



LOCAL PENSIONS BOARD

3 December 2024

Subject Heading:

Review of Pension Committee Papers

SLT Lead:

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Policy context:

Oversight and Scrutiny with respect to decisions taken by the Pension Committee

Financial summary:

None directly

SUMMARY

The Pension Board is invited to note the reports from the Pension Committee meetings held on the 1 October 2024 and 5 November 2024.

Reports presented to Pensions Committee provides evidence to the Board as to the Fund's compliance with scheme regulations relating to the governance and administration of the scheme.

RECOMMENDATIONS

1. To note the report.

REPORT DETAIL

1. Background

The papers from the most recent Pension Committee meeting are available online on the council's website: [Pensions Committee 1 October 2024](#) and [Pensions Committee 5 November 2024](#) with the exception of exempt papers, which can be made available on request. **Highlights of all papers are covered below:**

2. 1 OCTOBER 2024 (2 reports):

2.1 Pension Fund Performance Monitoring for the quarter ending 30 June 2024 (Agenda Item 6).

(a) Report presented to Pensions Committee provides evidence to the Board as to the Fund's compliance with scheme regulations relating to the governance and administration of the scheme and to provide assurances that its monitoring processes are in line with TPR best practice.

(b) *TPR Best practice includes:*

Having procedures in place to monitor their scheme's investments and performance:

- these procedures should compare investment performance against the stated investment principles at least quarterly*
- these procedures should consider fees and costs and whether they are justified*
- these procedures should consider investment returns both before and after fees, and against relevant benchmarks*
- these procedures should consider fees and costs and whether they are justified*

Set expectations for their investment managers to:

- ensure monitoring information is prepared and considered at least quarterly and at shorter intervals as appropriate for the size and complexity of your scheme*
- compare net investment returns to any relevant market or industry benchmarks*
- consider environmental, social and governance (ESG) factors, including shareholder engagement,*

(c) The following is a summary of evidence to support the above:

(d) The Committee considered the quarterly investment performance of the Fund covering the quarter as at 30 June 2024.

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- (e) The Fund's asset value at 30 June 2024 was £983.70m compared with £932.1m at 31 March 2024; an increase of £13.7m. This movement is attributable to an increase in asset values £8.3m and increase in cash & currency £5.4m.
- (f) The Fund has appointed Northern Trust (NT) as the Fund's custodian and performance measurer. They produce both monthly and quarterly performance reports showing returns against the tactical benchmark (set for each fund manager) and strategic benchmarks (used to assess the expected fund liabilities and gives an indication of whether the funding level has improved or weakened).
- (g) The Fund's performance of 1.25% was slightly behind the tactical benchmark (-0.73%) but remains ahead of the strategic benchmark over the quarter by 2.9% and over the 3-year period by 11.47%.
- (h) The NT performance reports are used by our Investment Advisor (Hymans) and feeds into their quarterly monitoring reports, where performance is also compared against the strategy targets. Hymans report, pages 24 -27 refer. Full details of the Fund's asset allocation and individual manager performance are included within the committee papers pack - Appendix A.
- (i) Hymans attend the Pensions Committee quarterly to present their report and this report also provides an overview of markets and any impacts this has had on performance. In advance of the committee meeting they are sent the presentation pack of the fund manager attending in order to prepare questions and challenges to the fund manager. Hymans will also highlight any performance concerns to the committee and offer advice if any further actions are necessary
- (j) At each reporting cycle meeting the committee will invite a fund manager to attend the meeting. The manager who attended the meeting was **Legal & General Investment Management (LGIM) - Passive Equities Manager**. They manage the **All World Equity Index Fund**, **World Emerging Market Fund** and the **Future World Index Fund**. LGIM report (exempt) has been separately distributed to Board members on the 14 November 2024.
- (k) Total Value of LGIM funds is £192.5m split: All World Equity Index (£42.9m), World Emerging Market (£40.5m) and Future World Fund (£109.1m).
- (l) Whilst the LGIM funds are managed on a passive basis there was some slight underperform over the quarter; All World -0,4%, World -0.5% and Future World Funs -0.1%. LGIM explained to the committee that this is caused by time lags and tax accruals causing performance volatility.
- (m) The Fund Manager also reports on how ESG factors impact the portfolio.

