- Real Assets: UBS and JP Morgan

- Property: CBRE
- Currency Hedge Manager: Russell Investments
- NOT signatories to the UK 2020 Stewardship Code
 - Stafford, Permira and Churchill
- Signatories to United Nations Principles for Responsible Investment (UNPRI) as follows:
 - Investment Advisor: Hyman’s Robertson
 - Custodian: Northern Trust
 - Asset pool: London CIV
 - Equities: Equities: LGIM, LCIV PEPPA, LCIV Global Alpha
 - Real Assets: CBRE , JP Morgan, Stafford and UBS
 - Bonds and Private Debt: Churchill, Permira and Royal London

Cost Transparency

The LGPS Code of Transparency helps LGPS clients gather cost information consistently. Fund managers are encouraged to sign up to this Code to demonstrate their commitment to transparent cost reporting. A full list of signatories is available on the [SAB website](#).

The CTI framework is used to report costs and charges, helping assess value for money of investments. It is compatible with Markets in Financial Instrument Directive (MiFID II) and can be used by both Defined Benefit and Defined Contribution schemes.

There are three different templates:

1. The User Summary, which can be used by schemes and advisors to provide a summary of key information across all investments.
2. The Main Account Template, which is the main cost disclosure template to be completed by the investment manager(s) and covers most asset types.
3. The Private Equity Sub-template, which is to be completed by investment managers of closed-ended private equity funds.

These templates cover management fees, performance fees, and transaction costs.

Compliance and Reporting

Cost transparency is part of the revised CIPFA accounting standards for LGPS annual reports and accounts. Investment managers must submit templates annually or quarterly as agreed with their clients. The SAB procured a system from Byhiras to streamline data submission and compliance.

Byhiras System:

- Accepts and stores template data.
- Checks timeliness of submissions and reports late returns.
- Ensures data is signed off as ‘fair, clear, and not misleading’.
- Verifies MiFID II total cost amounts submitted separately by managers⁴.

The Fund has cost transparency data from its managers, with signatories listed on the SAB website and templates uploaded to the Byhiras system.

Table: Fund manager's transparency compliance table

Fund Manager	Signatory on SAB website	Reporting Date	Template uploaded to Byhira portal	CTI Template used
CBRE	✓	31/03/2024	✓	Main
Churchill	✓	31/03/2024	✓	Private markets
JP Morgan	✓	31/03/2024	✓	Private markets
LGIM	✓	31/03/2024	✓	Main
London CIV	x			
• Diversified Growth		31/03/2024	✓	Main
• Global Alpha		31/03/2024	✓	Main
• Absolute		31/03/2024	✓	Main
• Infrastructure		31/03/2024	✓	Private market
• Passive Equity		31/03/2024	✓	Main
Permira	✓	31/03/2024	✓	Private markets
Royal London	✓	31/03/2024	✓	Main
Russell Investments	✓	31/03/2024	✓	Main
Stafford	✓	31/03/2024	✓	Private markets
UBS	✓	31/12/2022	✓	Main

- Whilst London CIV are not a signatory they provide the templates specified by SAB

Table: Investment management costs

	Asset Pool			Non asset pools			Fund Total £000
	Direct	Indirect	Total	Direct	Indirect	Total	
	£000	£000	£000	£000	£000	£000	
Management Fees							
...ad valorem*	1,578	-	1,578	2,417	-	2,417	3,996
...performance	200	-	200	-	-	-	200
Total Management Fees	1,778	-	1,778	2,417	-	2,417	4,196
Transaction costs	-	361	361	-	-	-	361
Custody Costs							27
Other Costs							-
Total	1,778	361	2,139	2,417	-	2,417	4,584
Asset Shared Cost (LCIV Management Fees)	101	-	-	-	-	-	101

- *Fees are calculated based on the value of assets held.



Asset Pool

The Havering Pension Fund's asset pool is the London CIV (LCIV), a Collective Investment Vehicle for London Local Authorities (LLA) Local Government Pension Scheme (LGPS) funds. LCIV aims to meet pooling requirements and work in partnership with LLAs. Its London clients, who are shareholders, own it.

Objectives of Asset Pools:

- Benefits of scale
- Strong governance and decision-making
- Reduced costs and excellent value for money
- Improved capacity and capability to invest in infrastructure

Responsibility for determining asset allocations and investment strategy remains with the Fund.

The Fund will continue to evaluate LCIV products for alignment with its investment strategy objectives.

Oversight and Governance of the Asset Pool

The Committee is responsible for overseeing the Pension Fund's activities, including its investments in the London CIV. The committee sets the investment strategy, monitors performance, and ensures compliance with regulatory requirements.

The Fund receives quarterly performance reports from the London CIV. These reports provide detailed analysis of the performance of each investment mandate against their respective benchmarks.

The Pension Fund employs investment consultants who provide expert advice on investment strategy and performance. They help interpret performance data and recommend changes to the investment approach if needed.

The London CIV publish an annual report that includes comprehensive performance data and analysis, governance, and strategic initiatives. The report is subject to external audits, providing an additional layer of assurance.

The London CIV integrates Environmental, Social, and Governance (ESG) factors into its investment processes. This commitment to responsible investment aligns with broader sustainability goals and provides assurance that investments are made ethically.

Pooling Progress

The following chart illustrates the distribution of assets as at 31 March 2024. It shows that the fund has £383m in pooled assets, £188m in deemed pooled assets, and £374m in unpooled assets. This distribution highlights the fund's commitment to pooling.

