

PENSIONS COMMITTEE

30 SEPTEMBER 2025

Subject Heading:

**PENSION FUND PERFORMANCE
MONITORING FOR THE QUARTER
ENDED JUNE 2025**

ELT Lead:

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Policy context:

Pension Fund performance is regularly monitored to ensure investment objectives are being met and to keep the committee updated with Pension related developments.

Financial summary:

This report comments upon the performance of the Fund for the period ended 30 June 2025

The subject matter of this report deals with the following Council Objectives

People – Supporting our residents to stay safe and well	X
Place – A great place to live, work and enjoy	X
Resources – Enabling a resident-focused and resilient Council	X

SUMMARY

LOLA Module 6 – Investment Performance and Risk Management and LOLA Module 7 – Financial Markets and products applies

This report provides an overview of how the Fund's investments are performing, how the individual Investment Managers are also performing against their set targets and any relevant Local Government Pension Scheme (LGPS) updates for the quarter ending **30 June 2025**.

Significant events that occur after production of this report will be addressed verbally at the meeting.

The total value of the Fund's assets of £1,045.1m as at 30 June 25 increased by **£37.0m** over the quarter.

The overall fund performance of 3.46% over the quarter outperformed the tactical benchmark by 0.18% and outperformed against the strategic benchmark by 2.18%.

The increase in value is primarily due to the Fund's allocation to 'Growth' assets – as equities gained and markets recovered, following softening of US trade policies.

The Fund's allocation to 'Income' assets remained relatively unchanged in value but fell below the Fund's target allocation.

The Fund's allocation to 'Protection' assets increased in value – primarily due to the increase in cash held by the Fund in its Russell currency-hedging overlay, as sterling strengthened significantly against the US Dollar over the quarter.

The general position of the Fund is considered plus other matters including any current issues as advised by Hymans. The manager attending the meeting will be:

JP Morgan – Global Infrastructure Manager

Hymans will discuss the Fund's performance after which the manager will be invited to join the meeting, make their presentation and answer any questions.

Hymans and Officers will discuss with Members any issues arising from the monitoring of the other managers.

RECOMMENDATIONS

That the Committee:

- 1) Consider Hymans Performance Report (Appendix A **Exempt**)
- 2) Receive a presentation from the Funds Global Infrastructure Manager, JP Morgan (Appendix B – **Exempt**)
- 3) Consider the quarterly reports sent electronically, provided by each fund manager.
- 4) Note the analysis of the cash balances in paragraph 5.
- 5) Note the McCloud administration update in paragraph 8.1 (c).

REPORT DETAIL

1. Hymans report includes asset allocation information, fund manager performance and associated commentary, asset allocation and market background, can be found in Appendix A.
2. Where appropriate, topical LGPS news that may affect the Fund will be included.