- (n) **London CIV**
The Funds holds 59% of its assets within the London Collective Investment Vehicle (LCIV), five mandates directly managed by LCIV (40%) and three indirectly managed by Legal & General (19%). The governance of investments held within LCIV is their responsibility but it is crucial that the Fund has assurances that the governance arrangements are robust and regular communication and contact is maintained.
- (o) LCIV produce Quarterly Investment reports, which includes an Investment Summary with valuation and performance data for each of our holdings and an update on activities at London CIV, a market update and Fund commentary from the London CIV Investment Team as well as key portfolio data and a summary of ESG activity during the quarter.
- (p) The Fund receives monthly transactions and investment statements from the LCIV custodian which are used to reconcile against the Funds custodian reports.
- (q) The LCIV hosts Virtual weekly “coffee with the Chief Investment Officer (CIO). Opportunity to share news or in-depth discussions on a fund manager or asset classes. Attended by Officers, recordings available.
- (r) LCIV also hosts monthly business update meetings, which include updates from LCIV Chief Officers and includes covering current fund offerings, fund performance; fund updates (including those funds for which enhanced monitoring is in place) and the pipeline for new fund launches. In addition, relevant topical issues are included as appropriate. Attended by Officers, recordings available.
- (s) All Havering investments funds are on ‘normal’ monitoring status.
- (t) In depth reviews are held annually unless there are concerns about performance whereby the reporting cycle is reduced to six months, Closer six monthly monitoring is in place for the Absolute Return Fund, in which Havering invests. Officers attended a performance review meeting on the 11 July 2024 where the review was covered in detail. There are still concerns about performance but remains on normal monitoring and closer monitoring undertaken every six months remains in place. Next review scheduled for Jan 2025.

There was some staffing change with Andrien Meyers joining Sept 2024 in a newly created role as Chief Proposition Officer and Aoifinn Devitt, Chief Investment Officer, will be leaving during Q4 and the role covered by Rob Triech, Head of Public Markets in the interim

- (u) The Committee was provided with LGPS updates, as follows:
- **Funding Strategy Guidance** – the Scheme Advisory Board has set up a working group and began its review of the guidance. Aiming to release guidance before end of Dec 2024.

- **Pensions Review** - Chancellor announced a Pensions review on the 19 August 2024. Phase one of the review to focus on investments. A call for evidence shortly followed on the 4 Sept 2024 with a deadline set at 25 Sept.

2.2 Public Sector Pensions Act 2013 – Section 13 Report (Agenda item 7)

- (a) **Committee noted the results of the report produced by the Government Actuary Department (GAD) and Hymans accompanied summary.**
- (b) The purpose of the report is to examine whether the separate 87 fund valuations have achieved the four aims set out in the Act: **compliance, consistency, solvency and long-term cost efficiency.**
- (c) Published on the 14 August 2024, this is the third formal section 13 report based on the results of Fund valuations as at 31 March 2022.
- (d) GAD allocates scores using colour classifications of Red (material issues), Amber (potential issue), White (advisory flag) and Green (no material concerns).
- (e) All Funds met the compliance and consistency tests. Havering Pension fund received green flags for the metrics tested under Solvency and Long-Term Efficiency.
- (f) **Report presented to Pensions Committee provides evidence to the Board as to the Fund's compliance with scheme regulations relating to the governance and administration of the scheme**

3 5 November 2024 (Eight reports):

3.1 Pension Fund Annual Report – Year ending 31 March 2024

- (a) **Committee approved the Draft 2023/24 Pension fund Annual Report**
- (b) Regulation 57 of The Local Government Pension Scheme (LGPS) Regulations 2013 mandates the statutory basis for producing LGPS fund Annual report and be published by 1 December following the end of the year. Due to outstanding audits the **2023/24 report was published as unaudited to ensure it met the statutory deadline.**
- (c) In preparing the report Funds must have regard to guidance given by the Secretary State, this being guidance issued by the Scheme Advisory Board