Chart: Pooling progress

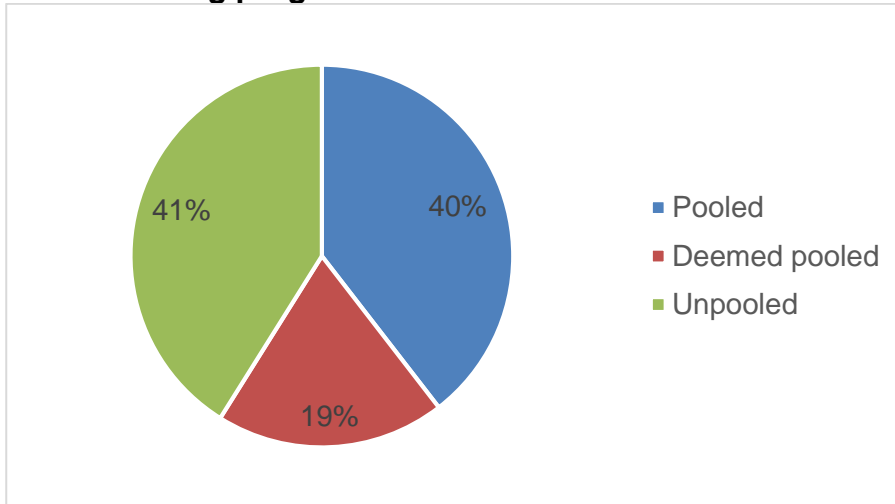


Table: Pooling analysis as at 31/03/2024

Asset Description	Pooled	Under pool management	Not pooled	Grand Total
LCIV Absolute Return	108,928			108,928
LCIV Global Alpha Paris Aligned	157,289			157,289
LCIV PEPPA	55,522			55,522
LCIV Shares	150			150
LGIM All World Equity Index (GPCF)		41,884		41,884
LGIM Future World Fund (APAZ)		107,757		107,757
LGIM World Emerging Markets Equity Index (XPAH)		38,433		38,433
Equities Total	321,889	188,074		509,963
LCIV Global Bond Fund	47,433			47,433
Royal London			23,935	23,935
Bonds Total	47,433		23,935	71,368
CBRE Global Alpha Fund			32,451	32,451
UBS Triton Property Unit Trust			48,866	48,866
Property Total			81,318	81,318
General Cash			18,424	18,424
Cash Total			18,424	18,424
Royal London			65,670	65,670
Multi Asset Credit Total			65,670	65,670
Russell Investments			3,699	3,699
Derivatives Total			3,699	3,699
JP Morgan			50,808	50,808
LCIV Renewable Infrastructure	14,161			14,161
Stafford II			19,852	19,852
Stafford SISF IV			25,435	25,435
Infrastructure Total	14,161		96,095	110,256
Churchill SLF II			17,449	17,449
Churchill SLF IV			17,123	17,123
Permira Credit Solutions IV			30,098	30,098
Permira V			20,434	20,434
Private debt Total			85,104	85,104
Grand Total	383,482	188,074	374,245	945,801

UK Investment

Asset values as at 31 March 2024	Pooled £000	Under pool management £000	Not pooled £000	Total £000
UK Listed Equities	12	7	-	19
UK Government Bonds	36	-	24	60
UK Infrastructure	6	-	-	6
UK Private Equity	2	-	-	15
Total	55	7	47	109

The above table is based on available data and reasonable assumptions, an estimation of the proportion of UK investments has been made. This estimation helps provide a clearer picture of the asset distribution, even if precise figures are not available.

At 31 March 2024 the Fund had undrawn capital commitments of £50m. It is not possible to determine the value that will be deployed in the UK assets.

Pool set up costs

Table: Set up cost, management costs and fee savings:

	2015/16	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Cumulative Total £000
Set Up Costs:										
Share Purchase Subscription	150	-	-	-	-	-	-	-	-	150
Annual Service Charge	25	25	25	25	25	25	25	25	25	225
Implementation Fund	50	-	-	-	-	-	-	-	-	50
Development Fund	-	-	75	65	65	85	85	85	76	536
Total Set Up costs Total	225	25	100	90	90	110	110	110	101	961
LCIV Indirect management Fees	-	59	76	78	92	92	97	83	131	708
LCIV Direct management Fees	-	-	-	2	-	8	9	8	9	34
Total cost	225	84	176	170	182	210	216	201	240	811
Gross Fee savings	(6)	(35)	(98)	(259)	(534)	(543)	(667)	(670)	(570)	(2,812)
Net Costs/(Savings)	219	49	78	(89)	(352)	(333)	(450)	(469)	(329)	(1,399)

[The LCIV Annual Review](#) for 2023/24 is available on their website and includes the Business review, Corporate Governance and Financial Statements.

Administration

Under Regulation 59(1) of the Local Government Pension Scheme Regulations 2013, an administering authority may prepare a written statement regarding the authority's policies on pensions administration.

[The Havering Pension Fund's Pensions Administration Strategy \(PAS\)](#) outlines the roles and responsibilities for both the administering authority and scheme employers, as well as the expected performance standards. This document is available on the Council's website under the pensions administration strategy section.

The PAS aims to enhance the efficiency of pensions administration service delivery to our members. Throughout 2023/24, we have collaborated with scheme employers to raise awareness of their responsibilities under the PAS and have provided additional support through the creation of an employer responsibility guide.

Monitoring against the PAS has been delayed due to the implementation of a new pensions administration system. We are working with LPPA to obtain a suite of reports to monitor employer performance against the published PAS standards. In 2024/25, we will monitor employers against the published service level agreements within the PAS and report to the Local Pensions Board on a six-monthly basis. A full year's worth of statistics will be included in the Annual Report for that year.