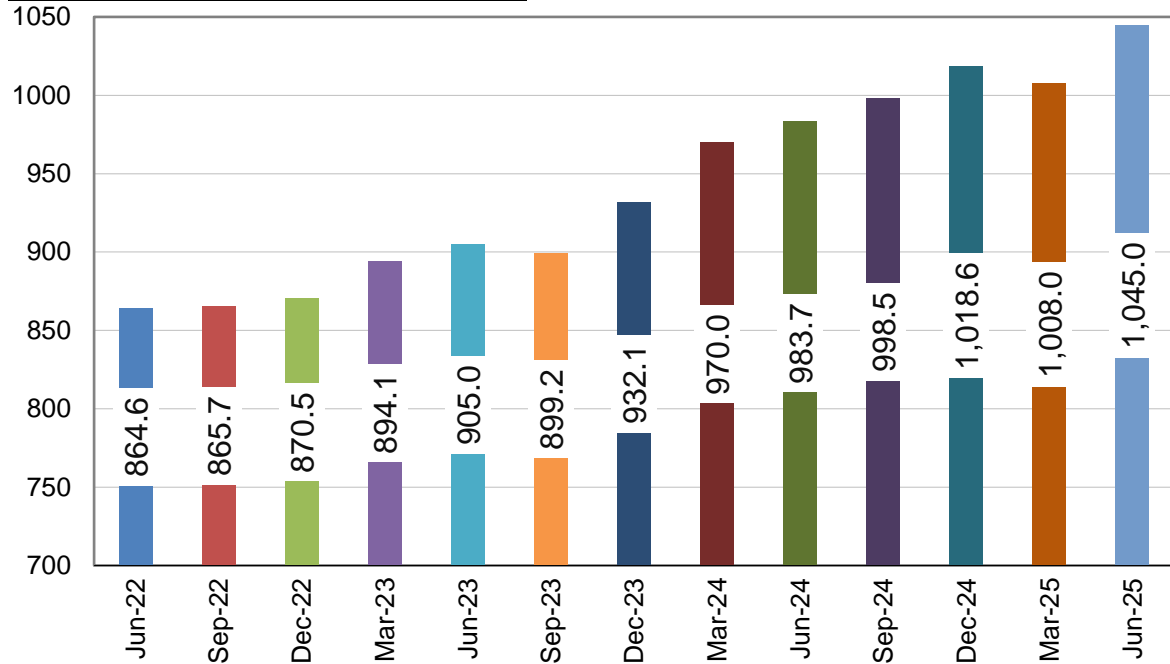
3. BACKGROUND

- a. The Committee adopted an updated Investment Strategy Statement (ISS) in September 2023.
- b. The objective of the Fund's ISS is to deliver a stable long-term investment return in excess of the expected growth in the Fund's liabilities.
- c. The Fund's assets are monitored quarterly to ensure that the long-term objective of the ISS is being delivered.
- d. We measure returns against tactical and strategic benchmarks.

4. PERFORMANCE

- a. The Fund's invested asset value at 30 June 2025 was £1,045.1m compared with £1,008.1m at 31 March 2025, an increase of £37.0m. This movement is attributable to an increase in asset values of £29.1m and an increase in cash & currency of £7.9m.

Chart 1 – Pension Fund Asset Value



Source: Northern Trust Performance Report

- b. The overall net performance of the Fund against the **Tactical Benchmark** - Each asset manager has been set a specific (tactical) benchmark as well as an outperformance target against which performance will be measured. This benchmark is determined according to the type of investments being managed. This is not directly comparable to the strategic benchmark as the majority of the mandate benchmarks are different but contributes to the overall performance.

Table 1: Tactical Performance

	Quarter to 30/06/2025 %	12 Months to 30/06/2025 %	3 Years to 30/06/2025 %	5 years to 30/06/2025 %
Fund	3.46	5.91	5.67	5.43
Benchmark	3.27	7.18	8.41	7.52
*Difference in return	0.18	-1.28	-2.74	-2.10

Source: Northern Trust Performance Report

Totals may not sum due to geometric basis of calculation and rounding

- c. The overall net performance of the Fund against the **Strategic Benchmark** (i.e. the strategy adopted of Gilts + 1.8% Net of fees). The strategic benchmark represents the expected rate at which the Fund's liabilities are growing (or falling) in value. The asset performance relative to the strategic benchmark performance gives an indication of whether the funding level has improved or weakened over a given period.

Table 2: Strategic Performance

	Quarter to 30/06/2025 %	12 Months to 30/06/2025 %	3 Years to 30/06/2025 %	5 years to 30/06/2025 %
Fund	3.46	5.91	5.67	5.43
Benchmark	1.28	-3.46	-5.95	-7.05
*Difference in return	2.18	9.36	11.61	12.48

Source: Northern Trust Performance Report

*Totals may not sum due to geometric basis of calculation and rounding.

- d. Further detail on the Fund's investment performance is detailed in **Appendix A (Exempt)** in the performance report which will be presented by the Investment Adviser (Hymans)

5. **CASH FORECAST**

- a. At the end of June 2025, the cash balance stood at £18m, which is invested with London Borough of Havering Treasury and available for operational cash requirements as needed.