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- (d) New guidance was issued by the SAB for the Annual Report covering 2023/24. Guidance includes new data requirements and in some instances it has not been possible to provide some of the Key Performance Indicators (KPI) as the administration software cannot be backward configured. Adherence to the guidance is on a best endeavours basis for 2023/24 and **mandatory compliance applies to the 2024/25 Annual Report.**
- (e) Compliance to the new guidance is set out in Appendix B (pages 111 -114 of the report pack).
- (f) Annual Report was distributed to the Local Pension Board for review via email on 10 October 2024.
- (g) **Report presented to Pensions Committee provides evidence to the Board as to the Fund's compliance with scheme regulations relating to the governance and administration of the scheme.**

3.2 Investment Consultancy Service Performance Review – 1 October 2023 to 30 September 2024

- (a) **Committee agreed no changes to the objectives set for the Investment Consultant, noting the reviews of officers on performance against set objectives.**
- (b) **Committee agreed to commence the tendering for a new Investment Consultancy service by joining the LGPS National Framework and also agreed to hold service provider selection interviews with the Committee as part of the further competition process.**
- (c) This report sets out the regulatory requirement to appoint an investment consultant (IC) to ensure the Fund takes advice on investment matters. The report also sets the regulatory requirement to set objectives for investment providers and review performance against those objectives at least annually.
- (d) The regulatory obligations under the order from the Competition and Markets Authority (CMA) transferred to The Pensions Regulator (TPR) (under the scheme administration regulations), and will now be subject to TPR compliance and monitoring processes.
- (e) Officers reviewed the objectives against those set out in the Pensions Regulator (TPR) new General Code of Practice guidance and recommended the committee make no changes to the objectives.
- (f) Appendix A to the report (pages 123-143 of the report pack) sets out the objectives, measure of success and assessment.
- (g) An annual assessment also meets post contract award procedures

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- (h) The current IC contract with Hymans expires on the 31 March 2026. The committee agreed to commence the procurement process for a new contract and join the LGPS National Framework for Investment Consultancy Services (cost £5,000). The framework is available for Further Competition until 31 October 2026. New contract to commence 1 April 2026 and cover seven years and estimated to be in the region of £500k.
- (i) Members of the Committee will hold service provider interviews as part of the Further Competition process.
- (j) **Report presented to Pensions Committee provides evidence to the Board as to the Fund's compliance with scheme regulations relating to the governance and administration of the scheme and TPR General Code of Practice for Advisors and Service Providers.**

3.3 Pension Fund Actuarial Performance Review – 1 October 2023 to 30 September 2024

- (a) **Committee noted the performance of the Funds Actuary during the period covering 1 October 23 to 30 September 2024**
- (b) **Agreed an extension to the existing Actuarial Services contract with Hymans to cover from 16 July 2025 to 30 June 2026.**
- (c) **Agreed to commence the tendering for a new Actuarial Services contract by joining the LGPS National Framework**
- (d) This report sets out the regulatory requirement to procure professional actuarial services and must obtain an actuarial valuation every three years.
- (e) An annual assessment of the Actuaries services is in line with TPR General Code of Practice and meeting post contract award procedures
- (f) An extension was sought to the 30 June 2026 as the current contract expiry date of the 15 July 2025 overlaps with the timelines for the 2025 triennial valuation exercise which runs from 1 April 2025 to 31 March 2026. The Fund wanted to avoid the risk of potentially changing actuaries part way the valuation year and the extension will also cover end of year accountancy reporting requirements.
- (g) An extension was granted in line with the Councils contract procedure rules and Regulation 72 of the Procurement Act, an extension is permissible if the costs are not greater than 10% of the existing contract.
- (h) The committee agreed to commence the procurement process for a new contract and join the LGPS National Framework for Actuarial, Benefits and Governance Consultancy Services (estimated cost £3,000). The current framework is only available for Further Competition until 30 June 2025 and

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the Fund will join the next reiteration of the framework once released after June 2025. New contract to commence 1 July 2026 and will cover 10 years and estimated to cost in the region of £1m.

