



Havering
LONDON BOROUGH

LOCAL PENSIONS BOARD

24 June 2025

Subject Heading:

Review of Pension Committee Papers

SLT Lead:

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Policy context:

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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 24 June 2025.

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: [Pension Committee papers 24 June 2025](#) with the exception of exempt papers, which can be made available on request. **Highlights of all papers are covered below:**

2. 24 June 2025 (4 reports):

2.1 Pension Fund Performance Monitoring for the quarter ending 31 March 2025 (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 31 March 2025.

(e) The Fund's asset value at 31 March 2025 was £1,007.9m compared with £1,018.6m at 31 December 2024; a decrease of £10.7m. This

movement is attributable to a decrease in asset values (-£15.1m) and increase in cash & currency £4.4m.

- (f) As at the 31 March 2025, internally managed operational cash balance stood at £16m, estimated cash position for 31 March 2026 is £15m
- (g) 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).
- (h) The Fund's overall performance of -1.24% was marginally behind the tactical benchmark at -0.57% and marginally behind the strategic benchmark over the quarter by -0.25%. 3 year return of 2.38% outperformed the strategic benchmark of -12.0%. In this 3-year period a negative benchmark vs a positive asset return is a favourable position for the funding level of the fund.
- (i) Main attribution to the fall in asset values were in Global equities as they experienced volatility over the quarter and ultimately fell over the period, amidst concerns of ongoing uncertainty around US trade tariffs. As a result, all the Fund's equity allocations posted negative absolute returns.
- (j) 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 (Appendix A), has been moved to the exempt section of the agenda and this has been distributed separately to Board members via email on the Full details of the Fund's asset allocation and individual manager performance are included within Hymans report.
- (k) 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
- (l) At each reporting cycle meeting the committee will invite a fund manager to attend the meeting. The manager who attended the meeting was **Russell – Currency Hedging Manager**. Russell's report (Appendix B) is in the exempt section of the agenda and has been distributed separately to Board members on the2025.
- (m) Russell have been appointed to manage the Fund currency overlay mandate on a passive basis and their objective is to hedge non-sterling exposures in the Funds Private Market mandates. 100% of the exposure

to USD, EUR and AUD is hedged. The purpose of currency hedging is a risk management tool to help mitigate loss of income due to changes in exchange rates.

(n) **London CIV**

- i. *CBRE – Governance change and fee reduction* – LCIV has been working to establish a pooling solution for property assets and the Fund agreed to transfer responsibility of oversight of the CBRE, under a management agreement, and will receive a net fee saving of 0.055% per annum (c£16,500). This arrangement has been in place from 1 January 2025.
- ii. As a result of the above, the Fund now holds 63% of its assets within the London Collective Investment Vehicle (LCIV), 38% of assets under direct management and the LCIV have business arrangements in place with LGIM and CBRE which are classified as being held by LCIV (25%). 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.
- iii. 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.
- iv. The Fund receives monthly transactions and investment statements from the LCIV custodian which are used to reconcile against the Funds custodian reports.
- v. 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.
- vi. LCIV also hosts business update meetings, now held quarterly, 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.
- vii. All Havering investments funds are on ‘normal’ monitoring status.
- viii. 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.
- ix. *An Investor Update meetings* covering LCIV Passive Equity Progressive Paris –Aligned (PEPPA) Fund was held on the 13 March 2025. The LCIV uses a scoring /rating system as part of its monitoring – using 6 tests to assess the Skills element

(Fund manager focus) and two tests to assess the value (execution & cost) element. Overall a score of “1” was assigned to both, this being the highest score available (4 being the lowest score). Next review December 2025.

- x. *Capital Injection* – LCIV are required to maintain sufficient regulatory capital on their balance sheet and due to the growth in assets under management that regulatory capital needed to increase. Additional B shares were purchased in June 2025 and brings the total number of shares held by each partner to 220,312 (up from 150,000). Subscribing.
- xi. *LGPS Pensions Advisory & Support Service (PASS)* – This service was launched by LCIV in May 2025. The launch of LGPS PASS also complements the government’s “Fit for the Future” consultation. This service is made up of advisory services and strategy and policy support. Investment advisory services will include support with preparing investment strategy statements and strategic asset allocation advice.
- xii. *Staffing Changes* – Silvia Knott-Martin, Client Relations Manager left 31 March 2025

(o) **Fund Updates:**

- ***London Borough of Havering – Employer Contribution Rate Review*** – LBH requested a review of its employer contribution rate, due to a significant change in its ability to meet its obligations and evidenced this to the fund. This met the criteria set out in the Funding Strategy Statement. Following the review by the Fund’s Actuary, LBH secondary contribution rate was reduced by £2m from £9.65m to £7.65m for the year 2025/26. A reduction of £2m in 2025/26 will not have a significant impact on the Fund’s cash flow as projections are within the operational range set out in the Funds Cash Policy (£5m to £13m), nor will this have a significant impact on the funding position as the £2m represented the extra capacity built into the 2022 valuation.
- ***2.5% target change*** – A 2.5% (£25m) transfer from LCIV Global Alpha Paris Aligned Fund to LGIM future World Allocation was completed on 20 January 2025, this followed the Committee’s decision to adjust the target at their 10 December meeting.