Table 3: Cash Flow Forecast

	3 months to 30 June 2025	9 Months to 31 March 2026	Year to 31/03/2027	Year to 31/03/2028	Year to 31/03/2029
	£000	£000	£000	£000	£000
Balance b/f	16,361	18,361	21,322	14,723	7,192
Benefits paid	(8,726)	(26,687)	(36,121)	(36,844)	(37,581)
BACS expenses*	(4,105)	(6,111)	(10,420)	(10,628)	(10,841)
Lump sums by faster payment	(485)	(1,624)	(2,109)	(2,109)	(2,109)
Transfers in	1,570	4,353	5,923	5,923	5,923
Contributions received**	3,097	33,030	36,127	36,127	36,127
Receivables	0	0	0	0	0
Pension strain	0	0	0	0	0
Interest	0	0	0	0	0
Sweep	10,648	0	0	0	0
Investment deposit	0	0			
Balance c/f	18,361	21,322	14,723	7,192	(1,287)

* BACS expenses also includes some grants i.e. lump sums made to members via payments team

** Contributions received from LBH are net of pension payroll deductions (e.g. HMRC)

- b. Members updated the cash management policy at their committee meeting on the 19 March 2024.
- c. An operational cash balance in the range of £5m to £13m has been set. In the event that cash levels rise above the upper limit of £13m cash will be invested in the most underweight liquid asset allocation.

- d. Cash balances may be retained above the upper limit at the discretion of the Section 151 officer, with these balances reported to the Section 151 officer on a monthly basis.
- e. As operational cash reserves diminish, the Fund retains the capacity to withdraw funds from Northern Trust. The cash balance held with Northern Trust, which is excluded from the table presented above, amounted to £20 million as at 30 June 2025.

6. REPORTING ARRANGEMENTS

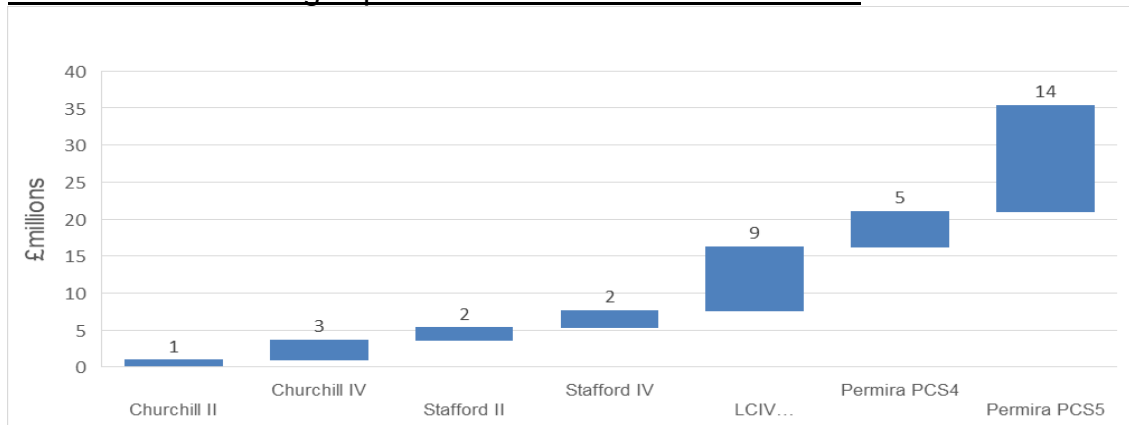
- a. At each reporting cycle, the Committee will see a different fund manager until members have met them all unless there are performance concerns that demand a manager be brought back again for further investigation.
- b. Summary fund manager reviews are included within Hymans performance report at **Appendix A (Exempt)**.
- c. All fund manager's quarterly reports are distributed electronically prior to this meeting. Where applicable, quarterly voting information, from each fund manager, detailing the voting history of the fund managers is also included in the manager's quarterly report.
- d. The fund manager attending this meeting is **JP Morgan** who manage the Funds Global Infrastructure mandate. Their report is attached at **Appendix B (Exempt)**.