The [Communications Policy](#) was approved by the Pensions Committee in November 2021 for a three-year period. The Havering pensions administration team has a communication plan that complements the policy, detailing the topics to be communicated, the methods, and the frequency of those communications. The plan is presented to the Local Pension Board every six months for review and progress updates.

The work carried out during 2023/24 is summarised below:

1. Communications with Scheme Members

Our aims for communicating with our scheme members are:

- to better educate members of the benefits of the scheme to reduce the general queries being directed to the LPPA help desk
- to encourage the use of the pension scheme website and Pension Point Self Service.

Action	Audience	Media	End of Year Review 2024
Review and update the pension websites and intranet site	All	Web	The LPPA have maintained and updated the member website including the Pension Point Self Service Portal and a booking facility for member training which was utilised by 45 fund members. Havering pensions team has maintained a pensions web page within the Havering.gov website. This is used to publish all Havering specific pension related news and documents.

Promote the pension websites and intranet	All	Web, paper and electronic	The LPPA website is promoted on member correspondence. Both the LPPA and the Havering websites are promoted during face to face or virtual meetings. We utilise member and employer communications to increase awareness.
Promote Pension Point Self Service	Active, Deferred and Pensioner	Web, paper and electronic	Pension Point Self Service is promoted to all new members to the pension scheme. We utilise member and employer communications to increase awareness. As at March 2024 22.11% of the total membership had registered for Pension Point. We have now exceeded the total number of members registered on the previous portal My Pension Online by 393.
Ensure relevant, accurate and timely communications are sent to all members	All	Paper or electronic	Standard communications are monitored as part of the KPI and contract monitoring process. We utilise corporate and employer communications to raise awareness of key topics. Members communications are detailed in the communications plan presented to the Local Pension Board.

2. Communications with Prospective Scheme Members

Our aims for communicating with our prospective scheme members are:

- to increase the take up of the LGPS
- to better educate members of the benefits of the scheme to reduce the general queries being directed to the LPPA help desk

Action	Audience	Media	End of Year Review 2024
Ensure pension website is included with new employee contracts and information packs	New employees	Paper or electronic	All eligible new employees are contractually enrolled into the LGPS and the website information is included in the LPPA's starter packs. Both the LPPA and Havering websites are available for general viewing.
Review and update the pension websites	All	Web	The LPPA have maintained and updated the member website. Havering pensions team has maintained a pensions web page within the Havering.gov website. This is used to publish all Havering specific pension related news and documents.
Work with employers to ensure automatic enrolment is correctly communicated	Existing employee	Paper or electronic	Relevant scheme employers automatically enrolled eligible staff during 2023/24. Affected staff received letters and factsheets to explain the process.

3. Communications with Scheme Employers

Our aims for communicating with our scheme employers are:

- to improve relationships
- to assist them in understanding their role as a scheme employer
- to assist them in understanding funding/cost requirements
- to work together to achieve accurate scheme actuary data submissions
- to ensure smooth staff transfers
- to improve the service our pension fund members receive

Action	Audience	Media	End of Year Review 2024
Meet with all new scheme employers to discuss responsibilities and requirements	Employer	Face to face or virtually	New employers receive a comprehensive email of all relevant information and the offer of either a face to face or virtual meeting. 4 new employers received an email but there were no requests for meetings
Review and update the employer sections of the pension websites	Employer	Web	The LPPA have maintained and updated the website including comprehensive information about the employer portal. Havering pensions team has maintained a pensions web page within the Havering.gov website. This is used to publish all Havering specific pension related news and documents
Work with LPPA to promote employer training sessions	Employer	Web	LPPA ran a number of different training sessions throughout the year. Havering employers were present 30 times across the different sessions.
Work with LPPA to ensure accurate and timely data submissions	Employer	Email, phone, face to face or virtually	Havering continue to promote the Pensions Administration Strategy detailing the expected timeframes for data submissions. Havering have worked with employers to ensure all 2023 year-end data queries are resolved.
Provide regular updates to employers on key aspects of the scheme	Employer	Web or email	LPPA have a regular employer newsletter to provide updates on the scheme and other relevant information. Havering have sent regular emails to employers on key topics throughout the year as detailed in the communications plan presented to the Local Pension Board.

4. Communications with Representatives of Members

a. Pensions Committee

Our aims for communicating with Pensions Committee are:

- to provide information to enable the Committee to make decisions delegated under the Council's constitution

- to provide information to ensure the Committee are kept informed of pension related matters
- to ensure the Committee are aware of their responsibilities in relation to the Scheme
- to provide training with regards to investment and administration matters

Action	Audience	Media	End of Year Review 2024
To submit Committee reports in line with the annual plan and as and when required	Pensions Committee Members	Paper and web	All relevant reports were submitted and presented to Committee and uploaded onto the Havering Website
To arrange required training as and when required	Pensions Committee Members	Face to Face, online or virtually	Relevant training was provided to Committee members during the year

b. Local Pensions Board

Our aims for communicating with the Local Pensions Board are:

- to provide information to enable the board to assist the Scheme Manager in executing their duties
- to provide information to ensure the board are kept informed of pension related matters
- to ensure the board are aware of their responsibilities in relation to the Scheme
- to provide training with regards to investment and administration matters

Action	Audience	Media	End of Year Review 2024
To submit reports in line with the Board work plan and any additional areas identified at meetings	Local Pension Board	Paper and web	All relevant reports were submitted and presented to the Local Pension Board and uploaded onto the Havering Website.
To arrange required training as and when required	Local Pension Board	Face to Face, online or virtually	Induction training has been provided to new Board members and information regarding external training courses has been circulated.

