

PENSIONS COMMITTEE

17 March 2026

Subject Heading:	2026 Investment Strategy Report
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Policy context:	Regulation 12 of the draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 requires administering authorities to periodically review their Investment Strategy Statement
Financial summary:	The ISS objective is to achieve long term stability for the Pension Fund

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

People - Supporting our residents to stay safe and well	<input checked="" type="checkbox"/>
Place - A great place to live, work and enjoy	<input checked="" type="checkbox"/>
Resources - Enabling a resident-focused and resilient Council	<input checked="" type="checkbox"/>

SUMMARY

The draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 require administering authorities to formulate and publish an Investment Strategy Statement within 18 months of each valuation date and to keep that strategy under regular review. Accordingly, the draft ISS has been updated in line with the draft regulations and statutory guidance.

Following advice from the Fund's investment advisor, Hymans Robertson LLP, the Fund's Investment Strategy Statement (ISS) has been updated (**Appendix A**) to reflect:

Legislative changes: arising from the draft LGPS (Pooling, Management and Investment of Funds) Regulations 2026, which includes clearer separation of strategic and operational responsibilities.

- Strategic asset allocation updates: to be approved by the Committee following the outcome of the 2025 valuation. The recommended revised allocations incorporate tolerance ranges and adjustments to several asset classes in accordance with the draft regulations.

- London CIV's expanded role from April 2026: including implementation of the investment strategy, manager selection, and rebalancing within set tolerances.
- New local investment ambition of 2.5% of total assets, focusing on opportunities within Greater London, including housing and local employment.

RECOMMENDATIONS

The Committee is asked to:

1. Approve the Draft Investment Strategy Statement, to go out for consultation.
2. Note the forthcoming transition of implementation responsibilities to London CIV, including rebalancing and manager selection frameworks.
3. Delegate authority for the Chair and the Strategic Director of Resources (S151) to finalise the ISS following the consultation and publish on the Fund's website.

REPORT DETAIL

1. Statutory Background

- 1.1 The draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 require administering authorities to publish an ISS that sets out their investment strategy, risk management approach, and pooling arrangements within 18 months of each actuarial valuation date.
- 1.2 At the time of this Committee meeting, the 2026 Regulations remain in draft. However, they have progressed through Parliamentary scrutiny and have been read at Committee Stage in the House of Commons. They are expected to receive Royal Assent shortly and become effective from 1 April 2026. The ISS has been prepared in anticipation of these regulations coming into force in their current form.
- 1.3 The ISS must be reviewed at least every three years and consulted upon prior to publication. The Fund's existing ISS has been updated to align with the new regulatory requirements and to reflect changes arising from the 2025 valuation.

2. 2025 Valuation Investment Objectives

- 2.1 The primary objective of the Fund is to provide pension and lump sum benefits to scheme members on a defined benefits basis, including benefits to dependants in the event of a member’s death before or after retirement.
- 2.2 This objective is reflected in a set of high-level investment objectives that align with the Funding Strategy Statement as set out below.
- a) Return objective: Achieve returns above the 5.5% p.a. discount rate
 - b) Risk objective: Maintain a funding level of 100% with a 85% likelihood over 20 years.
 - c) Cash flow objective: Generate sufficient income to meet cash flow needs.

3. Strategic Asset Allocation

- 3.1 Hymans Robertson LLP have advised revision to the ISS to reflect updated modelling, the 2025 valuation outcomes, and draft regulatory requirements. (Appendix 2 of the ISS).

Table 1: Changes to the Strategic Asset Allocation

Asset Class	Current Strategic Asset Allocation	Revised Strategic Asset Allocation	Change
Listed Equity	40.0%	40.0%	-
Private Equity	-	2.5%	+2.5%
Other Alternatives	12.5%	10.0%	-2.5%
Property / Real Estate	10.0%	12.5%	+2.5%
Infrastructure	12.5%	12.5%	-
Private Credit	7.5%	10.0%	+2.5%
Credit	12.5%	10.0%	-2.5%
UK Government Bonds	5.0%	2.5%	-2.5%
Cash	0.0%	0.0%	-

- 3.2 The ISS also now includes explicit tolerance ranges for each asset class and a defined rebalancing framework to be implemented by London CIV.
- 3.3 “Other Alternatives” includes the Royal London Multi Asset Credit (MAC) fund and “Credit” includes the London CIV Global Bond Fund.

4. Pooling – London CIV Responsibilities

- 4.1 From 1 April 2026 all assets must be invested through the London CIV. London CIV will be responsible for:
- a. selecting investment managers
 - b. mandate construction
 - c. portfolio rebalancing
 - d. reporting on investment, stewardship and climate metrics

5. Local Investment

- 5.1 The ISS introduces a local investment ambition, with opportunities expected mainly within private equity, property, and private credit. Focus areas include:
- a. local employment-generating businesses
 - b. London residential housing supply
- 5.2 London CIV will identify and assess suitable opportunities subject to fiduciary duty.

6. Responsible Investment and Stewardship

- 6.1 The ISS strengthens the Fund's approach to Environmental, Social and Governance integration and climate risk, reflecting the Fund's climate policy:
- a. London CIV is expected to integrate ESG and climate considerations into all implementation decisions.
 - b. Voting and engagement policies follow London CIV frameworks.
 - c. Managers must be signatories to the UK Stewardship Code and PRI where appropriate.
 - d. Active oversight and reporting will be reviewed annually by the Committee.

7. Consultation

- 7.1 A draft ISS will be circulated to employers and the Local Pension Board following this meeting, with comments invited before 30 April 2026.
- 7.2 Any feedback received will be presented to the Chair and Section 151 Officer for consideration and whether to update the Draft ISS.
- 7.3 The final ISS will be published on the Fund's website following the conclusion of the consultation process.

IMPLICATIONS AND RISKS

Financial implications and risks:

The ISS objectives are to help the fund balance the key objectives of affordability and stability of employer contributions rates, whilst ensuring the solvency of the Fund over the long-term.

Advisory costs relating to implementation will be met by the Pension Fund.

Legal implications and risks:

It is a principle of administrative law that when the Authority has a duty to consult it must conscientiously take into consideration the representations of consultees before making its decision. Accordingly, any comments provided under para 2.6 above should be considered conscientiously.

Otherwise there are no apparent legal implications and the applicable law is set out in the main body 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.