8. FUND UPDATES:

8.1 Changes since the last report and forthcoming changes/events:

- a. In the quarter ending 30 June 2025, the Fund completed £0.4m of capital draw down requests, which were funded from investment income received and held with the Custodian.
- b. At 30 June 2025 there was £36m of outstanding capital commitments as follows:

Chart 2 – Outstanding capital commitments at 30 June 2025



- c. McCloud Administration Update** – The Fund has applied its discretion to delay the implementation of the McCloud Remedy until 31 August 2026.

The Pensions Regulator (tPR) issued a statement setting out their expectations for the delivery of the 2024/25 Annual Benefit Statements (ABS). By law, LGPS Administering Authorities will need to include McCloud remediable service information in the ABS issued to members for the 2024/25 scheme year unless they exercise their discretion to delay this for a further year.

An administering authority may consider exercising their discretion to delay the implementation until the deadline for issuing the ABS for the 25/26 year on 31 August 2026 where the following conditions are satisfied, as set out under Regulation 2(6) of the Local Government Pension Scheme (Information) Regulations 2024 (SI 2024/880):

- The discretion can only be exercised if the administering authority considers it is reasonable in all circumstances of a particular member or class of members
- The discretion is exercised before 31 August 2025
- Affected members must be notified that the discretion has been exercised in relation to their 2024/25 ABS

A breach of the law report would need to be submitted to tPR if the remediable service information is not included in the 2024/25 ABS for all members and the discretion has not been exercised to delay the provision of that information.

It was agreed via a non key executive decision, following consultation with Fund Officers and the Local Pensions Board, that the discretion should be exercised to extend the McCloud remedy implementation date for the inclusion of remediable service in the Annual Benefit Statements to 31 August 2026 for all classes of member as required. The primary reasons had to do with data collection and the

need to obtain the appropriate software to calculate the benefits which was not available in time for 31 August 2025.

The decision will be noted on affected members benefit statements and has been published to the Havering.gov.uk pensions administration page.

8.2 London CIV UPDATES -The LCIV is the appointed asset pool manager for the Fund and the governance of investments held with the LCIV is their responsibility. It is therefore crucial that regular communication and contact is upheld and activity updates are reported and covered here as follows:

8.2.1 LCIV meetings (since the last report)

- a. Quarterly Business Update Meetings. No meetings held in this reporting period, frequency switched to quarterly to coincide with the release of their quarterly monitoring reports. Each business update meeting includes an update from LCIV Chief Officers 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.
- b. **3 July 2025** - London CIV Annual Conference –celebrating 10 years since the creation of the UK's first local government pension investment pool. A central theme of the conference was the government's Pensions Investment Review:
 - Transition - London CIV is working closely with Partner Funds to finalise Investment Management Agreements (IMAs), covering passive investments and the majority of private market assets.
 - London CIV has bolstered its team with experienced LGPS professionals and is the first pool to launch procurement for third-party advisory and strategic asset allocation (SAA) support
 - Challenges ahead, such as harmonising 32 Responsible Investment policies and developing a coherent local investment strategy, were acknowledged.
- c. **Fund Manager monitoring status updates** - All LCIV sub funds undergo monitoring status reviews annually unless there are any concerns, in which case the frequency of the in-depth reviews occurs every six months. The LCIV uses a scoring/rating system as part of its monitoring – using six tests to assess the Skills element (Fund manager focus) and two tests to assess the value (performance & value for money) element. Rating scores applied range from one (being the highest score and achieving objectives) to four (being the lowest score and not achieving objectives). Monitoring Status Update

meetings have taken place over the last quarter and a summary follows of those that relate to mandates held by Fund:

- **11 June 2025 - Global Alpha Growth Paris Aligned (GAGPA) Fund** – period of review as at 31 March 2025. This mandate underperformed the benchmark over the quarter by 2.68% and 9.67% since inception. The fund is not achieving its objective and are underperforming their benchmark over all reporting periods, so was assigned an overall skills score of two and a value score of four. LCIV continue to assess the team's ability to add value through stock selection and continue to monitor the application of the investment process with a focus on investment process concerns). Current positioning and valuation suggest that a bounce back in performance is possible, but this is subject to a more supportive market environment and better stock selection outcomes. GAGPA has consistently met its climate objective. Next review November 2025. LCIV will complete fee negotiations with the Fund manager to deliver a reduced management fee.
- d. **Investment Review Webinar** – these webinars take place on a Quarterly basis and include an overview of the markets, market trends, portfolio characteristics, progress on investment manager monitoring and any monitoring updates:
 - **31 July 2025 – Private Markets 2024 Annual Review** – This covered all the private market funds for 2024 (includes the fund's mandate with LCIV Renewable Infrastructure Fund)
 - **5 August 2025 – Fixed Income & Multi Asset** reporting period covered the quarter to 30 June 2025 (includes the Fund's mandate with LCIV Global Bonds and LCIV Absolute Return Fund)
 - **6 August - Equities** reporting period covered the quarter to 30 June 2025 (includes the Fund's mandate with GAGPA and the Passive Equity Progressive Paris Aligned Fund)
- e. **Staffing Updates:**
 - **Rob Trieck**, Head of Public Markets, has decided to retire later this year. **James Beaumont** will be joining as Rob's successor at the end of August as Rob's successor. Rob will support James during his transition into the role
- f. **Monthly Newsletters** – LCIV produce monthly newsletters which includes updates on market movements, pool progression, fund activity and launches, dates for the diary, operational happenings and investment case studies

8.3 LGPS GENERAL UPDATES:

8.3.1 LGPS – Access & Fairness Consultation

The Ministry of Housing, Communities and Local Government (MHCLG) launched an 'Access and Fairness' consultation on the 15 May 2025, which closed on 7 August 2025. It includes proposals on a range of Local Government Pension Scheme (LGPS) regulations to promote 'access and fairness' to scheme members, including survivor benefits, the gender pay gap and opt outs. There are a number of smaller regulatory changes also being proposed, some of which are clarifying amendments but the main points are:

- **Survivor benefits and death grants;** aiming to ensure equality of benefits paid to survivors irrespective of the sex of the survivor or the original member, removing the age 75 maximum eligibility point for death grants and a further administrative easement when a death grant isn't paid within 2 years.
- **Gender pensions gap,** with some proposed changes to the way members can (and in some cases must) buy back unpaid leave and a proposal to make unpaid additional maternity, adoption and shared parental leave fully pensionable at cost to employers. The purpose of these changes is to improve pension rights accrued, during breaks in membership, by female scheme members but will also have some benefit to male scheme members. It is proposed that it is going to be mandatory for pension's gender gap reporting to be carried out, which would be carried out as part of the actuarial valuation and included in the valuation report.
- **Opting out of the scheme** – a proposal to make the collecting and reporting of opt out data mandatory, including use of a standard form to be used by all administering authorities. This aims to ensure that an understanding of who is opting out and why can be taken into account in future discussions about scheme changes and in how administering authorities and employers communicate the advantages of the Scheme to their members. It is also proposed that there will be a (further) Government form that employees will be asked to complete, so that data is automatically (and anonymously) returned to MHCLG.
- **Forfeiture,** with changes proposed that will solve some issues that administering authorities and employers have faced in attempting to use the rather complex and restrictive provisions to forfeit/reclaim financial losses from scheme members' benefits in the past. Guidance on making a forfeiture application is also suggested.
- **Consultation Response:** The Local Government Association (LGA) and the Local Government Pensions Committee (LGPC) submitted a joint response. The LGA works on behalf of councils to ensure local government has a strong, credible voice with national government. The LGPC is a committee of councillors and considers policy and technical matters affecting the LGPS). Response is broadly supportive of most of the proposals, however, it expresses concerns about the administrative workload required to implement some of the proposals - particularly those involving the backdating of survivor pensions. The consultation also asks whether any changes could be phased in to reduce the administrative burden. The response included a

recommendation that the proposed requirements for reporting opt-out rates and gender pension gap data are introduced at a later stage. Given the technical detail in the consultation, Havering did not respond to the consultation, placing faith on the above submission to represent the views of the LGPS.

