

PENSIONS COMMITTEE

17 March 2026

Subject Heading:

Pension fund performance monitor for the quarter ended 31 December 2025

ELT Lead:

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Policy context:

Pension Fund performance is monitored quarterly against investment objectives and to keep the committee informed of developments

Financial summary:

This report comments upon the performance of the Fund for the period ended 31 December 2025

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

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

This report summarises the Fund's investment performance and outlines key Local Government Pension Scheme (LGPS) updates for the quarter ending **31 December 2025**.

The total value of the Fund's invested assets increased by **c.£22.5m** over the quarter to £1,118.9m as at 31 December 2025. The overall fund performance over the quarter was 2%, behind both the tactical benchmark by -0.7% and the strategic benchmark by -1.6%.

The general position of the Fund is considered alongside other matters including any current issues as advised by Hymans (investment consultants).

Any significant events occurring after production of this report will be addressed verbally at the meeting.

RECOMMENDATIONS

That the Committee:

- 1) Consider Hyman's Performance Report (Appendix A **Exempt**)
- 2) Note the analysis of the cash balances in paragraph 5.
- 3) Consider the quarterly reports sent electronically, provided by each fund manager.

REPORT DETAIL

1. Hyman's 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.

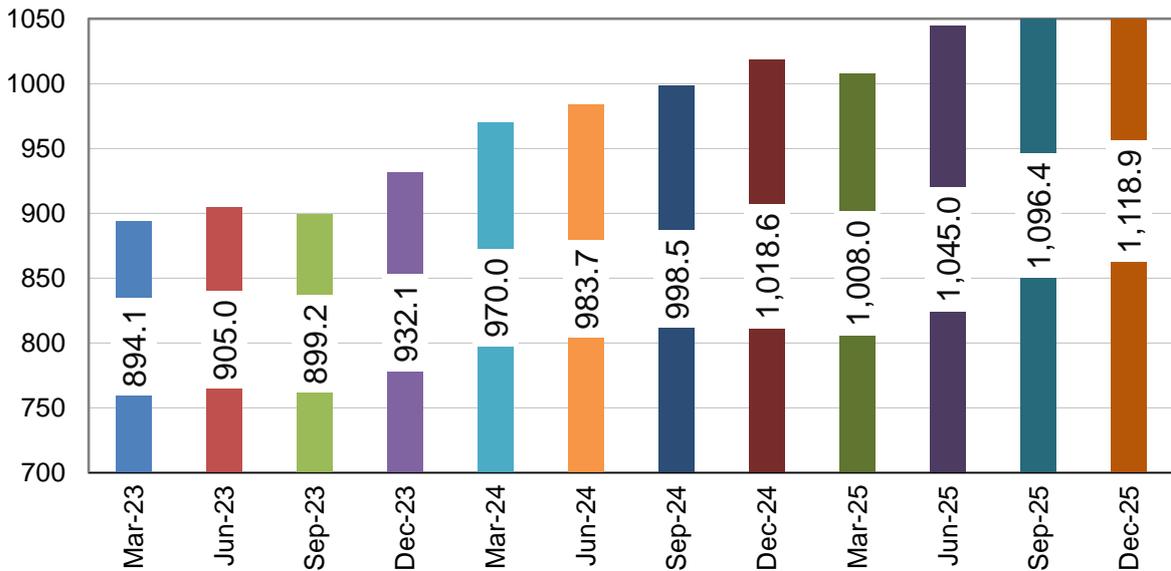
3. BACKGROUND

- a. The Committee approved an updated Investment Strategy Statement (ISS) in September 2023, aiming to achieve long-term investment returns that exceed the growth in the Fund's liabilities.
- b. Assets performance is reviewed quarterly against tactical and strategic benchmarks to ensure alignment with the ISS objectives.