c. Havering and oneSource Managers

Our aims for communicating with the Havering and oneSource managers are:

- to provide information to be able to make decisions delegated under the Council's constitution
- to provide accurate, timely and relevant information on request
- to ensure managers are aware of any pension related employer costs

Action	Audience	Media	End of Year Review 2024
To write key or non-key executive decision reports as required in line with the Council's constitution	Senior or oneSource Management	Paper or email	All relevant reports have been written and submitted in line with the Council's Constitution.
To ensure the provision of employer estimates is in line with the contractual agreement	HR and Heads of Service	Paper or email	LPPA have introduced an employer self service function for employer driven pension estimates. The Havering pensions administration team support with this as required.

d. Other Stakeholders

Pension Fund Manager (Finance)

The Pension Fund Manager (Finance) responds to staff, employer and other enquiries. Skills and knowledge are kept up to date through participation in seminars and conferences.

Pension Projects and Contracts Manager

The Pension Projects and Contracts Manager oversees the administration contract with the Local Pensions Partnership Administration (LPPA). Quarterly client reviews are conducted to monitor the contract and ensure service level agreements are met. This role also involves maintaining relationships with scheme employers, trade unions, and other relevant stakeholders.

Investment Fund Managers

The Pension Fund Manager (Finance) maintains regular contact with the investment fund managers. Each fund manager is required to present their performance reports to the Pensions Committee on a cyclical basis, unless performance concerns necessitate more immediate attention.

Trade Unions

Trade unions in the London Borough of Havering serve as valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pension Scheme are communicated to their members and assist in negotiations under TUPE transfers to ensure, whenever possible, continued access to the Scheme.

Scheme Administration Report

Overview

The Local Pensions Partnership Administration (LPPA) is responsible for the daily administration of the Havering Pension Fund. They utilise Civica's Universal Pensions Management (UPM) system to maintain member records and calculate pension benefits. Havering's work continues to be managed by dedicated casework teams across the business.

Call handling and responses to online member queries are managed by the central pensions helpdesk in Preston. During 2023/24, the helpdesk answered 3,797 Havering-specific calls with an average wait time of 3 minutes and 12 seconds, a significant improvement from 7 minutes and 32 seconds in 2022/23. The average call abandon rate across all clients during 2023/24 was 3.08%.

LPPA uses customer surveys to measure satisfaction levels for helpdesk call handling and retirement processing. In 2023/24, overall satisfaction levels for call handling were 86.4% among Havering scheme members, while satisfaction for retirement case processing averaged 40.3%.

LPPA continues to review its services, seeking efficiencies and performance improvements. A three-year programme, effective from April 2023, has been implemented to identify process enhancements and system automation aimed at improving the customer experience.

Value for Money Statement

A comparison of the 2023 SF3 data supplied to MHCLG shows that the Havering Fund was ranked seventh out of the 32 London Boroughs for cost per member in respect of pension administration costs (also ranked seventh in 2021/22).

We have seen an increase in the number of cases meeting the service level agreements, as shown in the key performance data, although some measures still fall below the target of 95% of cases completed on time. This shortfall is attributed to the implementation of a new pensions administration system during 2022/23 and a period of high staff turnover. The service has stabilised during 2023/24 and is returning to expected levels.

The implementation of monthly reporting for all scheme employers allows LPPA to use process automation for the completion of new starters and refund quotation cases. Further automation is expected during 2024/25.

We continue to work with LPPA to improve the flow of information and processes to further enhance efficiencies. LPPA remains committed to reducing overheads to remain competitive and provide good value for money.

Summary of Activities undertaken by LPPA during the year

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

The key functions of LPPA are:

- Processing new members of the scheme
- Handling requests from members wishing to transfer their pension into or out of Havering's Fund
- Administering death benefits for scheme members
- Bringing pensions into payment upon retirement
- Providing estimates for members and employers
- Assisting members who wish to increase their pension provision through AVCs or APCs
- Processing leavers with a refund of contributions or deferred benefit
- Maintaining accurate records with changes to members' details
- Reviewing and monitoring third-tier ill-health retirements
- Utilising information technology to improve service standards and efficiency
- Ensuring continual data cleansing in preparation for the next scheme valuation
- Continuously reviewing all processes to improve the customer experience

The Havering administration team is responsible for:

- Monitoring, reviewing, and updating Scheme governance in line with relevant regulations and guidance
- Monitoring, reviewing, and updating pension administration policies
- Monitoring and recording contributions for bodies that do not utilise the Havering Council payroll
- Bi-annual National Fraud Initiative (NFI) compliance
- Admission, monitoring, and cessation of scheme employers
- Reviewing risk profiles of scheme employers

Key Uses of Technology

LPPA continues to seek ways to use technology to improve efficiencies and actively promotes the use of the member self-service portal, Pension Point, and email communications.

Pension Point allows members to view their records online, raise queries directly with the helpdesk, run estimates, and update some personal details, reducing the workload on the administration team and the costs of printing and postage.

LPPA has mandated monthly reporting with scheme employers across all clients, enabling timely identification of new starters and leavers to the fund. They are introducing several automated processes from the monthly submissions to aid efficiencies.

The LPPA's scheme members' website is regularly reviewed and provides detailed information on all aspects of the scheme. The Havering administration team maintains the pensions page on the havering.gov.uk website to provide Havering fund-specific information to members.