- (i) **Report presented to Pensions Committee provides evidence to the Board as to the Fund's compliance with scheme regulations relating to the governance and administration of the scheme and TPR General Code of Practice for Advisors and Service Providers.**

3.4 Pension Fund Risk Register – Updated November 2024

- (a) **Committee approved the updated Pension Risk Register as at November 2024.**
- (b) Please see separate agenda item for more details on this report and feedback
- (c) **Report presented to Pensions Committee provides evidence to the Board as to the Fund's compliance with scheme regulations relating to the governance and administration of the scheme and TPR General Code of Practice – Risk Management**

3.5 Review off Governance Compliance Statement

- (a) **Committee agreed the amendments to the Governance Compliance statement**
- (b) This report sets out the regulatory requirement to prepare a written statement setting out it's governance structure and its operational procedures. Also required to keep the Governance Compliance Statement under review and make revisions where necessary.
- (c) The Governance compliance statement has been reviewed and updated to reflect the change in membership of the Committee and the Local Pension Board. Therefore, in this instance no consultation was carried out.
- (d) Where the Fund is not compliant it must state why. The Fund is not compliant with the requirement to appoint independent observers. The Committee accept that the current monitoring arrangements are sufficient for the size of the Fund. It also considered that the "Good Governance" recommendations of the requirement to undergo a biennial Independent Governance Review will address this issue, once it is introduced into regulation.
- (e) **Report presented to Pensions Committee provides evidence to the Board as to the Fund's compliance with scheme regulations relating to the governance and administration of the scheme**

3.6 Review of Communications Policy

- (a) **Committee agreed the amendments to the Pension Fund Communications Policy for the three-year period to November 2027.**
- (b) Communications Policy was presented to the Local Pension Board at its meeting on the 17 September so no further details included here.
- (c) **Report presented to Pensions Committee provides evidence to the Board as to the Fund's compliance with scheme regulations relating to the governance and administration of the scheme and TPR General Code of Practice – information to Members**

3.7 Review of Overpayment Policy

- (a) **Committee agreed to the continuation of the Policy for the overpayment of pensions following the death of a pensioner or dependent member.**
- (b) **Agreed that the policy be implemented for a three-year period and will be reviewed in 2027 – unless write-offs exceed the expected £5,000.**
- (c) Overpayment Policy was presented to the Local Pension Board at its meeting on the 17 September so no further details included here.
- (d) **Report presented to Pensions Committee provides evidence to the Board as to the Fund's fulfilment with good practice in having the policy in place**

3.8 Introduction of the Policy for Reporting Breaches of Law

- (a) **Committee approved the policy for reporting breaches of law**
- (b) **Noted that there were no reportable for the 12-month period to 31 March 2024**
- (c) Breaches of Law Policy was presented to the Local Pension Board at its meeting on the 17 September so no further details included here.
- (d) During the period 1 April 2023 to 31 March 2024, 12 minor administration breaches were noted. These were not assessed as materially significant and no report to the Pensions Regulator was made.

- (e) **Report presented to Pensions Committee provides evidence to the Board as to the Fund's compliance with scheme regulations relating to the governance and administration of the scheme and TPR General Code of Practice – Reporting Breaches**

IMPLICATIONS AND RISKS

Financial implications and risks:

This report provides feedback from items that have already been presented to the Pensions Committee on the 1 October and 5 November 2024.

Report clearance was achieved as part of that process and no new recommendations are necessary. Therefore, there are no direct financial implications arising from the recommendations in this report to the Local Pension Board.

Legal implications and risks:

This report provides feedback from items that have already been presented to the Pensions Committee on the 25 June 24

Report clearance was achieved as part of that process and no new recommendations are necessary. Therefore, there are no legal implications arising from the recommendations in this report to the Local Pension Board.

Human Resources implications and risks:

This report provides feedback from items that have already been presented to the Pensions Committee on the 25 June 24

Report clearance was achieved as part of that process and no new recommendations are necessary. Therefore, there are no Human Resources implications arising from the recommendations in this report to the Local Pension Board.

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Equalities implications and risks:

This report provides feedback from items that have already been presented to the Pensions Committee on the 25 June 24

Report clearance was achieved as part of that process and no new recommendations are necessary. Therefore, there are no Human Resources implications arising from the recommendations in this report to the Local Pension Board.

BACKGROUND PAPERS

Background Papers List
None