4. PERFORMANCE

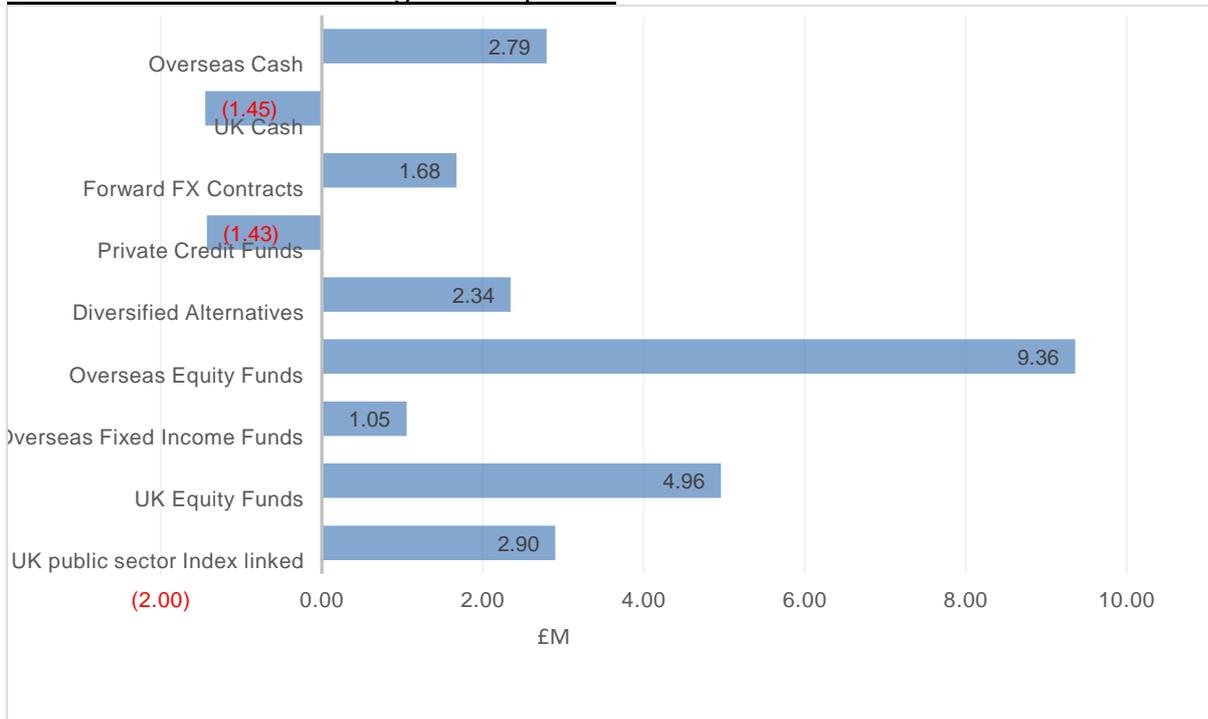
- a. Over the quarter to 31 December 2025, the Fund’s asset value increased by £22.5m to £1.118.9m largely driven by an increase in the fund’s global equities allocation.

Chart 1 – Pension Fund Asset Value



Source: Northern Trust Performance Report

Chart 2 – Asset value changes this quarter



- b. The reduction in the Private Credit allocation this quarter is mainly because the investment manager returned capital to the Fund. Some of this capital can be ‘recalled’ by the manager in future (if they identify new investment opportunities), while the rest is permanently returned to the Fund and will not be called again.
- c. The Fund’s overall performance against **tactical benchmarks** reflects each manager’s specific investment targets. While these benchmarks vary by mandate and aren’t directly comparable to the strategic benchmark, they contribute to assessing overall fund performance.

Table 1: Tactical Performance

	Quarter to 31/12/2025 %	12 Months to 31/12/2025 %	3 Years to 31/12/2025 %	5 years to 31/12/2025 %
Fund	2.04	9.45	8.20	4.94
Benchmark	2.76	10.30	10.58	7.76
*Difference in return	-0.72	-0.86	-2.38	-2.81

Source: Northern Trust Performance Report

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

- c. The Fund’s net performance is measured against the **Strategic Benchmark** (Gilts + 1.8% net of fees), which reflects the expected growth in liabilities. Comparing asset performance to this benchmark indicates whether the Fund’s funding level has strengthened or weakened.

Table 2: Strategic Performance

	Quarter to 31/12/2025 %	12 Months to 31/12/2025 %	3 Years to 31/12/2025 %	5 years to 31/12/2025 %
Fund	2.04	9.45	8.20	4.94
Benchmark	3.68	3.04	-0.40	-6.53
*Difference in return	-1.64	6.40	6.60	11.47

Source: Northern Trust Performance Report

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

- d. Over the 3-month period to 31 December 2025, the Fund delivered a positive return of 2.0% p.a. which is behind both the tactical and strategic benchmarks. Over the 12-month and 3-year periods, the Fund has continued to experience positive asset growth, with investment returns of 9.5% p.a. and 8.2% p.a., respectively, outperforming the strategic benchmark, albeit lagging the tactical benchmark.
- e. Measured against the strategic benchmark which is an approximation for the changing value of the liabilities, relative performance is

susceptible to short term movements in real yields. Falling real yields over the quarter resulted in the Fund falling short of the strategic benchmark performance. However, over the longer of 12-month and 3-year periods, the Fund has significantly outperformed the strategic benchmark.