LPPA has robust cyber security measures and procedures in place. Data is backed up regularly, and systems are monitored by a Security Operations Centre service. LPPA holds Cyber Essentials Plus and ISO 27001 certifications, providing assurances to the Fund. They also have a full Business Continuity Plan and Disaster Recovery Plan in place.

Internal Dispute Resolution Procedure (IDRP)

Any internal disputes go firstly to the Authority’s Actuaries and then to the Pensions Panel which comprises the Deputy Director of Human Resources/Organisational Development (oneSource), a representative from Legal and Governance (oneSource) and the Director of Finance (oneSource). The Havering Pensions Projects and Contracts Manager sits on the panel in an advisory role.

During 2023/24, we received two stage 2 IDRP cases (compared to two stage 1 cases in 2022/23) and 43 general customer complaints (up from 33 in 2022/23).

Whistle Blowing

The Pension Fund complies with the whistle blowing requirements of the Pension Act that came into force on 6 April 2005. It encourages anyone to inform the appropriate authorities of any known wrongdoings. The process for reporting breaches of the law to the Pensions Regulator can be found on the Authority’s website by selecting the link here [Whistleblowing Policy](#).

There have been 10 minor breaches recorded during 2023/24. These were not considered material and were therefore not reported to the Section 151 Officer. Consequently, no reports have been made to the Regulator. A new Reporting Breaches of the Law Policy will be introduced in 2024/25, ensuring all breaches will be reported to the Local Pensions Board.

Key Performance Data

In April 2024 new guidance was released for capturing key performance indicators. Havering will work with LPPA to ensure technology and reporting is updated to ensure requirements can be met in 2024/25. The data below is in line with previous reports.

INDICATOR	What is it an indicator of?	Actual 2023/24 %	Target 2023/24 %	Actual 2022/23 %	Actual 2021/22 %
The percentage of retirements processed within 5 working days	<p>The percentage of retirement payments processed within 5 working days of the employee retiring or receipt of all relevant information.</p> <p>This indicator measures effectiveness through service delivery and is a standard throughout Local Government</p>	93.4	95	82.8	96.1

INDICATOR	What is it an indicator of?	Actual 2023/24 %	Target 2023/24 %	Actual 2022/23 %	Actual 2021/22 %
The percentage of early retirement estimates processed within 10 working days	To produce estimates for early retirements i.e. ill health, redundancies and voluntary retirements within 10 working days of request, normal retirement date or receipt of all relevant information. This indicator is particularly important to service clusters	94.3	95	86.5	99.5
The percentage of notification of deferred benefits within 15 working days	To notify members who have left their job (or one of their jobs) of the deferred benefits that they have accrued at the point of leaving within 15 working days of receipt of all relevant information.	95.9	95	90.6	98.2
The percentage of 'Transfers In' actuals processed within 10 working days.	The percentage of transfers in with the member's record updated with the transferred in information	97	95	95.1	97.2
The percentage of 'Transfers Out' actuals processed within 10 working days	The percentage of transfers out paid to the new pension provider	96.4	95	95.1	96.8
The percentage of 'death' notifications written out to within 5 days of receipt of all information received.	The percentage of deaths with notification of benefits	94.6	95	64.3	97.9
The percentage of joiners processed within 10 working days of information received	The percentage of joiners' records set up on the Pensions Administration System	100	95	100	99.3

Performance Targets and Monitoring

Targets were set in line with CIPFA and London Centre of Excellence, cross councils benchmarking. They were reviewed by the Pension Fund Manager and Local Pensions Partnership as part of the Delegated Arrangement. The Pension Service Local Performance Indicators represent the main core of the administration team output but do not cover all the calculations and processes carried out. The targets have been standardised across all LPPA clients since the introduction of the new administration system.

The data used to report the performance indicators is supplied by LPPA.

The system incorporates the standardised SLAs, and work is managed and allocated based on a day count from the date all required data to complete a case is received. The system monitors caseload volumes and performance against SLAs. It also allows LPPA to track error/rework rates, ensuring quality is maintained throughout the administration function. UPM provides reportable information enabling monitoring, audit, performance management, and annual review reporting capabilities. The system allows LPPA to track case completion rates against agreed SLAs.

The Havering administration team receives a quarterly performance report and monitors the cases completed against the reported performance.

The indicators do not include record-keeping and data maintenance tasks covered by LPPA, which are required to correctly administer a member's benefit and also have a direct impact on the triennial valuation.

Annual Benefit Statements are required to be sent to active and deferred scheme members by 31st August each year. This was successfully achieved in 2023. The administering authority and LPPA continue to promote the use of Member Self Service to reduce printing and postage costs.

Table: Administration team 5 years' key activity trend

Service Item	2023/24 Cases	2022/23 Cases	2021/22 Cases	2020/21 Cases	2019/20 Cases
Retirements processed	607	767	446	529	533
Early retirement estimates processed	175	380	468	452	580
Notification of Deferred Benefits	392	603	798	726	727
Transfers In Actuals/Quotes processed	197	175	391	324	363
Transfers Out Actuals/Quotes processed	309	317	407	325	298
Death notification written out	460	366	428	530	273
New LGPS joiners processed	978	879	1,115	977	1,942
Refunds	264	316	431	443	691
Total Cases per year	3,382	3,803	4,484	4,305	5,407

Staff Resource

Pensions Administration is provided by LPPA, the effective delivery of the contract is monitored by a Pensions Projects and Contracts Manager.