(p) **LGPS updates, as follows:**

- ***LGPS – Fit for The Future consultation*** – As part of the Pensions Review Ministry of Housing, communities and Local Government (MHCLG) asked all eight LGPS pools to submit a strategic plan detailing how they take forward their pooling proposals as set out in the consultation. In April 2025 – MHCLG gave 6 of the pools approval to proceed, 2 were not approved (Brunel & Access) as they did not meet the governments requirements.
 - Officers met with the CEO of LCIV to discuss next steps for transitioning assets to LCIV:
 - **Passive assets-** An Investment Management Agreement (IMA) will need to be put in place so that management of

- these funds can be transferred to LCIV (this covers the passive mandates held with Legal & General)
- **Off pool liquid** – This will require a direct transfer of assets to LCIV (covers the mandates held with Royal London).
- **Off pool illiquid** – An IMA to be put in place so that management can transfer to LCIV (this covers mandates held with JPMorgan, Stafford, Churchill & Permira).
- **Transition planning** - now in progress.
- **Verbal update to committee** – following formal consultation response from MHCLG that was released on the 29 May:
 - Majority of the proposals set out in the consultation will proceed as proposed
 - Pooling - setting the investment strategy to remain with the Fund. Implementation of strategy will be LCIV
 - Primary strategic advice from the pool *will transfer to the LCIV*.
 - Good governance recommendations agreed but independent governance review switched to triennially instead of biannually. Some of the Good governance recommendations includes Funds having a senior LGPS officer in post (expected to be set at least Head of Service level and not the S151 officer) and aligning the legal requirement of the LPB with the Pensions Committee members in having appropriate knowledge and development

2.2 Pension Fund Accounts 2024/25 (Agenda item 7)

- (a) **Committee noted the Havering Pension Fund Accounts as at 31 March 2025 (unaudited).**
- (b) The purpose of the report provides members with an extract of the Authority's Statement of accounts for the year to 31 March 2025.
- (c) The Pension Fund draft accounts have been produced and published in line with the Accounts and Audit Regulation deadlines.
- (d) The Accounts have been compiled in line with the Chartered Instituted Institute of Public Finance & Accountancy (CIPFA) "LGPS Funds Accounts 2020/21 example accounts. There were no code changes in 2024/25 that affect the Pension Fund accounts.
- (e) Key movements to note from the 2024/25 accounts are:
 - The Net Assets of the Fund has increased to £1,008m in 2024/25 from £969m in 2023/24, an increase of (£39m).
 - The increase of (£39m) is compiled of change in market value of investments (£21m), investment income of (£20m) and net reductions of cash of £2m. Further details are included within the Fund Account and Net Asset Statement included in this report.

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- (f) Ernst & Young LLP are the appointed auditors for the London Borough of Havering. The 2024/25 Pension Fund accounts audit is currently ongoing.
- (g) Reforming local audit - In April 2025, Ministry of Housing, Communities & Local Government (MHCLG) published the outcome of its recent consultation on English local audit reform. Its key message for LGPS funds is the commitment to separate pension fund accounts from administering authority accounts. **UPDATE** – It is expected that the English Devolution Bill will be the legislative vehicle for this change and decoupling will take effect from the 2026/27 accounts onwards
- (h) A copy of the audited Pension Fund Accounts and the auditors' opinion will be included in the 2024/25 Pension Fund Annual Report. Deadline to publish is the 1 December 2025.
- (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**

2.3 Annual Report on the Work of the Pensions Committee during 20224/25 and 2025/26 Business Plan (Agenda Item 8)

- (a) **Committee noted the report on the work of the Pensions Committee for 2024/25**
- (b) **Agreed the Business Plan for the three year rolling period 2025/26 – 2027/28.**
- (c) This report sets out the work undertaken by the Committee during 2024/25 and the plan of work for the forthcoming three years. This will form the basis of a rolling Pension Fund Business Plan for the three years covering 2025/26 – 2027/28.
- (d) The new Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 has removed the requirement to publish compliance against the six Myners principles but the Committee agreed to still publish and explain compliance against these principles and to meet best practice decided that it is appropriate to prepare a report on the activity of the committee on an annual basis and this will be adopted as the Business Plan.
- (e) The Business Plan, compiled in line with CIPFA guidance "Principles for Investment Decision Making & Disclosure in the LGPS" suggests that the Business Plan is submitted to the committee for consideration.
- (f) In line with the Council's Constitution – Part 4 Rules of Procedure - ordinary meetings of the Council will receive reports for the previous year's Pension Committee activity from the Chair; this meeting is scheduled for the 23 July 2025 and the Business Plan (Appendix A), which includes the

work of the committee for 2024/25, will be referred to the Full Council meeting for consideration.

- (g) **Report presented to Pensions Committee provides evidence to the Board as to the Fund's compliance with scheme regulations relating to Funding and Investment Governance.**

2.4 Pensions Administration Budget 2025/26 (Agenda item 9)

- (a) **Committee agreed the Pensions Administration Budget for 2025/26 of £740k.**
- (b) This report was presented at the 8 April Local Pension Board meeting on the 8 April 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**

IMPLICATIONS AND RISKS

Financial implications and risks:

This report provides feedback from items that have already been presented to the Pensions Committee on the 24 June 2025.

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 24 June 2025.

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:

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This report provides feedback from items that have already been presented to the Pensions Committee on the 24 June 2025.

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.

Equalities implications and risks:

This report provides feedback from items that have already been presented to the Pensions Committee on the 24 June 2025.

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