- f. The tactical benchmark represents the composite of the specific investment managers benchmarks and target returns which, in some cases (particularly where CPI+ targets are used) reflect more stretching return goals rather than benchmarks to be beaten. Over the quarter, the primary drag on performance against the tactical has been the LCIV Global Alpha Growth Paris Aligned Fund which underperformed its benchmark by 4.8%, this contributing approximately 0.6% to relative underperformance. Most other mandates delivered performance in line with expectations.
- 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 December 2025, the cash balance stood at £17.8m, which is invested with London Borough of Havering Treasury and available for operational cash requirements as needed.

Table 3: Cash Flow Forecast

	6 months to 31 Dec 2025	3 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	16,468	17,793	16,987	10,410	3,992
Benefits paid	(26,384)	(8,850)	(35,939)	(36,658)	(37,391)
BACS expenses*	(10,909)	(3,651)	(14,871)	(15,168)	(15,472)
Lump sums by faster payment	(2,954)	(1,281)	(4,319)	(4,319)	(4,319)
Transfers in	5,843	1,965	9,421	9,421	9,421
Contributions received**	35,520	11,010	39,132	40,306	41,515
Pension strain	216	0	0	0	0
Sweep	(6)	0	0	0	0
Balance c/f	17,793	16,987	10,410	3,992	(2,254)

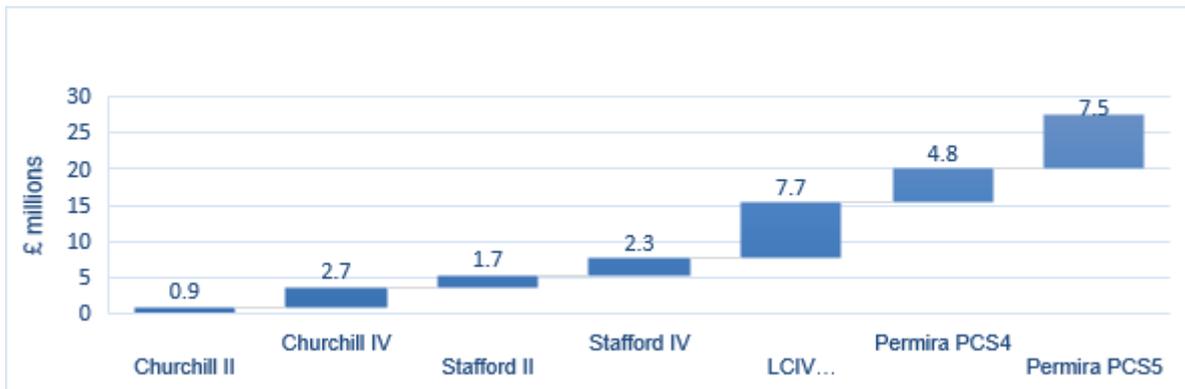
* BACS expenses also includes some grants i.e. lump sums made to members via payments team

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

- b. Members updated the cash management policy at the committee meeting held 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 £20.9 million as at 31 December 2025.
- f. In the quarter ending 2025, the Fund completed £2.9m of capital draw down requests, funded from investment income received and held with the Custodian.
- g. At 31 December 2025 there was £27.6m of outstanding capital commitments as follows:

Chart 3 – Outstanding capital commitments at 31 December 2025



6. REPORTING ARRANGEMENTS

- a. Summary fund manager reviews are included within Hymans' performance report at **Appendix A (Exempt)**.
- b. All fund managers' 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 managers' quarterly report.
- c. **Hymans' independent review of the pool Q3 2025**
 - i. Hymans produce a quarterly oversight report of LCIV. The report reviews key developments and an overview of leadership,

operations and relationships using a traffic light system. Hymans' approach is to consider a combination of objective and subjective factors. Each category starts with a score of 5 and points are deducted where they are unable to evidence best practice.

- ii. Leadership scored below 1.4 and receiving a red traffic light for the 3rd consecutive quarter, LCIV have clarified that staff turnover remains stable at 4% which is significantly below the market norm of 10%. They are currently operating with a headcount of 57 employees. LCIV explained that changes in Commercial and Investment teams relate to growth, with six new roles add to the investment team over the past six months.
- iii. Implementing ESG – LCIV confirmed that partner funds lead their own ESG strategies. LCIV are implementing 3 Responsible Investment Pillars, Fund's will be able to identify the pillar level of restrictions that they feel best reflects their investment appetite and performance expectations.
- iv. Capacity of LCIV teams is a concern as they scale up the business to fully deliver the investment strategy and implementation. New roles have been created and LCIV are working with Partner Funds to slowly roll out implementation.
- v. Monitoring and reporting on the New Strategic Advice Framework – LCIV have appointed Mercers as their strategic partner to provide Strategic Asset Allocation modelling and advice, using Mercers established capital market tools. LCIV will be providing partner funds with quarterly monitoring and annual in-depth reviews.