LPPA currently has 232.7 FTE working flexibly across the business to allocate resources as needed. For Havering administration, this equates to approximately 7.33 FTE, including case workers, help desk, and data team staff. This results in a staff-to-fund member ratio of 1 to 3011 (1 to 3280 in 2022/23). The team completed a total of 5,487 (5,052 in 2022/23) cases including other contractual cases outside of the top 10 for the period 1st April 2023 to 31st March 2024 which is an average of 749 (689 in 2020/21) cases per staff member.

Academies and Outsourcing

There were no new academy conversions during 2023/24.

The level of planned and actual outsourcing by academies is ongoing and likely to continue growing. If the outsourced function is granted Admitted Body Status, it results in additional unplanned work to separate out the scheme employers, increasing the administrative burden as the number of scheme employers rises.

The growth in Scheduled and Admitted Body scheme employers also increases the support and communication requirements for LPPA and the Havering pensions administration team. Introduction meetings are offered to all new bodies to support their entry into the scheme, with ongoing meetings and support as needed.

To support employers and services, the Fund has produced an Employer Outsourcing Guide. This guide provides an overview of the pension implications and the procedures to follow when LGPS scheme employers outsource services. This document is available on request from the Havering administration team.

Confidentiality of Personal Data

LPPA has developed a robust control framework to ensure all GDPR requirements are met promptly, serving as a defence in case of litigation.

LPPA also aims to adhere to a code of conduct which brings the added benefits of:

- Improving transparency and accountability, enabling individuals to distinguish organisations that meet legal requirements and can be trusted with their personal data
- Providing mitigation against enforcement action
- Improving standards by establishing best practices
- Investigating innovative solutions to high-risk areas, including data minimisation and pseudonymisation

Accuracy of Data

Each year, following year-end processing, LPPA raise queries with Havering Scheme Employers such as missing joiners, leavers, change of hours and pay queries. In most instances the queries are reducing year on year and they continue to identify errors and educate employers. LPPA have improved their templates and literature, following feedback from employers, to ensure the data supplied by Havering employers is accurate with an aim to improve the overall data quality position.

Table: 2023/24 TPR Q4 scores

	Target %	Jan-Mar 24 %	Jan – Mar 23 %	Trend %
Common data score	95.0	98.1	98.5	-0.4
Conditional data score	90.0	89.4	93.3	-3.9

LPPA continue to develop an ongoing program of work to maintain/improve data scores to above the targets outlined below.

Table: Fund Membership over the last 5 years

	As at 31 March 2024	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Contributors	7,840	6,692	6,675	6,426	6,492
Deferred pensioners	6,800	6,750	6,689	6,020	6,174
Pensioners and Dependants	7,009	6,775	6,548	6,412	6,410
Total	21,649	20,217	19,912	18,858	19,076

A summary follows of the number of employers in the fund analysed by scheduled bodies and admitted bodies with active members.

Table: Employer types with active members

	2022/23	2023/24
Administering Authority	1	1
Scheduled Bodies	43	44
Admitted Bodies	12	13
Resolution Body	1	1
Total	56	59

Table: 2023/24 Contributions by employer

Employer Name	Contributions from Members £	Contributions from Employers £
1. London Borough of Havering	7,461,109	32,907,914
London Borough of Havering Total	7,461,109	32,907,914
Scheduled Bodies		
1. Abbs Cross Academy	38,954	151,278
2. Benhurst Primary School	25,981	105,002
3. Bower Park Academy	64,416	232,613
4. Brittons Academy	59,783	242,864
5. Brookside Infant Academy	30,283	113,378
6. Brookside Junior Academy	20,204	77,801
7. Champion School	93,594	350,350
8. Chafford School	81,744	179,056
9. Compass School	16,358	63,582
10. Concordia Academy	36,563	114,196
11. Coopers Coborn School	92,264	324,050
12. Dame Tipping Academy	7,342	31,765
13. Drapers Academy	74,454	272,874
14. Drapers Management Team	34,688	96,262
15. Drapers Mayland Primary Academy	35,334	131,556
16. Emerson Park School	47,291	179,750
17. Forest Approach Academy	66,450	239,571
18. Frances Bardsley Academy	86,416	294,869
19. Gaynes Academy	17,217	71,076
20. Hacton Academy	50,999	215,324
21. Hall Mead Academy	198,137	762,724
22. Harrow Lodge Academy	42,173	121,083
23. Hornchurch High School	53,077	141,726
24. Langtons Junior Academy	20,035	75,858
25. Marshalls Park Academy	57,043	246,255
26. Mercury Land Holdings	5,366	11,427
27. Olive Academy	10,051	39,711
28. Olive Academy (MAT)	32,443	105,574
29. Pinewood Academy	26,243	97,764
30. Pyrgo Priory Academy	33,472	128,847
31. Ravensbourne Academy	66,916	248,746
32. Redden Court School	118,163	407,395
33. Rise Park Infant Academy	22,365	87,193
34. Rise Park Junior Academy	26,819	101,970
35. Royal Liberty Academy	48,048	167,506
36. Sacred Heart School	50,491	208,054
37. Sanders Academy	49,018	172,278
38. Scargill Infant Academy	28,875	111,036