8.3.2 “Fit for the Future” - LCIV Pooling update - Pensions Schemes Bill

The Pension Schemes Bill had its second reading in the House of Commons on 7 July 2025. The Bill has been sent to the House of Commons Public Bill Committee, who has launched a call for evidence on the Bill. The Committee is meeting on 2 September to scrutinise the Bill and is due to report its findings by 23 October.

8.3.3 State Pension Age

The Government has launched its third review of the SPA. Any changes to the SPA following the review will affect the cost of Career Average Revalued Earnings (CARE) benefits in the LGPS. The review will consider evidence from two sources:

- an independent report covering specified factors, and
- a report by GAD on the latest life expectancy projections.

8.4 Training Requirements - UPDATE

- a. The Fund subscribes to the LGPS Online Learning Academy (LOLA) Launched by our Actuaries (Hymans) – this is an online platform designed to support the training needs of Pensions Committees, Local Pension Boards and Officers. The training is split into a number of modules covering the CIPFA Knowledge & Skills Framework (KSF) and The Pension Regulator’s Code of Practice 14. Each module contains short ‘video on demand’ presentations with supplemental learning materials and quizzes.
- b. In addition to an induction training session, members are expected to complete the LOLA training modules v1.0 (modules 1- 5) or LOLA V2.0 Training modules (1- 8) in support of meeting the Committee procedure rules.
- c. The Fund transitioned over to LOLA v2.0 on the **1 October 2023**.
- d. New committee members yet to complete modules under version 1.0 will now be required to undertake the LOLA v2.0 to meet the committee procedure rules.
- e. New committee members will have six months from date of joining to complete the LOLA v2.0 modules.

- f. Officers will provide the Committee with regular progress reports allowing it to easily evidence member's development and progress, as follows:

Chart 3 – Pension committee progress LOLA v1

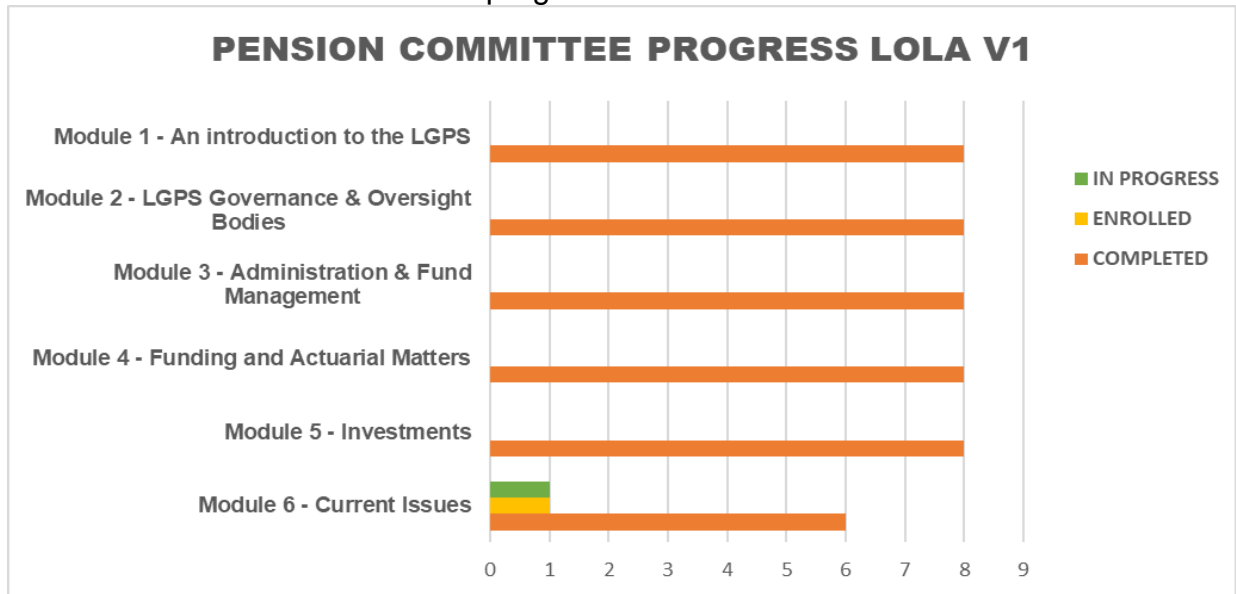
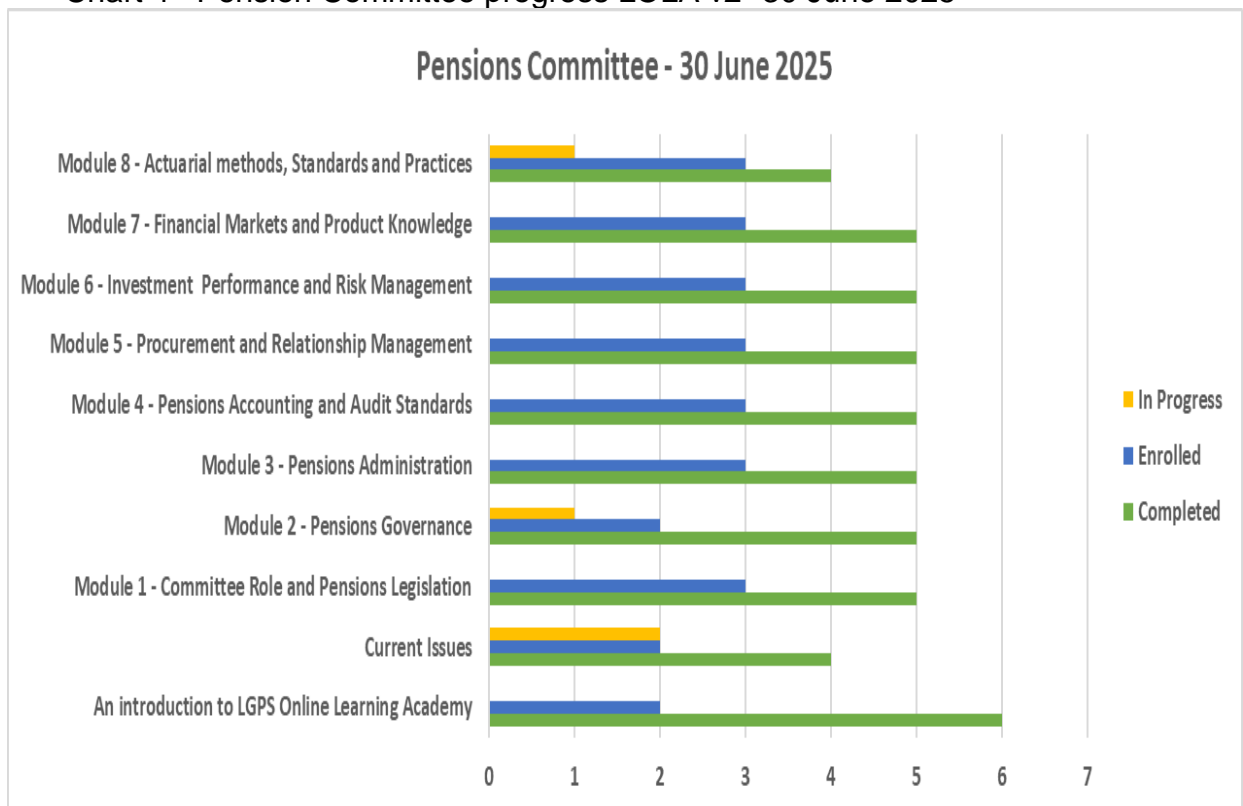


Chart 4 –Pension Committee progress LOLA v2 -30 June 2025



IMPLICATIONS AND RISKS

Financial implications and risks:

Pension Fund Managers' performances are regularly monitored in order to ensure that the investment objectives are being met and consequently minimise any cost to the General Fund and employers in the Fund

Legal implications and risks:

None arising directly from consideration of the content of the Report.

Human Resources implications and risks:

There are no immediate HR implications.

Equalities implications and risks:

An EHIA (Equality and Health Impact Assessment) has not been completed and is not required for this decision. The Council seeks to ensure equality, inclusion, and dignity for all. There are no equalities and social inclusion implications and risks associated with this decision.

BACKGROUND PAPERS

Executive Decision –

McCloud underpin