7. FUND UPDATES

7.1 Market Update

- a. Hymans Actuary has updated the way it derives CPI inflation projections from market data following recent movements in government bond yields, which indicate markets are beginning to price in the 2030 RPI reform. As at 31 December 2025, this technical change increases CPI inflation projections by around 0.20% p.a., which in turn increases estimated liabilities by roughly 4% at whole-fund level (with employer-level impacts typically between 3–10%).

There is no change to long-term inflation assumptions and no impact on the 2025 valuation, agreed contribution rates, or upcoming accounting work. This update simply reflects current market conditions rather than a shift in underlying funding strategy.

7.2 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:

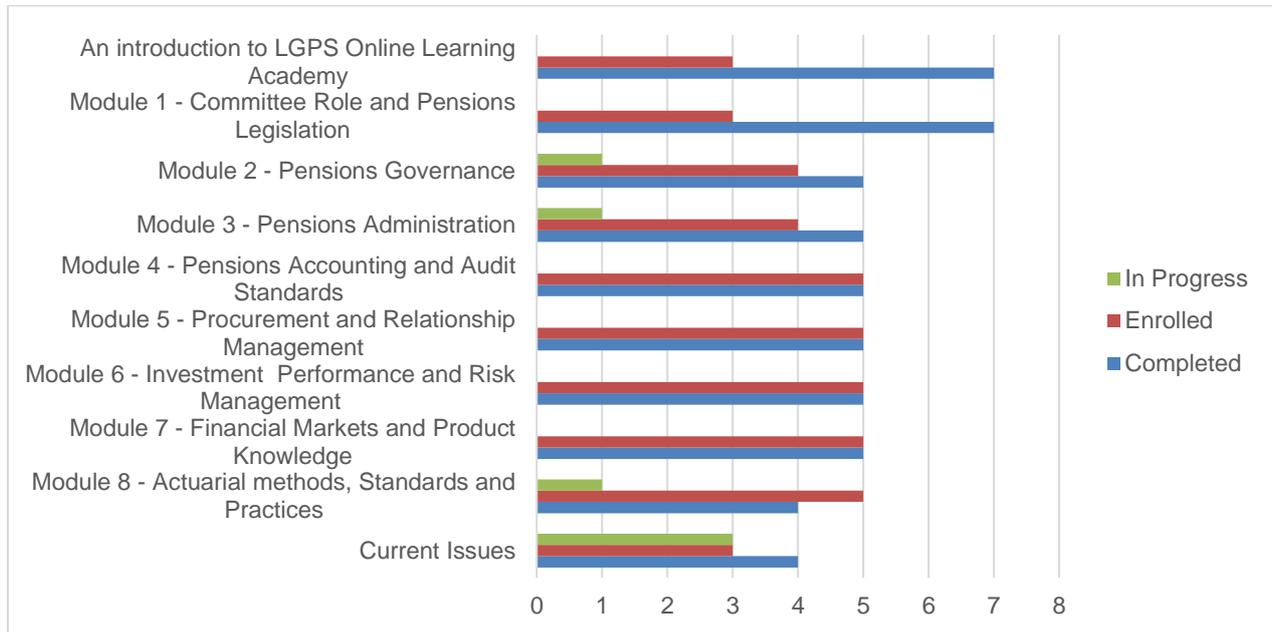
7.2.1 LCIV meetings (since last report)

- a. **Sustainable Working Group** 02 December 2025: LCIV officers presented the Responsible Investment Pillars and explained the way exclusions could apply for each of the pillars.
- b. **PEPPA divestment framework** 28 January 2026: LCIV officers explained the option to reduce ESG exposure with an alternative PEPPA offering. Benchmarks to follow.
- c. **Q4 Investment Webinar – Equities Q4 Investment Webinar** 04 February 2026 LCIV officers walked attendees through the performance of the Equities Funds.
- d. **Q4 Investment Webinar - Multi Asset & Fixed Income Funds** 05 February 2026: LCIV officers walked attendees through the performance of the Multi Asset and Fixed Income Funds.

7.3 Training Update

- a. The Fund subscribes to the LGPS Online Learning Academy (LOLA) provided by our Actuaries (Hymans) – an online platform designed to support the training needs of Pensions Committees, Local Pension Boards and Officers. Training is split into 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. Alongside induction training, members are expected to complete LOLA modules to support informed decision-making and comply with Committee procedure rules.
- c. New committee members have six months from date of joining to complete the LOLA modules.
- d. Officers will provide the Committee with regular progress reports allowing it to easily evidence member’s development and progress, as follows:

Chart 4 – Pension Committee progress LOLA v2: 31 December 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

Hyman’s LCIV Q3 2025 pool monitor