Employer Name	Contributions from Members £	Contributions from Employers £
39. Scargill Junior Academy	19,358	77,422
40. St Edwards CE School & Sixth Form College	49,296	199,061
41. The Bridge	705	2,116
42. Upminster Infant Academy	16,924	70,823
43. Upminster Junior Academy	23,286	95,167
44. Whybridge Junior Academy	24,530	97,174
Scheduled Bodies Total	2,003,170	7,264,128
Admitted Bodies		
1. Accent Catering Services (Coopers Coborn)	4,249	65
2. Atalian Servest Food Co. Ltd	5,355	22,304
3. Harrison Catering (Abbs Cross Academy)	149	2,340
4. Harrison Catering (Gaynes Academy)	954	5,944
5. Kindred (Broadford Primary)	241	1,154
6. Lewis and Graves Cleaning(Hornchurch High)	2,272	7,988
7. May Harris (Royal Liberty)	2,779	12,775
8. May Harris (Whybridge Junior School)	407	1,577
9. Mears Group PLC	19,275	121,269
10. Olive Dining Ltd (Drapers Academy)	10,378	46,865
11. SLM Community Leisure Charitable Trust	37,064	129,141
12. SLM Fitness & Health Ltd	3,632	13,290
13. Urbaser - UK	58,815	224,864
Admitted Bodies Total	145,570	589,446
Grand Total	9,609,849	40,761,488

Table: Costs per member

Costs per member	2023/24	2022/23	2021/22	2020/21	2019/20
Total membership (no's)	21,649	20,217	19,912	18,858	19,076
Total Investment Cost (£'000)	4,584	4,628	4,241	3,412	*3,192
Cost per member (£)	211.75	228.92	212.99	180.93	167.33
Total Cost (£'000)	828	731	709	601	**315
Cost per member (£)	38.23	36.16	35.61	31.86	16.51
Total Cost (£'000)	718	581	524	415	468
Cost per member (£)	33.17	28.74	26.32	22.00	24.53
Total cost per member	283.15	293.81	274.91	234.80	208.37

2022/23 updated to reflect expenses reported in the statement of accounts

*2019/20 figure includes incorrect inclusion of transaction costs

** Includes an incorrect un-cleared sundry creditor from 2018/19.

***Includes an incorrect sundry creditor

Actuarial Statement

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 employer 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 their funding target within a time horizon and likelihood 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:

Financial assumptions	31 March 2022
Discount rate	3.5% pa
Salary increase assumption	3.4% pa
Benefit increase assumption (CPI)	2.7% pa

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 CMI 2021 model, with a 0% weighting of 2021 and 2020 data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

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

*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

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. The Funding Strategy Statement will also be reviewed at that time.



Steven Law FFA
03 May 2024
For and on behalf of Hymans Robertson LLP

Hymans Robertson LLP is a limited liability partnership registered in England and Wales with registered number OC310282. A list of members of Hymans Robertson LLP is available for inspection at One London Wall, London EC2Y 5EA, the firm's registered office.

Authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities. Hymans Robertson is a registered trademark of Hymans Robertson LLP.

The full pension valuation report 2022 can be found on the Havering website:
[Pension valuation reports | London Borough of Havering](#)

External Audit Opinion

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF LONDON BOROUGH OF HAVERING ON THE PENSION FUND FINANCIAL STATEMENTS

The external audit opinion for the Pension Fund Annual Report is reliant on the audit of the statement of accounts to be completed, for the reasons stated below:

The external audit of the draft statement of accounts for the year ended 31 March 2024 has not yet been completed by our external auditors, EY LLP, due to the complex set of factors contributing to audit delays across the sector. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. (See attached link: <http://www.legislation.gov.uk/ukxi/2015/234/regulation/10/made>).

Therefore, this notification explains, as per paragraph (2a), that we are not yet able to publish our audited 2023/24 final statement of accounts in line with deadline of 30th September 2024, as per paragraph (1). The Audit Committee will consider the results of the 2023/24 audit, after which we will publish the final audited accounts.

Appendices

Further Reading

The subsequent documents are accessible via the Havering website for review. Should you require physical copies, they can be obtained upon request from the administering authority. This ensures that all stakeholders have convenient access to the necessary information in their preferred format.

- [Funding strategy statement](#)
- [Investment strategy statement](#)
- [Governance compliance statement](#)
- [Communications policy](#)
- [Risk register](#)

The Pension Fund section of the Havering website is a comprehensive resource, offering a suite of documents designed to enhance members' and employers' comprehension of the scheme. This dedicated area provides essential information, facilitating a deeper understanding of the pension arrangements and enabling informed decision-making. It serves as a valuable tool for both current and prospective participants in navigating the complexities of the pension landscape.

Other useful contacts:

National Local Government Pension Scheme website: <https://www.lgpsmember.org/>

The Pension Service website: www.thepensionsservice.gov.uk

State Pension website www.gov.uk/browse/working/state-pension

Pensions Ombudsman <https://www.pensions-ombudsman.org.uk/>

Money and Pensions Services <https://moneyandpensionsservice.org.uk/>

Glossary

Accounting period - The period of time covered by the Council's accounts. The Council's financial year is from the period 1st April to the following 31st March.

Accounting policies – The specific principles, bases, conventions, rules, and practices applied by the Council in preparing and presenting the financial statements.

Accounting standards - A set of rules explaining how accounts are to be kept (See 'International Financial Reporting Standards').

Accrual - The recognition of income and expenditure in the year that they occur and not when any cash is received or paid.

Active member - Current employee who is contributing to a pension scheme.

Actuary - An independent professional who advises the Council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

Additional Voluntary Contributions (AVC) - An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

Administering Authority -The Administering Authority is responsible for maintaining and investing its own Fund for the LGPS. This means the Administering Authority is responsible for making all decisions relating to the operation of the Fund.

Admitted Body - An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

Admission Agreement - an agreement made between the administering authority, a Scheme employer and a contracted company to allow the contractor to become part of the LGPS.

Asset allocation - The apportionment of a fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

Asset Pool - is an entity that allows investors to pool their money and invest the pooled funds, rather than buying securities directly as individuals.

Balance Sheet - A statement of all the assets, liabilities and other balances of the Council at the end of an accounting period.

Basis Points (BPS) - A unit of measure for interest rates and percentages. One basis point is equal to 1/100th of 1%.

Benchmark - A measure against which the investment policy or performance of an investment manager can be compared.

Cash equivalents – Highly liquid, investments that can easily be converted into cash.

Chartered Institute of Public Finance and Accountancy (CIPFA) – A professional accountancy body, specialising in the Public Sector. It promotes best practice by issuing guidelines and Codes of Practice.

Contingent Liability - Where possible “one-off” future liabilities or losses are identified but the level of uncertainty is such that the establishment of a provision is not appropriate.

Consumer Price Index (CPI) – Measures the average change in retail prices of a basket of goods and services purchased by most UK households, to provide an indication of the rate of inflation. The CPI includes some financial services in the basket of goods not included in the RPI.

Creditors - Amount of money owed by the Fund for goods and services received, also referred to as Payables.

Death Grant - an amount paid to a current or former member's estate or nominated beneficiaries in the event of death in service, death after retirement or death of a deferred beneficiary.

Debtors - Amount of money owed to the Fund by individuals, and organisations, also referred to as Receivables.

Deferred Benefits - benefits retained in the pension fund when a member leaves without an entitlement to the immediate payment of those benefits. If a transfer of benefits does not take place before hand, deferred benefits are usually paid from the member's normal retirement date.

Defined Benefit Scheme - A pension scheme which defines benefits independently of the contributions payable. Benefits are not directly related to the investments of the Pension Fund.

Deferred members - Scheme members, who have left employment or ceased to be an active member of the scheme whilst remaining in employment, but retain an entitlement to a pension from the scheme.

Discretion - this is the power given by LGPS regulations to enable Scheme employers or administering authorities to choose how they will apply the Scheme rules in respect of certain provisions.

Employer rates - The percentage of the salary of employees that employers pay as a contribution towards the employees’ pension.

Equities - Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders’ meetings.

Fair Value - In relation to the value of financial instruments, it is the amount for which an asset can be exchanged or a liability settled between knowledgeable and willing parties in an arm’s length transaction.

Financial Instrument - Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Fixed interest securities – Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

Good Governance Framework – SAB commissioned report reviewing the governance of the LGPS on effectiveness and reviewing existing models.

Index - A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

Interest Rate Risk - The uncertainty of interest paid/received on variable rate instruments and the effect of fluctuations in interest rates on the fair value of an instrument.

Internal Disputes Resolution Procedure (IDRP) – a complaints procedure governed by regulation providing any current or former scheme member with the opportunity to settle any dispute or complaint they may have in respect of any decision made regarding their entitlements under scheme rules.

International Financial Reporting Standards (IFRS) – The set of international accounting standards issued by the International Accounting Standards Board (IASB). Local Authorities are required to produce accounts based on IFRS.

Investment Strategy Statement (ISS) – LGPS regulations require administering authorities to prepare and maintain an ISS. The ISS outlines the Fund's investment objectives and investment beliefs, identifies the risks the Fund faces and outlines how this risks are controlled/mitigated.

McCloud - The McCloud judgement refers to the Court of Appeal's ruling that Government's 2015 public sector pension reforms unlawfully treated existing public sectors differently based upon members' age

Markets in Financial Instruments Directive II – legislative framework established by the European Union to regulate financial markets and enhance investor protection.

National Fraud Initiative - Exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

Pension Administration Strategy – Strategy which outlines the processes and procedures allowing the administrator and employers to work together in a cost effective way to administer the LGPS.

Pooled Investment vehicles - Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Public Service Pension Act 2013 - An Act to make provision for public service pension schemes and for connected purposes.

Rates and Adjustment Certificate - a certificate issued by the Actuary following a valuation of the Fund which sets out the employer contribution rates payable by each of the associated scheme bodies.

Return - The total gain from holding an investment over a given period, including income and increase or decrease in market value.

Scheduled body - An organisation that has the right to become a member the LGPS under the scheme regulations. Such an organisation does not need to be admitted as its right to membership is automatic.

Scheme Advisory Board - a body that provides advise and guidance on the management and administration of the LGPS in England and Wales.

Triennial Valuation - Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates.

Unrealised gains/losses - The increase or decrease in the market value of investments held by the fund since the date of their purchase.

Value For Money (VFM) – This term is used to describe the relationship between the economy, efficiency, and effectiveness (known as the 'three Es') of a service, function or activity. Value for money is high when there is an optimum balance between all three.

Acronyms

AVC Additional Voluntary Contribution

CARE Career Average Revalued Earnings

CIPFA The Chartered Institute of Public Finance and Accountancy

CIV Collective Investment Vehicle

CPI Consumer Prices Index

FSS Funding Strategy Statement

GAD Government Actuary's Department

GDPR General Data Protection Regulation

HMRC Her Majesty's Revenue & Customs

IAS International Accounting Standard

IDRP Internal Disputes Resolution Procedure

IFRS International Financial Reporting Standards

ISS Investment Strategy Statement

LCIV London Collective Investment Vehicle

LGPS Local Government Pension Scheme

LPB Local Pension Board

LPPA Local Pensions Partnership Administration

MHCLG Ministry of Housing, Communities and Local Government

PC Pensions Committee

PLSA Pensions and Lifetime Savings Association

SAB Scheme Advisory Board

TPR The Pensions Regulator